



# Retirement Systems of Minnesota

Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

February 10, 2012

## **ANALYSIS OF PENSION BILL H.F. No. 2168**

### **Article 1: Economic Assumption Revisions**

The three statewide retirement systems are comfortable with the proposal to move to a “select and ultimate” approach to the investment return assumption. The systems believe that the “select and ultimate” proposal reflects a prudent and phased compromise approach that recognizes slower expected economic growth in the short term and permits a re-evaluation of the return assumption at a future date.

With regard to payroll and salary assumptions, the retirement systems’ actuaries believe the numbers listed on the tables in the bill are too far below what recent experience studies recommend. The systems would prefer a more conservative approach to payroll/salary assumptions that would lower those assumptions more modestly so that they align more closely with those recommended by the systems’ actuaries and the LCPR actuary in the systems’ most recent experience studies. These assumptions will be re-evaluated for the larger plans next year in the scheduled experience studies.

### **Article 2: Interest Related Conforming Changes**

The statewide retirement systems believe it would be more appropriate to keep refund repayment, service purchase, and related rates consistent with the long-term 8.5 percent assumption rate to avoid loss of revenue to the systems. The systems recommend dropping this article of the bill.

### **Section 46: Temporary Provision: Revision of Annuity Reserve**

The statewide retirement systems believe this provision is not advisable because the change to 8 percent is temporary. It is not prudent to change the benefit calculation factors frequently or abruptly when members rely upon those calculations for benefit estimates and retirement planning. Necessary changes to factors resulting from the most recent experience study have been on hold pending the outcome of the LCPR discussion about the investment assumption. Once any change in the investment assumption is enacted into law, the retirement systems will report back to the LCPR regarding an implementation plan for factor changes.