Estimated Cost of the Veto of the 2017 Pension Bill

MSRS General

This chart evaluates the failure to enact the following benefit reforms and assumption changes:

- Elimination of the COLA trigger
- Reduction of the COLA from 2% to 1% for five years, 1.5% thereafter
- Elimination of augmentation effective for all former and current employees
- Elimination of augmentation adjustment in determining the actuarial equivalent early retirement factors, effective July 1, 2018, with a 5-year phase-in
- Deferral of the payment of the first COLA until normal retirement age, effective January 1, 2023, but not applicable to Rule of 90 retirees
- Reduction of the interest rate on payments, refunds, etc., from 4% to 3%
- Employee contribution increase of 0.5% phased in over two years
- Employer contribution increase of 0.75% phased in over two years
- Extension of the amortization period to 2047
- Decrease in the assumed investment rate of return from 8% to 7.5%

Long-term Impact

	Veto of Bill *(Status quo: as of 7/1/17)*	Enactment of Bill
	$ in billions, contributions as % of pay	
Target amortization date	2042	2047
Actuarial Accrued Liability	$15.2	
Market Value of Assets	$12.4	
Unfunded Actuarial Accrued Liability (UAAL)	$2.8	
Funded Ratio	81.5%	
Normal Cost (with expenses)	9.2%	8.5%
Amortization of UAAL	6.1%	3.4%
Total Required Contributions	15.3%	11.9%
Member Contributions	5.5%	6.0%*
Employer Contributions	5.5%	6.25%*
Total Contributions	11.0%	12.25%*
Contribution Surplus/(Deficiency)	(4.3%)	0.35%
Funded Ratio at end of applicable amortization period	62.6% in 2042	Exceed 100% funding within amortization (2047)

**When fully implemented*

Short-term FY 2018 Impact

$ amount of COLA payments made to retirees for FY 2018 that would not have been paid had the bill not been vetoed	$100 Million
$ amount of increased contributions not received for FY 2018 due to the veto	$7.2 Million Employee $10.8 Million Employer
$ amount of state aid not received for FY 2018 due to the veto	n/a

MSRS Correctional

This chart evaluates the failure to enact the following benefit reforms and assumption changes:

- Elimination of the COLA trigger
- Reduction of the COLA from 2% to 1.5%
- Elimination of augmentation effective for all former and current employees
- Reduction of the interest rate on payments, refunds, etc., from 4% to 3%
- Extension of the amortization period to 2047
- Decrease in the assumed investment rate of return from 8% to 7.5%
- Employee contribution increase of 0.5% beginning FY 2018
- Employer contribution increase of 1.55% and new 4.45% supplemental contribution, 6% total, phased in over four years

Long-term Impact

	Veto of Bill *(Status quo: as of 7/1/17)*	Enactment of Bill
	$ in millions, contributions as % of pay	
Target amortization date	2038	2047
Actuarial Accrued Liability	$1,500.3	
Market Value of Assets	$1,021.7	$1,021.7
Unfunded Actuarial Accrued Liability (UAAL)	$478.6	
Funded Ratio	68.1%	
Normal Cost (with expenses)	18.7%	17.5%
Amortization of UAAL	13.4%	9.2%
Total Required Contributions	32.1%	1.75%
Member Contributions	9.1%	9.6%
Employer Contributions	12.85%	14.4%
Supplemental Employer Contributions	none	4.45%*
Total Contributions	21.95%	28.45%*
Contribution Surplus/(Deficiency)	(10.15%)	1.75%
Funded Ratio at end of applicable amortization period	About 55% in 2038	Exceed 100% funding within amortization (2047)

**When fully implemented*

Short-term FY 2018 Impact

$ amount of COLA payments made to retirees for FY 2018 that would not have been paid had the bill not been vetoed	$6.6 Million
$ amount of increased contributions not received for FY 2018 due to the veto	$1.2 Million Employee $3.8 Million Employer
$ amount of state aid not received for FY 2018 due to the veto	n/a

MSRS State Patrol

This chart evaluates the failure to enact the following benefit reforms and assumption changes:

- Elimination of the COLA trigger
- Elimination of augmentation effective for all former and current employees
- Reduction of the interest rate on payments, refunds, etc., from 4% to 3%
- Extension of the amortization period to 2047
- Decrease in the assumed investment rate of return from 8% to 7.5%
- Employee contribution increase of 1.0% phased in by FY 2020
- Employer contribution increase of 2.5% and new 7.0% supplemental contribution, 9.5% total, phased in over four years

Long-term Impact

	Veto of Bill *(Status quo: as of 7/1/17)*	Enactment of Bill
	$ in millions, contributions as % of pay	
Target amortization date	2038	2047
Actuarial Accrued Liability	$909.2	
Market Value of Assets	$691.0	
Unfunded Actuarial Accrued Liability (UAAL)	$218.2	
Funded Ratio	76.0%	
Normal Cost (with expenses)	24.9%	24.9%
Amortization of UAAL	21.1%	17.2%*
Total Required Contributions	46.0%	42.1%
Member Contributions	14.4%	15.4%**
Employer Contributions	21.6%	23.1%**
Supplemental Employer Contributions	None	7.0%**
State Contribution	1.4%	1.4%
Total Contributions	37.4%	46.9%
Contribution Surplus/(Deficiency)	(8.6%)	4.8%
Funded Ratio at end of applicable amortization period	Estimated 62% in 2038	Exceed 100% by 2047

** Savings all due to reamortization*
*** When fully implemented*

Short-term FY 2018 Impact

$ amount of COLA payments made to retirees for FY 2018 that would not have been paid had the bill not been vetoed	n/a
$ amount of increased contributions not received for FY 2018 due to the veto	$0.4 Million Employee $1.8 Million Employer
$ amount of state aid not received for FY 2018 due to the veto	n/a

PERA General

This chart evaluates the failure to enact the following benefit reforms and assumption changes:

- Elimination of the COLA trigger
- Elimination of augmentation effective for all former and current employees
- Elimination of augmentation adjustment in determining the actuarial equivalent early retirement factors, effective July 1, 2018, with a 5-year phase-in
- Deferral of the payment of the first COLA until normal retirement age, effective January 1, 2023, but not applicable to Rule of 90 retirees
- Reduction of the interest rate on payments, refunds, etc., from 4% to 3%
- Extension of the amortization period to 2047
- Decrease in the assumed investment rate of return from 8% to 7.5%

Long-term Impact

	Veto of Bill *(Status quo: as of 7/1/17)*	Enactment of Bill
	$ in billions, contributions as % of pay	
Target amortization date	2033	2047
Actuarial Accrued Liability	$25.4	$25.6
Market Value of Assets	$20.1	$20.1
Unfunded Actuarial Accrued Liability (UAAL)	$5.3	$5.5
Funded Ratio	78.9%	78.2%
Normal Cost (with expenses)	8.1%	7.9%
Amortization of UAAL	7.7%	5.4%
Total Required Contributions	15.8%	13.3%
Member Contributions	6.5%	6.5%
Employer Contributions	7.5%	7.5%
Supplemental Employer Contributions	0.6%	0.6%
Total Contributions	14.6%	14.6%
Contribution Surplus/(Deficiency)	(1.2%)	1.3%
Funded Ratio at end of applicable amortization period	95.0% (2033) 108.9% (2047)	116.8%

Short-term FY 2018 Impact

$ amount of COLA payments made to retirees for FY 2018 that would not have been paid had the bill not been vetoed	n/a
$ amount of increased contributions not received for FY 2018 due to the veto	n/a
$ amount of state aid not received for FY 2018 due to the veto	n/a

PERA P&F

This chart evaluates the failure to enact the following benefit reforms:

- Elimination of the COLA trigger
- Elimination of augmentation effective for all former and current employees
- Reduction of the interest rate on payments, refunds, etc., from 4% to 3%
- Employee contribution increase of 1%, phased in over 2 years beginning January 1, 2018
- Employer contribution increase of 1.5%, phased in over 2 years, beginning January 1, 2018
- Additional state aid beginning 7/1/2018, of $4.5 million annually for 2 years, increasing to $9 million annually until 7/1/2047 or 100% funded
- Extension of the amortization period to 2047
- Decrease in the assumed investment rate of return from 8% to 7.5%

Long-term Impact

	Veto of Bill *(Status quo: as of 7/1/17)*	Enactment of Bill
	$ in millions, contributions as % of pay	
Target amortization date	2042	2047
Actuarial Accrued Liability	$9.1	$9.2
Market Value of Assets	$7.9	$7.9
Unfunded Actuarial Accrued Liability (UAAL)	$1.2	$1.3
Funded Ratio	86.2%	85.7%
Normal Cost (with expenses)	21.3%	21.2%
Amortization of UAAL	8.9%	8.2%
Total Required Contributions	30.2%	29.4%
Member Contributions	10.8%	11.8%*
Employer Contributions	16.2%	17.7%*
Supplemental Employer Contributions	1.4%	1.4%
State Aid	1.0%	2.0%*
Total Contributions	29.4%	32.9%*
Contribution Surplus/(Deficiency)	(0.8%)	3.5%
Funded Ratio at end of applicable amortization period	97.9% (2042) 100.0% (2047)	109.4%

**When fully implemented*

Short-term FY 2018 Impact

$ amount of COLA payments made to retirees for FY 2018 that would not have been paid had the bill not been vetoed	n/a
$ amount of increased contributions not received for FY 2018 due to the veto	$5.5 million
$ amount of state aid not received for FY 2018 due to the veto	$4.5 million

PERA Correctional

This chart evaluates the failure to enact the following benefit reforms:

- Elimination of the COLA trigger
- Reduction of the COLA from 2.5% to 1.5%
- Elimination of augmentation effective for all former and current employees
- Reduction of the interest rate on payments, refunds, etc., from 4% to 3%
- Extension of the amortization period to 2047
- Decrease in the assumed investment rate of return from 8% to 7.5%

Long-term Impact

	Veto of Bill *(Status quo: as of 7/1/17)*	Enactment of Bill
	$ in millions, contributions as % of pay	
Target amortization date	2036	2047
Actuarial Accrued Liability	$640.1	$614.4
Market Value of Assets	$601.1	601.1
Unfunded Actuarial Accrued Liability (UAAL)	$39.0	$13.3
Funded Ratio	93.9%	97.8%
Normal Cost (with expenses)	14.2%	13.9%
Amortization of UAAL	1.5%	0.4%
Total Required Contributions	15.7%	14.3%
Member Contributions	5.8%	5.8%
Employer Contributions	8.8%	8.8%
Total Contributions	14.6%	14.6%
Contribution Surplus/(Deficiency)	(1.1%)	0.3%
Funded Ratio at end of applicable amortization period	95.0% (2036) 96.0% (2047)	120.3%

Short-term FY 2018 Impact

$ amount of COLA payments made to retirees for FY 2018 that would not have been paid had the bill not been vetoed	$0.05M
$ amount of increased contributions not received for FY 2018 due to the veto	n/a
$ amount of state aid not received for FY 2018 due to the veto	n/a

TRA

This chart evaluates the failure to enact the following benefit reforms and assumption changes:

- Elimination of the COLA trigger
- Reduction of the COLA from 2% to 1% for five years, increasing by .1% each year thereafter until the COLA reaches 1.5%, effective January 1, 2027
- Elimination of augmentation effective for all former and current employees
- Elimination of augmentation adjustment in determining the actuarial equivalent early retirement factors, effective July 1, 2018, with a 5-year phase-in, except for retirees under the 62/30 rule
- Deferral of the payment of the first COLA until normal retirement age, effective January 1, 2023, but not applicable to Rule of 90 retirees and retirees under the 62/30 rule
- Reduction of the interest rate on payments, refunds, etc., from 4% to 3%
- Employee contribution increase of 0.25% effective July 1, 2023
- Employer contribution increase of 0.21% each year for six years starting July 1, 2017 (total of 1.25%)
- Extension of the amortization period to 2047
- Decrease in the assumed investment rate of return from 8.5% to 7.5%

Long-term Impact

	Veto of Bill *(Status quo: as of 7/1/17)*	Enactment of Bill
	$ in billions, contributions as % of pay	
Target amortization date	2039	2047
Actuarial Accrued Liability	$27.5	$28.2
Market Value of Assets	$21.2	$21.2
Unfunded Actuarial Accrued Liability (UAAL)	$6.3	$7.0
Funded Ratio	77.1%	75.3%
Normal Cost (with expenses)	8.99%	10.31%
Amortization of UAAL	9.34%	7.87%
Total Required Contributions	18.33%	18.18%
Member Contributions	7.5%	7.75%*
Employer Contributions	7.5%	8.75%*
Supplemental Employer	0.94%	0.94%
Total Contributions	15.94%	17.44%*
Contribution Surplus/(Deficiency)	(2.39%)	(0.74%)
Funded Ratio at end of applicable amortization period	87%	95%

**When fully implemented*

Short-term FY 2018 Impact

$ amount of COLA payments made to retirees for FY 2018 that would not have been paid had the bill not been vetoed	$18 million
$ amount of increased contributions not received for FY 2018 due to the veto	$9.5 million
$ amount of state aid not received for FY 2018 due to the veto	n/a

SPTRFA

This chart evaluates the failure to enact the following benefit reforms and assumption changes:

- Elimination of the COLA trigger
- Two-year COLA freeze, return to 1% COLA effective January 1, 2020
- Elimination of augmentation effective for all former and current employees
- Elimination of augmentation adjustment in early retirement factors, effective July 1, 2018, with a 5-year phase-in, except for retirees under the 62/30 rule
- Deferral of the payment of the first COLA until normal retirement age, effective January 1, 2023, but not applicable to Rule of 90 retirees and retirees under the 62/30 rule
- Reduction of the interest rate on payments, refunds, etc., from 4% to 3%
- Extension of the amortization period to 2047
- Decrease in the assumed investment rate of return from 8.0% to 7.5%
- Impact of mortality assumption changes
- Employee contribution increase of 0.25% effective July 1, 2021
- Employer contribution increases of 2.5% phased in over four years
- Additional state aid of $5 million per year

Long-term Impact

	Veto of Bill * *(Status quo: as of 7/1/17)*	Enactment of Bill **
	$ in billions, contributions as % of pay	
Target amortization date	2042	2047
Actuarial Accrued Liability	$1.61	
Market Value of Assets	$1.033	$1.033
Unfunded Actuarial Accrued Liability (UAAL)	$0.582	
Funded Ratio	64.0%	64.0%
Normal Cost (with expenses)	9.1%	8.9%
Amortization of UAAL	13.0%	13.8%
Total Required Contributions	22.0%	22.7%
Member Contributions	7.5%	7.75%***
Employer Contributions	6.5%	9.0% ***
Supplemental Employer Contributions	3.84%	3.84%
State Aids	3.76%	5.26%
Total Contributions	21.6%	25.85%
Contribution Surplus/(Deficiency)	(0.5%)	0.9%
Funded Ratio at end of applicable amortization period	Approx. 64.3%	Approx. 99%

**Does not reflect added cost of mortality assumption changes*
***Includes added impact of mortality assumption changes*
****When fully implemented*

Short-term FY 2018 Impact

$ amount of COLA payments made to retirees for FY 2018 that would not have been paid had the bill not been vetoed	$1.2 million
$ amount of increased contributions not received for FY 2018 due to the veto	$1.3 million
$ amount of state aid not received for FY 2018 due to the veto	$5 million