

Governor Dayton's Biennial Budget Recommendations for Pensions

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February 7th, 2017

Summary of Governor's Recommendation

Details by Pension System

Governor's Funding Recommendation

Summary of Governor's Pension Recommendations

Governor's Pension Recommendations

- The Governor is recommending changes to several of Minnesota's pension plans to improve their funded ratios.
 - MSRS General, Correctional, and State Patrol
 - TRA
 - SPTRFA
 - PERA Police and Fire
- Each set of recommendations reflect the needs of each particular plan, and include changes such as increased employee contributions, increased employer contributions, reductions of retiree COLAs, and other plan changes.
- The Governor's recommendation also includes a reduction of the investment return assumption to 7.5% for all plans

Governor's Pension Recommendations: Details by System

Minnesota State Retirement System (MSRS)

General Plan

- COLA: Reduction from 2% to 1.5% beginning in January of 2018
- Removal of triggers that would automatically increase COLAs in the future
- Employee contributions: Increase from 5.5% to 6% beginning in FY 2018
- Employer contributions: Increase from 5.5% to 8%, phased in over time
 - The employer contribution would remain at 8% until the fund attains a funded ratio of 100%, at which time it would return to 7%
- Re-amortization of payments on unfunded liabilities from a 26 year period to a 30 year period

Minnesota State Retirement System (MSRS)

Correctional Plan

- COLA: Reduction from 2% to 1.5% effective January of 2018
- Removal of triggers that would automatically increase COLAs in the future
- Employee contributions: Increase from 9.1% to 9.6% effective in FY 2018
- Employer contributions: Increase from 12.85% to 18.85%, phased in over four years
 - The employer contribution would remain at 18.85% until the fund attains a funded ratio of 100%, at which time it would return to 14.4%.
- Re-amortization of payments on unfunded liabilities from a 22 year period to a 30 year period

Minnesota State Retirement System (MSRS)

State Patrol Plan

- Removal of triggers that would automatically increase COLAs in the future
- Employee contributions: Increase from 14.4% to 15.4% phased in 0.5% increments in FY18 and FY20
- Employer contributions: Increase from 21.6% to 30.1%, phased in over time
 - The employer contribution would remain at 30.1% until the fund attains a funded ratio of 100%, at which time it would return to 23.1%.
- Re-amortization of payments on unfunded liabilities from a 22 year period to a 30 year period

Public Employees Retirement Association (PERA) Police and Fire Plan

- \$4.5 million of annual direct aid in FY18 and FY19
- \$9 million of annual direct aid in FY20 and beyond
- PERA board also approved other changes including:
 - Removal of triggers which would automatically increase COLAs in the future
 - Employer contributions: Increase of 16.2% to 17.7%;
 - Employee contributions: Increase of 10.8% to 11.8%;
 - Re-amortization of payments on unfunded liabilities from a 18 year period to a 30 year period

Teachers Retirement Association (TRA)

- COLA: Reduction from 2% to 1.0% for five years beginning in FY 2018, and 1.5% thereafter
- Removal of triggers that would automatically increase COLAs in the future
- Employer contributions: Increase from 7.5% to 9.5%, phased in over time
- Re-amortization of payments on unfunded liabilities from a 20 year period to a 30 year period

Saint Paul Teachers Retirement Association Fund (SPTRFA)

- Removal of triggers that would automatically increase COLAs in the future
- Employer contribution rates: Increase from 6.5% to 8.5%, phased in over time
- Re-amortization of payments on unfunded liabilities from a 26 year period to a 30 year period

Governor's Funding Recommendation

Funding Provided in the Governor's General Fund Budget

State Agencies

- The Governor recommends increasing agency general fund budgets to offset these costs in FY18 and FY19.

School Districts

- The Governor recommends increasing general education spending and adding a pension specific adjustment to accommodate growth in pension costs in FY18 and FY19.

Funding Provided in the Governor's General Fund Budget

Governor's Proposed Budget, Pension Funding Summary

\$s in 000s

	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>
School Aid Formula	22,851	45,703	45,703	45,703
State Agency Funding	8,274	14,004	14,004	14,004
Direct Aid	4,500	4,500	9,000	9,000
Grand Total:	35,625	64,207	68,707	68,707
Biennial Totals:		99,832		137,414

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