

_____ moves that the Legislative Commission on Pensions and Retirement ("LCPR") approve the changes in payroll and salary assumptions, pursuant to Minnesota Statutes, Section 356.215, subdivision 18, as recommended by the actuary for the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA), and the St. Paul Teachers Retirement Fund Association (SPTRFA) and adopted by the respective board of directors or board of trustees for each system, effective beginning with the actuarial valuation as of July 1, 2017, for the following plans:

MSRS-administered plans:

State Employees Retirement Fund
Correctional Employees Retirement Fund
State Patrol Retirement Fund

PERA-administered plans:

General Employee Retirement Plan
Public Employees Police and Fire Fund
Local Government Correctional Service Retirement Plan

SPTRFA

In support of this motion, the LCPR acknowledges receipt of the following:

- Letter from the executive directors of MSRS, PERA, and SPTRFA, dated May 9, 2017, to the members of the LCPR
- Letter from GRS Retirement Consulting to the executive directors, dated May 9, 2017, and attached Exhibit A

The foregoing approval by the LCPR shall take effect only if legislation introduced during the 2017 session, which lowers the investment rate of return for each of the plans to 7.5%, is enacted.

May 9, 2017

Sen. Julie Rosen, Chair
Sen. Sandra Pappas
Sen. Gary Dahms
Sen. Dan Schoen
Sen. John Jasinski
Sen. Warren Limmer
Sen. David Senjem

Rep. Tim O'Driscoll, Vice Chair
Rep. Tony Albright
Rep. Sarah Anderson
Rep. Roz Peterson
Rep. Bob Vogel
Rep. Mary Murphy
Rep. Paul Thissen

Legislative Commission on Pensions and Retirement (LCPR)
Minnesota House State Office Building
St. Paul, MN 55155

Re: Economic Assumption Changes for Inflation, Salary and Payroll Growth

Dear LCPR Members:

Because of the change to the assumed rate of return, the other economic assumptions used by the plan actuaries to complete the annual valuation report must be updated. Each of our three Board of Directors approved the proposed assumption changes after they were presented by the plan actuary, GRS Consulting.

We respectfully request that the Commission take action to adopt these assumption changes as outlined by our actuary in the attached document. This will ensure that all of the economic assumptions associated with lowering the investment assumption to 7.5 percent are reflected in the 2017 Actuarial Valuations.

We appreciate your attention to this matter and apologize for the late nature of this request.

Sincerely,

Erin Leonard, Executive Director, Minnesota State Retirement System
Jill Schurtz, Executive Director, St Paul Teachers Retirement Fund Association
Doug Anderson, Executive Director, Public Employee Retirement Association

May 9, 2017

Ms. Erin Leonard
Minnesota State Retirement System

Mr. Doug Anderson
Public Employees Retirement Association of MN

Ms. Jill Schurtz
St. Paul Teachers Retirement Fund Association

Re: Proposed Economic Assumption Changes

Dear Erin, Doug, and Jill:

Proposed legislation would change the discount rate assumption used for your funding valuations from 8.0% to 7.5%. As discussed, if this change is adopted, similar adjustments should be made to the other economic assumptions so that they remain consistent. The adjustments have previously been recommended by GRS to each of your funds. The recommendations were discussed and it is our understanding that each Board adopted the recommendations. The purpose of this letter is to compile and document the adjustments for all of the affected plans.

Minnesota State Retirement System Proposed Assumptions

- Payroll growth of 3.25% per year for the State Employees Retirement Fund (SERF), Correctional Employees Retirement Fund (CERF), and State Patrol Retirement Fund (SPRF)
- Salary Scale tables for SERF, CERF, and SPRF summarized in the attached Exhibit A
- Payroll growth of 2.50% per year for the Judges Retirement Fund (JRF)
- Salary Scale of 2.50% per year for JRF

Public Employees Retirement Association of MN Proposed Assumptions

- Payroll growth of 3.25% per year for the General Employees Retirement Plan (GERP), Public Employees Police and Fire Fund (PEPFF), and Local Government Correctional Service Retirement Plan (LGCSRP)
- Salary Scale tables for GERP, PEPFF, and LGCSRP summarized in the attached Exhibit A

St. Paul Teachers Retirement Fund Association (SPTRFA) Proposed Assumptions

- Payroll growth of 3.50% per year for SPTRFA
- Salary Scale table for SPTRFA summarized in the attached Exhibit A

Again, we recommend that these assumption changes be implemented only if the statutory discount rate changes from 8.0% to 7.5%.

Ms. Leonard, Mr. Anderson, Ms. Schurtz
May 9, 2017
Page 2

Please let us know if you have any questions about this information. Thank you for your attention to this matter.

Sincerely,

Bonita J. Wurst

Bonita J. Wurst, ASA, EA, FCA, MAAA
Senior Consultant

BJW:sc



Exhibit A

Salary Scale Rates Consistent with 7.5% Discount Rate

% Total Increases in Salaries Next Year

Year	MSRS			PERA		Age	PERA	
	SERF	CERF	SPRF	GERP	PEFPF		LGCSRP	SPTRFA
1	13.75%	12.25%	15.25%	11.25%	12.25%	20	8.50%	5.40%
2	11.25%	8.75%	9.25%	8.25%	10.50%	21	8.25%	5.40%
3	6.00%	5.75%	7.75%	6.75%	8.75%	22	8.00%	5.40%
4	5.25%	5.25%	7.25%	5.75%	7.75%	23	7.75%	5.35%
5	5.00%	5.00%	6.75%	5.25%	6.25%	24	7.50%	5.30%
6	4.90%	4.75%	6.25%	4.95%	5.75%	25	7.25%	5.25%
7	4.75%	4.75%	6.00%	4.65%	5.25%	26	7.00%	5.20%
8	4.50%	4.75%	5.75%	4.55%	5.00%	27	6.75%	5.15%
9	4.25%	4.75%	5.50%	4.45%	4.75%	28	6.50%	5.10%
10	4.00%	4.75%	5.25%	4.25%	4.50%	29	6.25%	5.05%
11	3.95%	4.75%	5.00%	4.00%	4.25%	30	6.25%	5.00%
12	3.90%	4.50%	4.75%	3.85%	4.15%	31	6.00%	4.95%
13	3.85%	4.25%	4.50%	3.75%	4.05%	32	6.00%	4.90%
14	3.80%	4.25%	4.25%	3.65%	3.95%	33	6.00%	4.85%
15	3.75%	4.00%	4.25%	3.65%	3.85%	34	5.75%	4.80%
16	3.70%	4.00%	4.25%	3.60%	3.75%	35	5.75%	4.75%
17	3.65%	4.00%	4.00%	3.55%	3.75%	36	5.50%	4.70%
18	3.60%	3.75%	4.00%	3.50%	3.75%	37	5.50%	4.65%
19	3.55%	3.75%	3.75%	3.50%	3.75%	38	5.50%	4.60%
20	3.50%	3.75%	3.75%	3.50%	3.75%	39	5.25%	4.55%
21	3.45%	3.50%	3.65%	3.50%	3.65%	40	5.25%	4.50%
22	3.40%	3.50%	3.55%	3.45%	3.55%	41	5.25%	4.45%
23	3.35%	3.50%	3.45%	3.35%	3.45%	42	5.00%	4.40%
24	3.30%	3.25%	3.35%	3.35%	3.35%	43	4.75%	4.35%
25	3.25%	3.25%	3.25%	3.35%	3.25%	44	4.75%	4.30%
26	3.25%	3.25%	3.25%	3.25%	3.25%	45	4.50%	4.25%
27	3.25%	3.25%	3.25%	3.25%	3.25%	46	4.50%	4.20%
28	3.25%	3.25%	3.25%	3.25%	3.25%	47	4.50%	4.15%
29	3.25%	3.25%	3.25%	3.25%	3.25%	48	4.50%	4.10%
30	3.25%	3.25%	3.25%	3.25%	3.25%	49	4.50%	4.05%
31+	3.25%	3.25%	3.25%	3.25%	3.25%	50	4.50%	4.00%
						51	4.50%	3.95%
						52	4.50%	3.90%
						53	4.50%	3.85%
						54	4.50%	3.80%
						55	4.25%	3.75%
						56	4.25%	3.70%
						57	4.00%	3.65%
						58	3.75%	3.60%
						59	3.75%	3.55%
						60	3.75%	3.50%
						61	3.75%	3.50%
						62	3.75%	3.50%
						63	3.75%	3.50%
						64	3.75%	3.50%
						65+	3.50%	3.50%