



# Retirement Systems of Minnesota

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

## Chapter 359 – Article 1, Section 86 - Study

“The executive directors of the Minnesota State Retirement System, the Public Employees Retirement Association, and the Teachers Retirement Association shall jointly conduct a study of defined benefit, defined contribution, and other alternative retirement plans for Minnesota public employees. The study must include analysis of the feasibility, sustainability, financial impacts, and other design considerations of these retirement plans. The report must be provided no later than June 1, 2011, to the chair, the vice-chair, and the executive director of the Legislative Commission on Pensions and Retirement.”

### Proposed Retirement Plan Design Study approach:

1. Study will identify retirement plan design options and describe their advantages/disadvantages. The study will not make recommendations.
2. Retirement systems will conduct study and rely on actuarial firms for special cost analyses. Actuarial analyses will be prepared for three major plans (MSRS General, PERA General, TRA). Actuarial studies will be conducted by Mercer (systems’ actuary) with results reviewed for reasonableness by Milliman (LCPR actuary).
3. Input and comments will be solicited from stakeholder groups and other interested parties. The draft outline of the study will be circulated for feedback from stakeholder groups. A special meeting(s) in mid-September will be held for that purpose.
4. In January 2011 a second public stakeholder group meeting will be held to provide a status report on the study and present updated FY10 actuarial valuations.
5. A draft of report would be completed in March and then circulated to all groups and interested parties for comment. Comments about the report made in writing by groups or individuals will be included in the final report.

### Tasks/Timeline:

Tasks	When
1. Systems present at LCPR Hearing -- describe study, approach and solicit feedback	7/8/10
2. Systems hold stakeholder meeting-- describe study outline, approach and solicit feedback	9/23/10 Room 106
3. Systems meet with Mercer/Milliman -- discuss parameters and approach of study and nature of actuarial work needed	Mid-July
4. System actuary completes FY 10 valuations	12/31/10
5. Systems hold second Stakeholder Meeting -- provide results of FY10 valuations and status report on study	Mid-January
6. System actuary completes special actuarial analyses	2/17/11
7. LCPR actuary reviews of actuarial analyses for reasonableness	3/31/11
8. Circulate draft report for comment from stakeholder groups	3/31/11
9. Report due to LCPR	6/1/11

# **DRAFT Retirement Plan Design Study Outline**

- I. Executive Summary
- II. Introduction
  - Purpose of study, approach
  - Legislative mandate
  - Methodology used, actuarial analysis, process for involving stakeholder groups
- III. Description of 3 Systems (MSRS, PERA, TRA)
  - Benefit Structure
  - Key Member Demographics
  - Current actuarial status/costs (based FY210 valuations)
  - Investment Program and Historical Returns
- IV. Identify Main Retirement Plan Options
  - DB
  - DC
  - Hybrid DB/DC
  - Cash Balance
- V. Describe Advantages/Disadvantages of Each Option based on criteria such as:
  - Cost predictability
  - Financial Impact – include projections under different economic scenarios
  - Income Security/Adequacy
  - Risk – investment, longevity
  - Investment Performance
  - Portability
  - Recruitment/Retention
  - Generational considerations
  - Additional categories?
- VI. Public Safety Plans – unique considerations
- VII. Public Written Comments
- VIII. Appendix (may include links to studies or websites)
  - Trends Among Other State Retirement Systems
  - Trends in Private Sector
  - Retirement income security studies
  - Economic impact study
  - Other background?

7/7/2010