

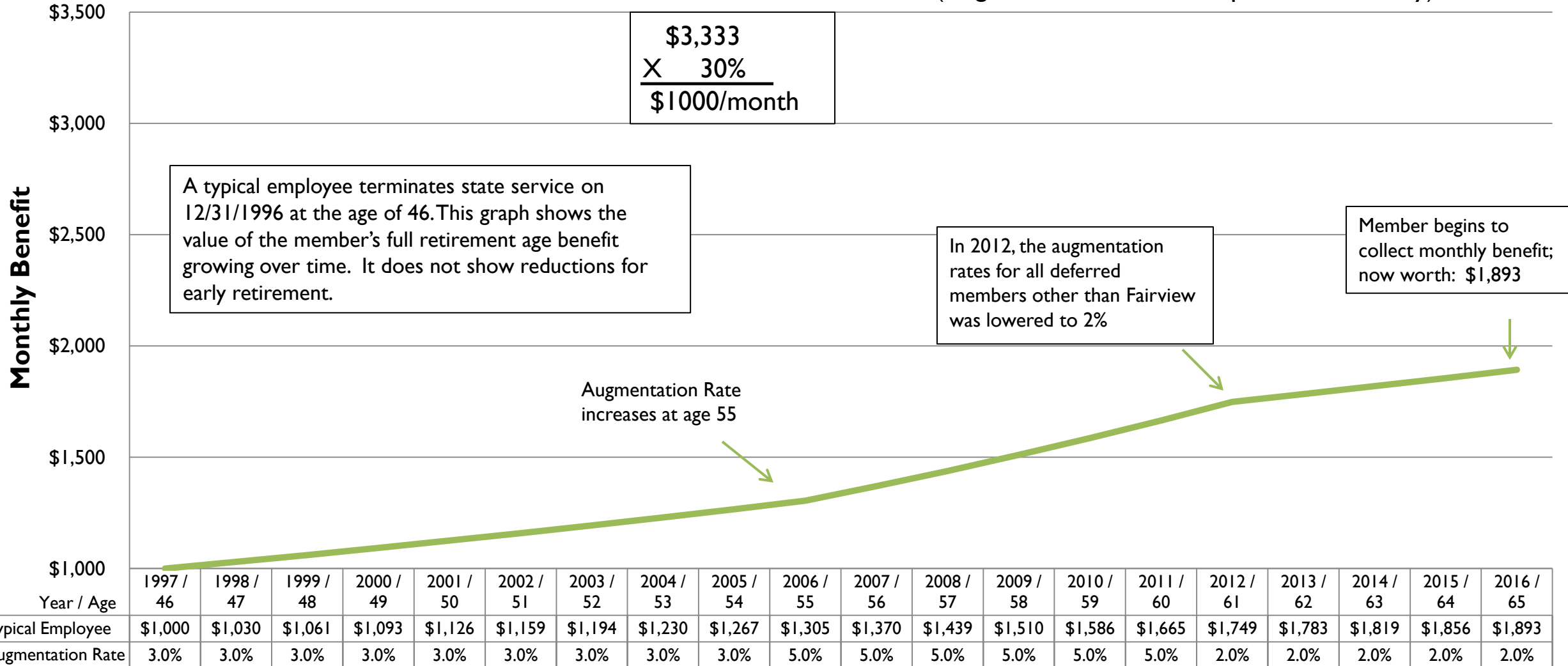
What is Deferred Augmentation? (65 years old today)

- Members who terminate employment but do not start collecting a benefit are eligible for a deferred annuity.
- A deferred annuity augments the benefit upward by a % of the benefit for every year that the member does not collect the annuity

$$\text{Deferred Annuity} = (\text{High 5 Salary}) \times (\text{Formula}) \times (\text{Years of Service}) \times (\text{Augmentation Rates Compounded Annually})$$

$$\$3,333/\text{month} \times 1.5\% \times 20 \text{ Years} \times (\text{Augmentation Rates Compounded Annually})$$

$$\frac{\$3,333 \times 30\%}{\$1,000/\text{month}}$$



4/5/2016

How does Enhanced Deferred Augmentation work for Fairview Members? 65 Years old today)

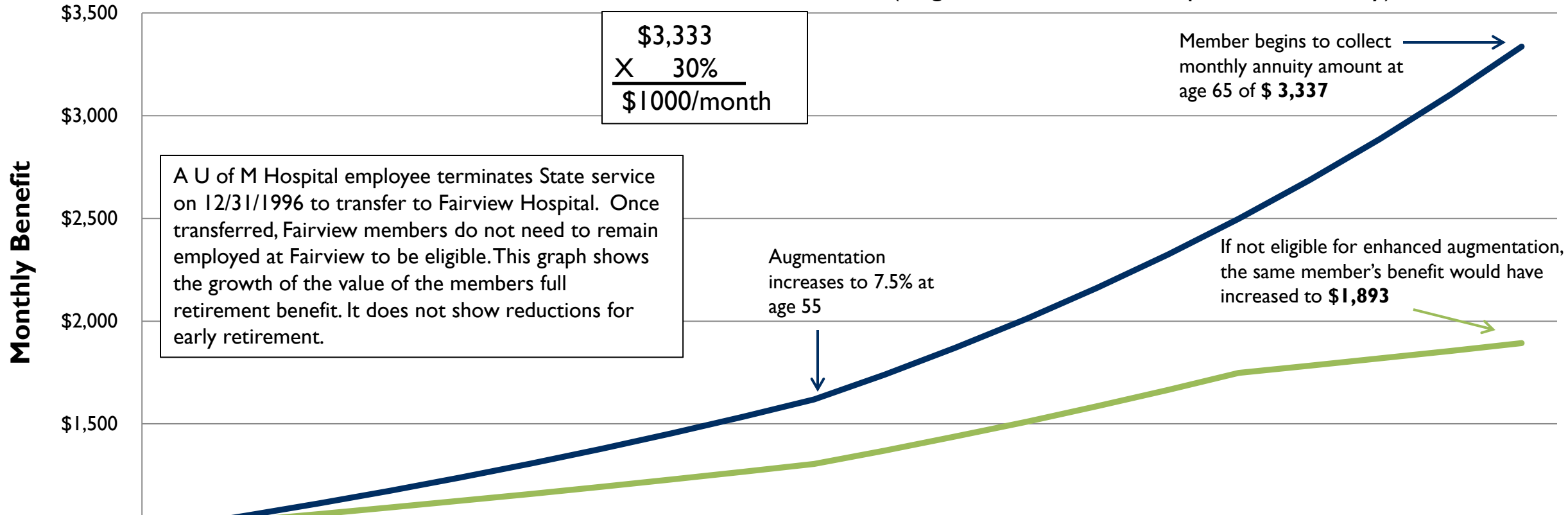
Fairview memb(ers receive higher augmentation than a typical former employee: 5.5% before age 55 and 7.5% thereafter

To be eligible: - Had to transfer to Fairview from U of M on 1/1/1997 - Can't collect while still working at Fairview

- Can't return to a public pension covered position in Minnesota.

$$\text{Fairview Deferred Annuity} = (\text{High 5 Salary}) \times (\text{Formula}) \times (\text{Years of Service}) \times (\text{Augmentation Rates Compounded Annually})$$

$$\$3,333/\text{month} \times 1.5\% \times 20 \text{ Years} \times (\text{Augmentation Rates Compounded Annually})$$

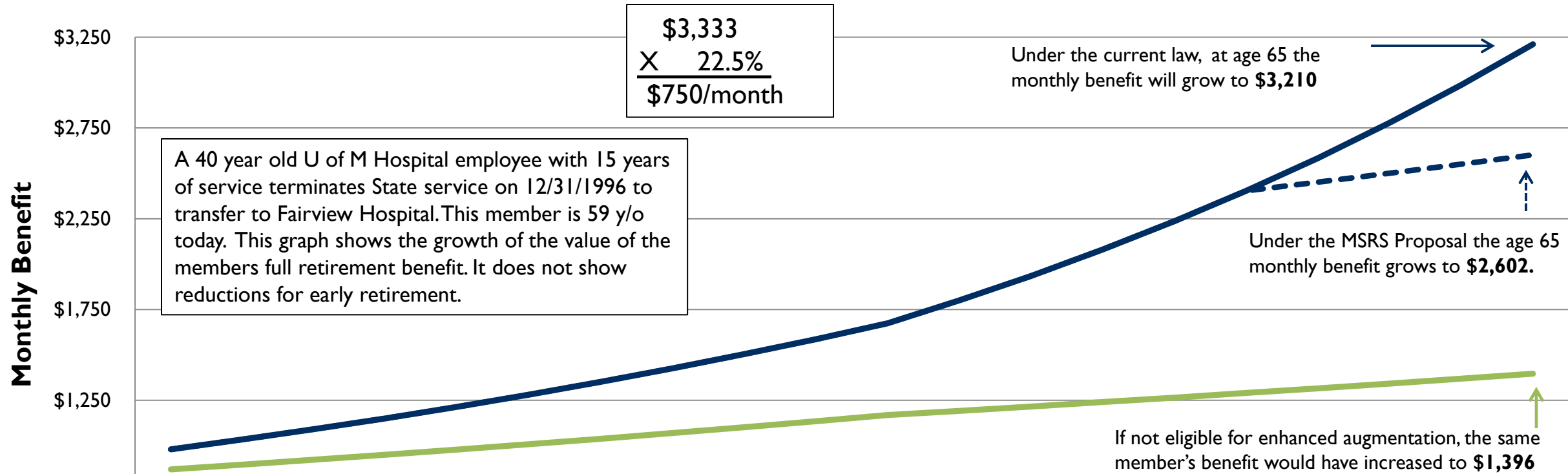


Year/ Age	1997 / 46	1998 / 47	1999 / 48	2000 / 49	2001 / 50	2002 / 51	2003 / 52	2004 / 53	2005 / 54	2006 / 55	2007 / 56	2008 / 57	2009 / 58	2010 / 59	2011 / 60	2012 / 61	2013 / 62	2014 / 63	2015 / 64	2016 / 65
Fairview Employee	\$1,000	\$1,055	\$1,113	\$1,174	\$1,239	\$1,307	\$1,379	\$1,455	\$1,535	\$1,619	\$1,741	\$1,871	\$2,011	\$2,162	\$2,324	\$2,499	\$2,686	\$2,888	\$3,104	\$3,337
Augmentation Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Typical Employee	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	\$1,159	\$1,194	\$1,230	\$1,267	\$1,305	\$1,370	\$1,439	\$1,510	\$1,586	\$1,665	\$1,749	\$1,783	\$1,819	\$1,856	\$1,893
Augmentation Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%	2.0%	2.0%	2.0%	2.0%

MSRS Proposed Augmentation Reduction for Fairview Members (59 Years Old Today)

Reduce Enhanced Augmentation for all Fairview Members to 2% starting on January 1, 2017.

Example Fairview Annuity = (High 5 Salary) x (Formula) x (Years of Service) x (Augmentation Rates Compounded Annually)
 \$3,333/month x 1.5% x 15 years x (Augmentation Rates Compounded Annually)



Year / Age	2002 / 45	2003 / 46	2004 / 47	2005 / 48	2006 / 49	2007 / 50	2008 / 51	2009 / 52	2010 / 53	2011 / 54	2012 / 55	2013 / 56	2014 / 57	2015 / 58	2016 / 59	2017 / 60	2018 / 62	2019 / 63	2020 / 64	2021 / 65
Fairview Employee	\$980	\$1,034	\$1,091	\$1,151	\$1,214	\$1,281	\$1,352	\$1,426	\$1,504	\$1,587	\$1,674	\$1,800	\$1,935	\$2,080	\$2,236	\$2,404	\$2,584	\$2,778	\$2,986	\$3,210
MSRS Proposal	\$980	\$1,034	\$1,091	\$1,151	\$1,214	\$1,281	\$1,352	\$1,426	\$1,504	\$1,587	\$1,674	\$1,800	\$1,935	\$2,080	\$2,236	\$2,404	\$2,452	\$2,501	\$2,551	\$2,602
Augmentation Rate	5.5%	5.5%	5.5%	5.5%	5.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	2.0%	2.0%	2.0%	2.0%	2.0%
Typical Employee	\$869	\$896	\$922	\$950	\$979	\$1,008	\$1,038	\$1,069	\$1,101	\$1,134	\$1,168	\$1,192	\$1,216	\$1,240	\$1,265	\$1,290	\$1,316	\$1,342	\$1,369	\$1,396
Augmentation Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Enhanced Augmentation for younger members (45 years old today)

Compounding interest has larger impact on younger members.

There are 218 Fairview Members under the age of 50 years old – 99 of those members are under the age of 46.

$$\text{Example Fairview Annuity} = (\text{High 5 Salary}) \times (\text{Formula}) \times (\text{Years of Service}) \times (\text{Augmentation Rates Compounded Annually})$$

$$\$3,333/\text{month} \times 1.5\% \times 5 \text{ years} \times (\text{Augmentation Rates Compounded Annually})$$

