

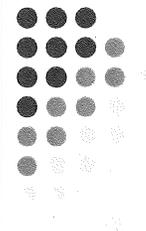
#1

Pension Overview:

State Government Budget Division

Presented by:

- Mary Vanek, Public Employees Retirement Association
- David Bergstrom, Minnesota State Retirement System
- Gary Austin, Teachers Retirement Association



February 2, 2005

Minnesota statewide pension funds

MSRS

- State employees
- U of Minnesota
- Metropolitan Council

Membership

- 51,587 active members
- 14,085 deferred members
- 25,204 benefit recipients

Plans

- General
- Highway Patrol
- Correctional Officers
- Judges
- Legislators
- Constitutional Officers
- Unclassified
- Deferred Compensation
- Health Care Savings Plan

Assets: \$10.8 billion

PERA

- City
- County
- Non-teaching school district employees

Membership

- 151,470 active members
- 35,551 deferred members
- 61,190 benefit recipients

Plans

- Coordinated
- Basic
- Police & Fire
- Correctional
- Defined Contribution

Assets: \$14.2 billion

TRA

- Public teachers/admin.
- State universities
- Community colleges
- Charter schools

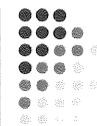
Membership

- 72,008 active members
- 10,767 deferred members
- 37,649 benefit recipients

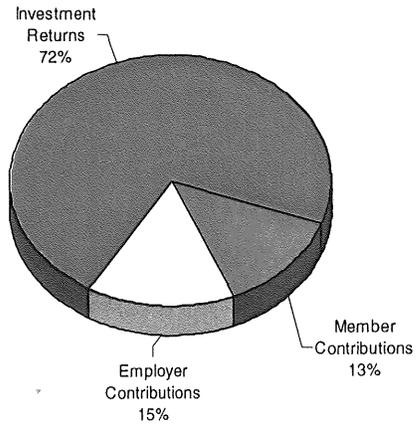
Plans

- Coordinated
- Basic

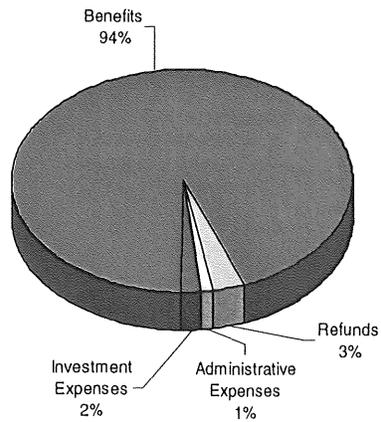
Assets: \$15.1 billion

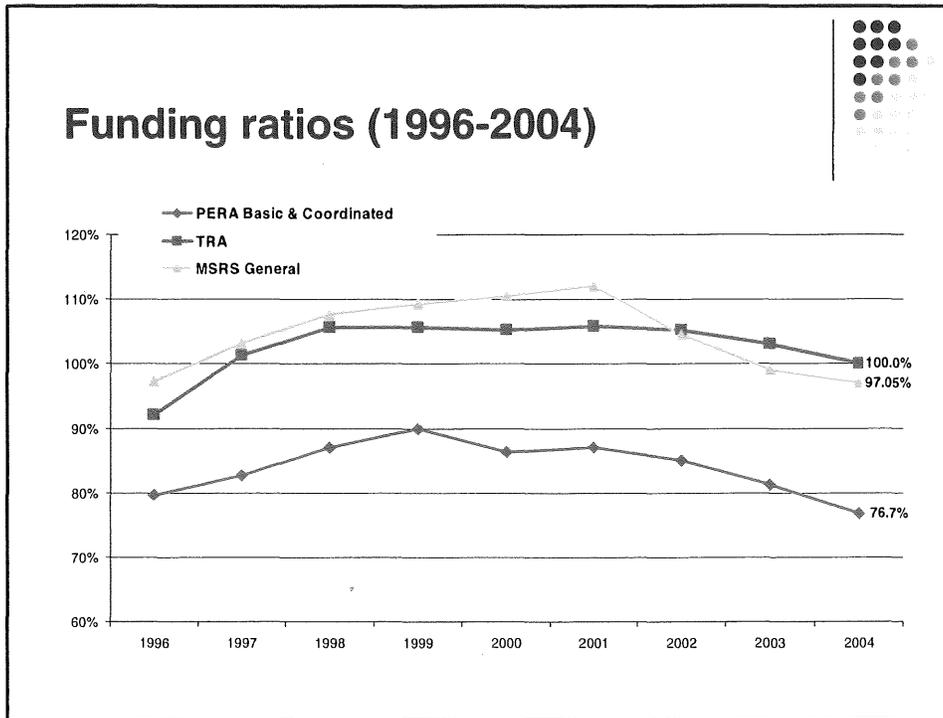


Sources of pension funds (1991 - 2004)



Uses of pension funds (1996 - 2004)





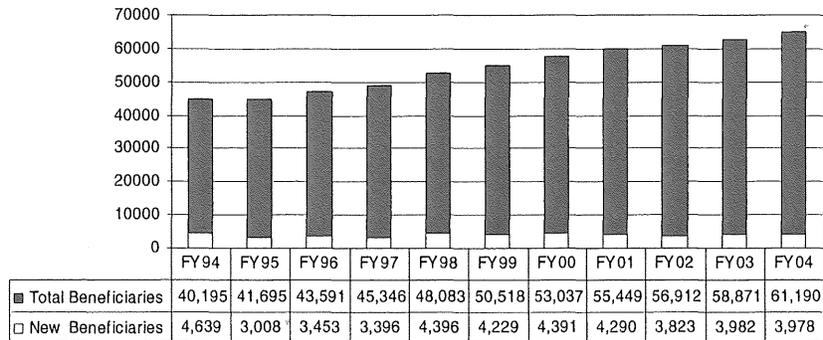
PERA member profile

June 30, 2004

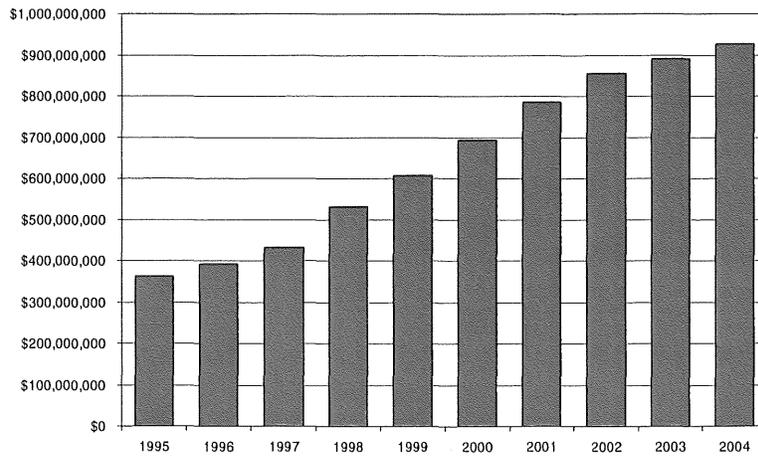
Plans	General	Police & Fire	Correctional
Active Members	138,164	10,055	3,251
• Average age (Coordinated)	45.6 yrs	39.0 yrs	38.6 yrs
• Average service (Coordinated)	9.9 yrs	11.2 yrs	3.4 yrs
Benefit Recipients	54,620	6,431	139
• Average age at retirement	62.0 yrs	53.0 yrs	N/A
Deferred Members	33,915	878	758

PERA benefit recipients

(retirees, survivors and disabilitants)



PERA benefits paid



PERA employers

June 30, 2004

Employer Type	Number	Members Reported
Cities	735	24,873
Counties*	95	37,778
Schools**	408	65,530
Miscellaneous***	2,321	13,508
Total	3,559	141,689

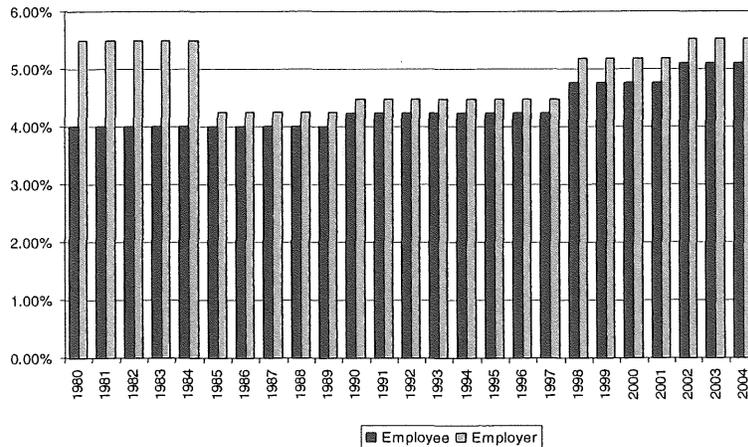
* Includes county departments that report separately to PERA;

** Includes charter schools

*** Includes all townships, including 915 townships not reporting, but who must be monitored for membership eligibility; all public hospitals and nursing homes covered by PERA; other miscellaneous entities as well as former school district and county employees who are now considered state employees.

PERA historical contribution rates:

Coordinated plan



PERA: proposed contribution rates

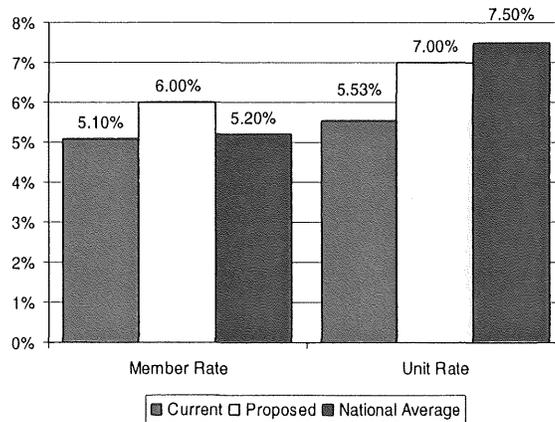
Coordinated plan

Effective Date	Employee Rate	Employer Rate
Current	5.10 %	5.53 %
January 1, 2006	5.50 %	6.00 % (\$19.8M)
January 1, 2007	5.75 %	6.25 % (\$10.5M)
January 1, 2008	6.00 %	6.50 % (\$10.5M)
January 1, 2009	6.00 %	6.75 % (\$10.5M)
January 1, 2010	6.00 %	7.00 % (\$10.5M)
Total Change	0.90%	1.47 (\$61.8M)

Annual Salary	Annual Cost To Employee <i>Based on proposed contribution rate increases</i>				
	0.40 01/01/06	*0.25 01/01/07	0.25 01/01/08	Total after fully implemented	Total net pay reduction after tax-deferral
\$30,000	\$120	\$75	\$75	\$270	\$180.90

PERA contribution rate comparison

Coordinated plan



MSRS member profile

June 30, 2004



Plans	General	Correctional	Patrol	Unclassified	Legislative	Elective	Judges
Active Members	47,058	3,334	825	1,764	87	0	283
• Average age	46.0 yrs						
• Average service	12.7 yrs						
Benefit Recipients	22,641	1,179	802	248	315	13	254
• Average age at retirement	61.7 yrs						
Deferred Members	13,240	669	27	1,700	117	3	29

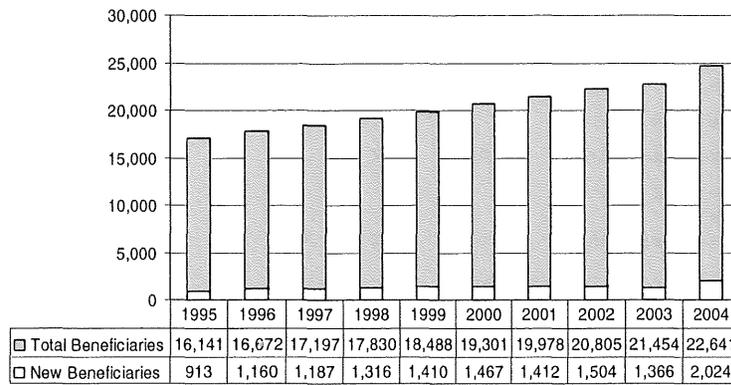
MSRS additional savings plans



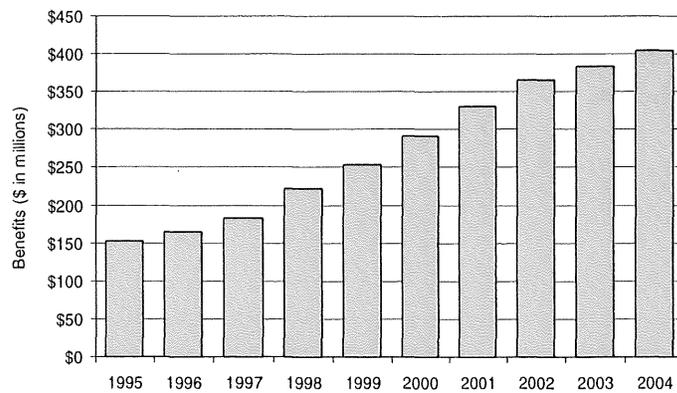
Plans	Deferred Compensation	Health Care Savings
Active Members	78,045	12,513
Benefit Recipients	10,721	1,144

MSRS benefit recipients: General Plan

(retirees, survivors and disabilitants)

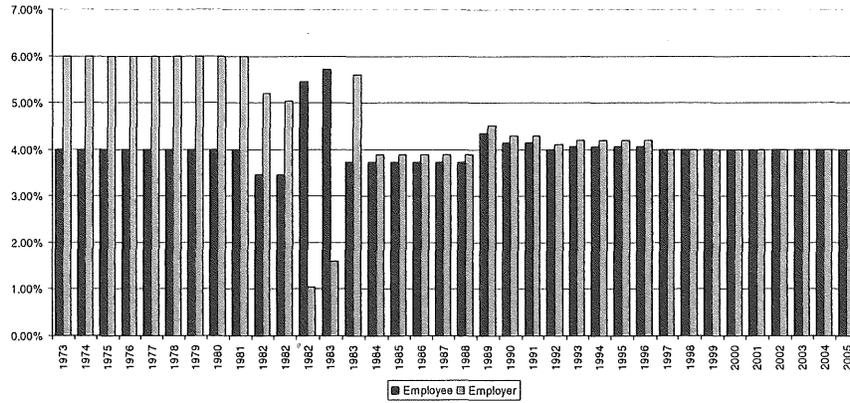


MSRS benefits paid: All Plans



MSRS historical contribution rates

General plan



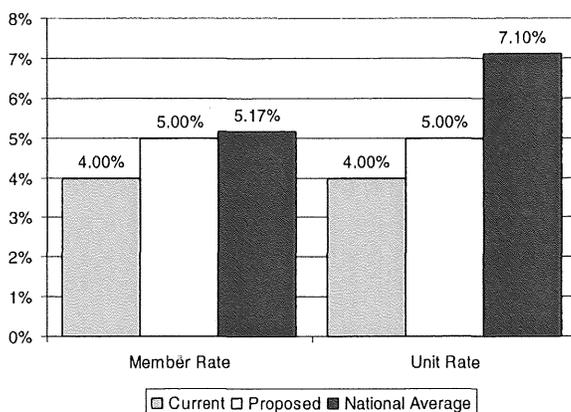
MSRS legislative proposal

General plan

<i>Effective Date</i>	<i>Employee Rate</i>	<i>Employer Rate</i>
Current	4.00%	4.00%
July 1, 2007	4.25%	4.25% (+\$5.5M/yr)
July 1, 2008	4.50%	4.50% (+\$5.5M/yr)
July 1, 2009	4.75%	4.75% (+\$5.5M/yr)
July 1, 2010	5.00%	5.00% (+\$5.5M/yr)
Total Change	1.00%	1.00% (\$22M/yr)

MSRS contribution rate comparison

General plan



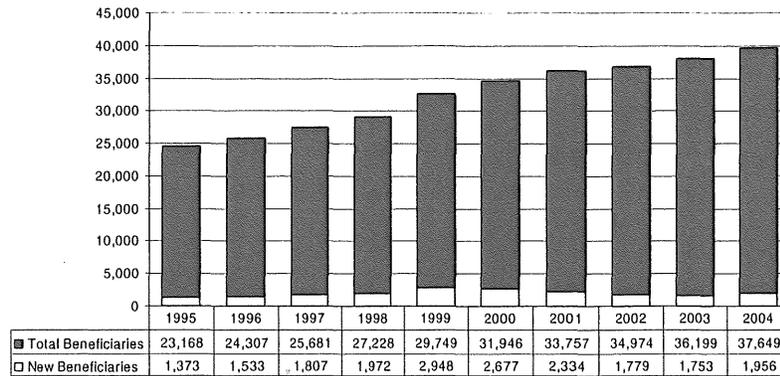
TRA member profile

June 30, 2004

Active Members	72,008
• Average age	43.2 yrs
• Average service	11.7 yrs
Inactive Members, vested	10,767
Inactive Members, non-vested	18,203
Benefit Recipients	37,649
• Average age at retirement	58.7 years

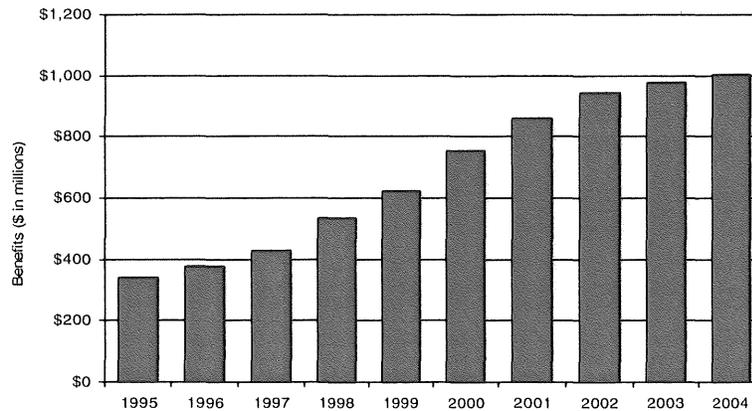
TRA benefit recipients

(retirees, survivors and disabilitants)



New beneficiaries are projected to reach 2,566 in the year 2010.

TRA benefits paid



TRA employers

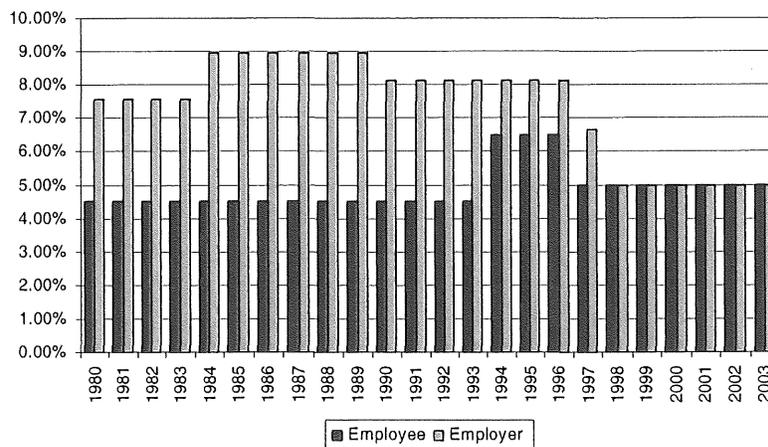
June 30, 2004

Employer Type	Number
School districts	345
Joint power units	37
Colleges and universities	39
State agencies	6
Charter schools	110
Professional organizations	1
Total	538



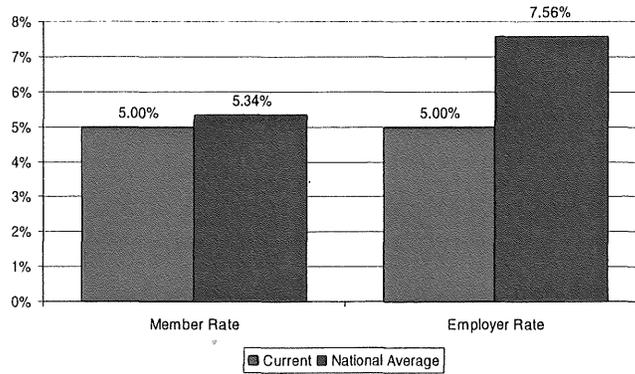
TRA historical contribution rates

Coordinated plan



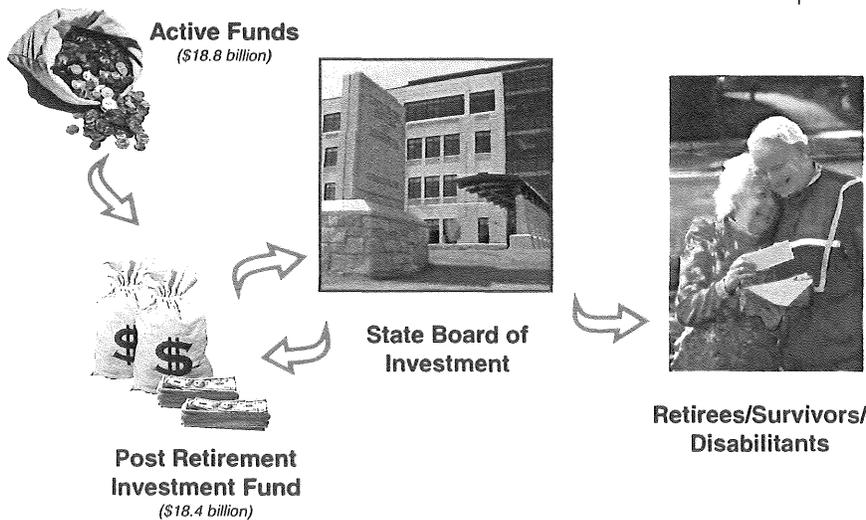
TRA contribution rate comparison

Comparing Minnesota TRA with all similar statewide teachers retirement systems (non-Social Security states excluded)



Source: Characteristics of 100 Large Public Pension Plans, NEA (Nov 2002)

Post Retirement Investment Fund



Why the Post Fund was established

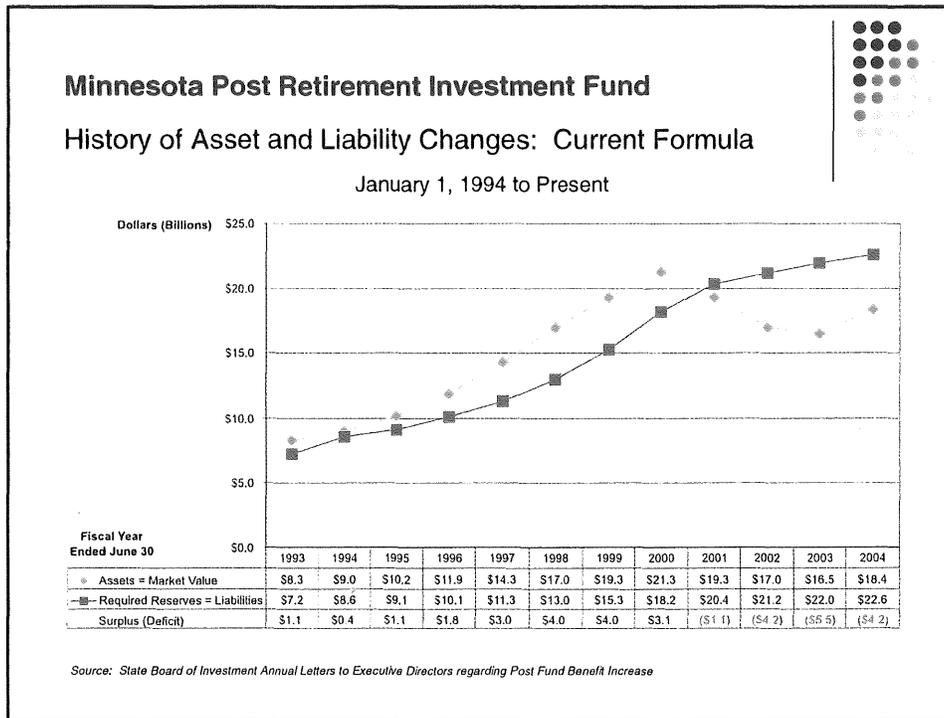
- Make sure future benefits to retirees are fully funded.
- Provide inflation protection up to 2.5%.
- Return investment gains to retirees, if available (expected to be 1%-2% in addition to inflation component).



History of Post Fund increases

January 1	Increase Paid
1990	4.040%
1991	5.100%
1992	4.295%
1993	4.553%
1994	6.017%
1995	3.985%
1996	6.3954%
1997	8.0395%
1998	10.0876%
1999	9.8254%
2000	11.1436%
2001	9.5342%
2002	4.4935%
2003	0.745%
2004	2.103%
2005	2.500%





- ### Some good news for the Post Fund
- Fiscal year June 30, 2004 return = 16.3%
 - January 1, 2005 increase = 2.5 %
 - Reduced Post Fund deficit by about \$1.3 billion

Years to reach full funding in Post Fund based on different investment returns

As of June 30, 2003

Returns	8.5%	9%	10%	12%	15%
Years	N/A	30	13	8	6



Joint Boards' proposal

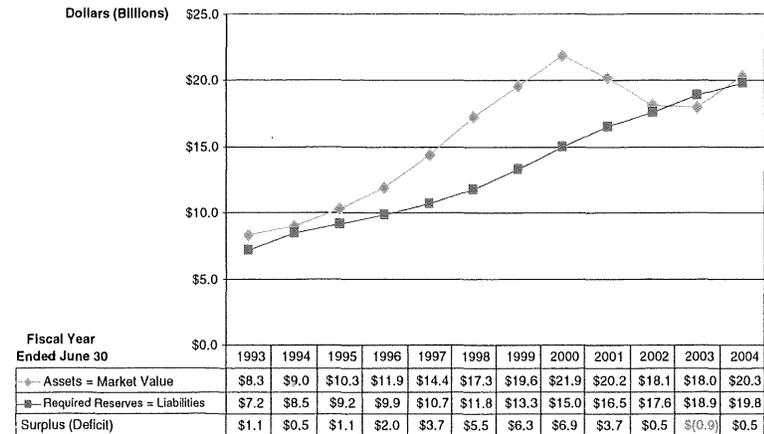
- Maintain Post Fund and guaranteed 2.5% inflation increase
- Cap future increases at 5% — sharing future investment increases more equitably among retirees
- Any money over the cap would remain in the Post Fund to cover any future unfunded liabilities or would be used to fund future increases up to the cap



Minnesota Post Retirement Investment Fund

History of Asset and Liability Changes: Proposed 5 Percent Cap

Retroactive to January 1, 1994



Source: Mellon Consulting (TRA Actuary)

Statewide pension fund contacts

MSRS

Dave Bergstrom
Executive Director
(651) 284-7888
dave.bergstrom@state.mn.us

Erin Leonard
Legislative Coordinator
(651) 284-7848
erin.leonard@state.mn.us

PERA

Mary Most Vanek
Executive Director
(651) 296-8358
mary.vanek@state.mn.us

Lance LaFrombois
Legal and Legislative
Coordinator
(651) 282-6845
lance.lafrombois@state.mn.us

TRA

Gary Austin
Executive Director
(651) 296-6523
gary.austin@state.mn.us

Luther Thompson
Asst. Executive
Director
(651) 297-4853
luther.thompson@state.mn.us

#2

Informational Items

concerning the

Legislative Commission on Pensions and Retirement

and

Minnesota Public Pensions Generally

January 2005

Table of Contents

Legislative Commission on Pensions and Retirement:	1-8
• Function, and Creation.....	1
• Composition	2
• Operation and Resources	3
• Level of Proposed Public Pension Legislation.....	4
• Principles of Pension Policy.....	5-8
Historic Purposes for a Pension Benefit Plan	9
Types of Public Pension Plans	10
Minnesota Public Pension Plans:.....	11-20
• Growth and Development of Minnesota Public Pension Plans	11-12
• Minnesota Defined Benefit Plans and Defined Contribution Plans	13
• Establishment of Minnesota Public Pension Plans.....	14-17
• Local Police and Salaried Fire Relief Association Consolidations	18-19
• Minnesota Public Pension Plans, Funds and Administrative Entities.....	20
Plan Demographics	21-27
Actuarial Information.....	28-62
• Actuarial Reporting on Minnesota Public Pension Plans	28
• Nature of Actuarial Funding.....	29
• Chart: -Pattern of Recognizing Pension Costs Over Time.....	30
• 2004 Minnesota Public Pension Plan Actuarial Valuation Results.....	31-35
• Funding Progress of Minnesota Public Pension Plans 1957-2000	36
• Charts:	
- Funding Ratios Over Time.....	37-40
- Normal Cost as a Percentage of Payroll.....	41-42
- Employee and Employer Contribution Rates Over Time	43-44
- Total Requirements vs. Total Support	45-46
- Total Requirements and Total Contributions Over Time	47-50
- Contribution Deficiency/Surplus Over Time.....	51-52
- Administrative Expenses Over Time.....	53-54
• The Retirement Plan Watch List.....	55
• Tables: Actuarial Value of Pension Plan Assets Compared to Market Value	
- A-1: Relationship of Current Assets To Market Value of Assets	56
- A-2: Deferred Asset Losses That Will Be Recognized July 1, 2004.....	57
- A-3: July 1, 2003 – Actuarial Accrued Liability Funding Ratios	58
- A-4: 2003-2004 contribution Sufficiency/Deficiency Measure	59
• Actuarial Experience Gains and Losses Over Time.....	60-62
State Funding Programs (State Aid) for Minnesota Public Pension Plans.....	63-65
Total Portfolio Time-Weighted Rates of Investment Return	66
Approaches to Address Public Pension Plan Funding Problems:	
• Minnesota	67
• Other States.....	68-69
Glossary of Minnesota Public Pension Terminology	70-74

Minnesota Legislative Commission on Pensions and Retirement Function and Creation

v Function of the Pension Commission

- The Pension Commission is a joint agency of the Minnesota Legislature.
- The Pension Commission performs five major functions:
 - i) reviews and makes recommendations to standing legislative committees on pending proposed public pension legislation;
 - ii) conducts ongoing research on pension policy issues;
 - iii) provides legislative oversight for Minnesota's system of over 700 public employee pension plans;
 - iv) arranges for and oversees the preparation of regular actuarial valuations and periodic experience studies of the statewide and major local public pension plans; and
 - v) assesses the sufficiency of current public pension plan funding and recommends required modifications.
- The Minnesota Pension Commission is one of almost two dozen state pension commissions nationwide.

v Creation of the Pension Commission

- Initially established as an Interim Commission
 - 1943 (Laws 1943, Chapter 449)
 - 1955 (Laws 1955, Chapter 829)
 - 1957 (Extra Session Laws 1957, Chapter 13)
 - 1959 (Extra Session Laws 1959, Chapter 82)
 - 1963 (Laws 1963, Chapter 888, Section 9)
 - 1965 (Laws 1965, Chapter 888, Section 5)
- No Pension Commission was established during the 1961-1963 Biennium
- Pension Commission established as a permanent entity in 1967 (Laws 1967, Chapter 549; coded as Minnesota Statutes, Section 3.85)
- Pension Commission is the oldest extant Minnesota Legislative Commission

Legislative Commission on Pensions and Retirement Composition

v Composition of the Pension Commission

- The Commission consists of five members of the House of Representatives and five members of the Senate
- The House members of the Commission are appointed by the Speaker of the House
- The Senate members of the Commission are appointed by the Subcommittee on Committees of the Senate Rules Committee
- 98 legislators have served on the Commission 1943-2003, during 242 two-year terms*
(* includes mid-term vacancies that were filled)
- Length of service by Commission members 1943-2003:

1 Year	3 Members	3.06%
2 Years	37 Members	37.76
4 Years	19 Members	19.39
6 Years	22 Members	22.45
7 Years	1 Member	1.02
8 Years	6 Members	6.12
10 Years	4 Members	4.08
12 Years	3 Members	3.06
14 Years	0 Members	0.00
16 Years	1 Members	1.02
18 Years	2 Members	2.04
20 Years	1 Member	1.02

- Geographical distribution of Commission members, by membership number and by Commission membership term 1943-2001

	<u>Members</u>	<u>By Membership</u>	<u>Terms</u>	<u>By Terms</u>
Duluth	1	1.02%	1	0.41
St. Paul	13	13.27	31	12.81
Minneapolis	22	22.45	61	25.21
Suburban Twin Cities	21	21.43	47	19.42
Greater Minnesota	41	41.83	102	42.15

Legislative Commission on Pensions and Retirement Operation and Resources

v **Operation of the Pension Commission**

- The Commission Chair sets the general direction of the Commission.
- The Commission Chair has a two-year term.
- The Commission Chair alternates between the House and Senate membership; the Chair and other Commission officers are elected from and by the Commission membership.
- After appointment, the Commission typically meets weekly during the Legislative Session until the initial committee bill hearing deadline.
- During the Interim, the Commission typically meets monthly.
- By longstanding agreement, the House and Senate committees with jurisdiction over pensions refrain from hearing proposed pension legislation until receiving a recommendation from the Commission.
- The Commission recommendation of proposed pension legislation requires a majority vote of the total commission membership of both the House and the Senate; all other Commission actions require simple majority vote of Commission members In attendance.
- The Commission recommendation on proposed pension legislation is typically accompanied by Commission-approved amendments.
- Commission recommended proposed pension legislation is typically consolidated into one or a small number of "Omnibus" Pension Bills.
- Commission recommended proposed pension legislation affecting pension benefits is typically accompanied by an actuarial cost estimate, generally prepared by the Commission-retained actuary.

v **Staffing of the Commission**

- The Commission employs a permanent staff of 3.5 positions.

/ **Actuarial Resources**

- The actuarial work for most Minnesota defined benefit plans is prepared by a consulting actuarial firm retained jointly by the seven largest retirement systems.
- The Commission can utilize the services of the jointly retained actuary.

Level of Proposed Public Pension Legislation

v General Level of Public Pension Legislation

- Historically, an average of 78 public pension bills are introduced annually
- Commission typically reviews 85 percent of proposed pension legislation introduced
- Typically, 40 introduced public pension bills annually are ultimately heard in some form by standing committees
- Proposed pension legislation typically covers a broad range of plans and circumstances:

25 percent related to major statewide plans

13 percent related to minor statewide plans

6 percent related to local general employee plans

15 percent related to police and paid fire pension plans

8 percent related to volunteer fire relief associations

20 percent related to individual or small group requests

13 percent related to miscellaneous pension topics

Legislative Commission on Pensions and Retirement

Principles of Pension Policy

I. Preamble

The Legislative Commission on Pensions and Retirement recommends the following statement of principles, which have been developed since 1955, as the basis for evaluating proposed public pension legislation. Problems can be avoided or minimized if a sound set of principles is used as a guideline in developing the various public pension funds and plans.

II. Substantive Principles

A. Purpose of Minnesota Public Pension Plans

1. Minnesota public pension plans exist to augment the Minnesota public employer's personnel and compensation system by assisting in the recruitment of new qualified public employees, the retention of existing qualified public employees, and the systematic outtransitioning of existing public employees at the normally expected conclusion of their working careers by providing, in combination with federal Social Security coverage, personal savings and other relevant financial sources, retirement income that is adequate and affordable.
2. Minnesota public pension plans should play their appropriate role in providing financial security to public employees in retirement.
3. As Minnesota public employee workforce trends develop, Minnesota public pension plans should be sufficiently flexible to make necessary adaptations.

B. Structure of Minnesota Public Pension Coverage

1. Creation of New Pension Plans

- a. Minnesota public employers, on their own initiative, without legislative authorization, should not be permitted to establish or maintain new public pension plans, except for volunteer firefighter relief associations.
- b. New pension plans for volunteer firefighters should be organized on a county or comparable regional basis if possible.

2. Mandatory Public Pension Plan Membership

To the extent possible, membership in a public pension plan should be mandatory for the personnel employed on a recurring or regular basis.

Consolidation of Public Pension Plans by a Minnesota Public Employer.

- a. The State, with the second largest number of public employee pension plans in the nation, would benefit from a more rational public pension plan structure.
- b. The voluntary consolidation of smaller public pension plans should be encouraged, with the development of county or comparable regional public employee pension plans in place of a large number of small local plans to assist in this consolidation if a statewide public pension plan is deemed to be inappropriate.

C. Pension Benefit Coverage

1. General Preference for Defined Benefit Plans Over Defined Contribution Plans

- a. Defined benefit plans, where they currently exist, should remain as the primary retirement coverage for Minnesota public employees.
- b. Defined contribution plans are particularly appropriate where interstate portability or private sector-public sector portability is a primary consideration of the public employee group, where the public employee group lacks civil service or analogous employment protections, or where the defined contribution plan is a supplemental pension plan.

2. Social Security Coverage

Except for public employees who are police officers or firefighters, coverage by the federal Old Age, Survivors, Disability and Health Insurance (Social Security) Program should be part of the retirement coverage for Minnesota public employees.

3. Equal Treatment Within Pension Plans

There should be equal pension treatment of public employees in terms of the relationship between benefits and contributions.

4. Appropriate Normal Retirement Ages

The normal retirement age should be set in a reasonable relationship to the employability limits of the average public employee and should differentiate between regular public employees and protective and public safety employees.

5. Appropriate Early Retirement Reductions

Public employee pension plans should not subsidize early retirement benefits and, except for appropriately designed early retirement incentive programs, retirement benefits should be actuarially reduced for retirement before any applicable normal retirement age.

6. Uniformity and Equal Benefit Treatment Among Plans

There should be equal pension treatment in terms of the relationship between benefits and contributions among the various plans and, as nearly as practicable, within the confines of plan demographics, retirement benefits and member contributions should be uniform.

7. Adequacy of Benefits at Retirement

- a. Benefit adequacy requires that retirement benefits respond to changes in the economy.
- b. The retirement benefit should be adequate at the time of retirement.
- c. Except for local police or firefighter relief associations, the retirement benefit should be related to an individual's final average salary, determined on the basis of the highest five successive years average salary unless a different averaging period is designated by the Legislature.

Legislative Commission on Pensions and Retirement

Principles of Pension Policy

- d. Except for local police or firefighter relief associations, the measure of retirement benefit adequacy should be at a minimum of thirty years service, which would be a reasonable public employment career, and at the generally applicable normal retirement age.
 - e. Retirement benefit adequacy must be a function of the Minnesota public pension plan benefit and any Social Security benefit payable on account of Minnesota public employment.
8. Postretirement Benefit Adequacy
- a. The retirement benefit should be adequate during the period of retirement.
 - b. Postretirement benefit adequacy should function to replace the impact of economic inflation over time in order to maintain a retirement benefit that was adequate at the time of retirement.
 - c. The system of periodic post retirement increases should be funded on an actuarial basis.
 - d. In order to replace inflation, the post retirement adjustment system should follow a valid recognized economic indicator.
9. Portability
- To the extent feasible, portability should be established as broadly as possible for employment mobile public employees.
10. Purchases of Prior Service Credit
- Purchases of public pension plan credit for periods of prior service should be permitted only if, on a case-by-case basis, it is determined that the period to be purchased is public employment or substantially akin to public employment, that the prior service period must have a significant connection to Minnesota, that the purchase payment from the member or from a combination of the member and the employer must equal the actuarial liability to be incurred by the pension plan for the benefit associated with the purchase, appropriately calculated, without the provision of a subsidy from the pension plan, and that the purchase must not violate notions of equity.
11. Deadline Extensions and Waivers
- Deadline extensions or waivers should be permitted only if, on a case-by-case basis, it is determined that there is a sufficient equitable basis for the extension or waiver, the extension or waiver does not involve broader applicability than the pension plan members making the request, and that the extension or waiver is unlikely to constitute an inappropriate precedent for the future.
12. Vesting Requirement Waivers
- Waivers of vesting requirements should be permitted only if, on a case-by-case basis, it is determined that there is a strong equitable argument to grant the waiver for the requesting public employees.
13. Reopening Optional Annuity Elections
- Reopenings of optional annuity elections should not be permitted.
14. Benefit Increase Retroactivity
- Retroactivity of benefit increases for retirees and other benefit recipients should not be permitted.
15. Repayment of Previously Paid Benefits and Resumptions of Active Member Status
- Repayments of previously paid benefits and resumptions of active member status should not be permitted.
16. Duplicate Public Pension Coverage for the Same Employment
- Unless supplemental pension plan coverage is involved, public employees should not have coverage by more than one Minnesota public pension plan for the same period of service with the same public employer.
17. Reemployed Annuitant Earnings Limitations
- a. Limitations on the earnings by reemployed annuitants should apply only to the reemployment of an annuitant by an employing unit that is a participating employer in the same public pension plan from which the annuitant is receiving a pension benefit.
 - b. Reemployed annuitant earnings limitations should be standardized to the extent possible among the various Minnesota public pension plans.
18. Disability Definitions
- The definitions of what constitutes a disability giving rise to a disability benefit should be standardized to the extent possible, recognizing the differences in the hazards inherent in various types of employment.
19. Design of Early Retirement Incentive Programs
- a. Early retirement incentive programs can have a valid role to play in the public sector personnel system.
 - b. Early retirement incentive programs should be targeted to situations when a public employer needs to reduce staffing levels beyond normal attrition.
 - c. Early retirement incentive programs should be financed appropriately, with the cost of the benefits provided under the early retirement incentive program borne wholly by the same public employer that gains any compensation savings from a staffing level reduction, without any subsidy from the affected public pension plan.
20. Future Pension Coverage for Privatized Public Employees
- Because of applicable federal regulation, employees of public employers that are privatized should not be allowed to continue public pension plan coverage in the future. Privatized public employees should receive adequate replacement pension coverage and a better resolution of this topic should be raised with appropriate federal government officials.

Legislative Commission on Pensions and Retirement

Principles of Pension Policy

21. Supplemental Pension Plans

- a. Public employees should be encouraged to engage in personal savings for their retirement.
- b. The State should assist this process by making personal retirement savings opportunities available to public employees.
- c. Public employers should have an opportunity to elect to provide financial support to established supplemental pension arrangements for their employees.

22. No Intended Ultimate Benefit Diminutions

- a. In recommending benefit plan modifications, the imposition of reductions in overall benefit coverage for existing pension plan members should not be recommended.
- b. The imposition of a reduction in overall benefit coverage may be imposed for new pension plan members in order to achieve sound pension policy goals.
- c. A reduction in some aspect or aspects of benefit coverage may be recommended in combination with a proposed benefit increase or benefit increases in implementing sound pension policy goals.

D. Pension Plan Funding

1. Equal Pension Financing Burden for Generations of Taxpayers

There should be utilized a financing method that will distribute total pension costs fairly among the current and future generations of taxpayers and that will discourage unreasonable benefit demands.

2. Actuarial Funding of Pension Benefits

- a. Retirement benefits in Minnesota defined benefit plans should be funded on an actuarial basis.
- b. Currently earned pension plan service credit, as measured by the actuarially determined entry age normal cost of the defined benefit pension plan, should be funded on a current basis.
- c. The administrative expenses of the defined benefit pension plan should be funded on a current basis.
- d. Existing unfunded actuarial accrued liabilities of the defined benefit pension plan should be amortized over a reasonable period of time, and that amortization period should be related to the average working career of the membership of the pension plan, but not to exceed forty years.

3. Allocation of Funding Burden Between Members and Employers

- a. Retirement benefits should be financed on a shared basis between the public employee and the public employer.
- b. For general public employees, the employee and employer should make matching contributions to meet the normal cost and the administrative expenses of the defined benefit pension plan and both the employee and the employer may be required to share some financial

responsibility for funding the amortization requirement of the defined benefit pension plan.

- c. For protective and public safety employees covered by a statewide public pension plan, the employee should pay forty percent of the total actuarial costs of the defined benefit pension plan and the employer should pay sixty percent of the total actuarial costs of the defined benefit pension plan.
- d. For protective and public safety employees covered by a local relief association, employee and employer contributions should be considered in light of the special circumstances and history unique to that association. Employees should pay an appropriate portion of the normal cost and administrative expenses of the relief association.

4. Funding of Postretirement Adjustments

- a. Ad hoc postretirement adjustments should be funded separately from the regular defined benefit public pension plan financing and should not be added to the unfunded actuarial accrued liability of the defined benefit public pension plan.
- b. Automatic postretirement adjustment mechanisms should be funded on an actuarial basis as part of the actuarial requirements and contribution structure of the defined benefit public pension plan.

5. Appropriate Basis for Actuarial Assumption Changes

- a. Actuarial assumption changes should only be based on the results of the gain and loss analyses in the regular actuarial valuation reports and the results of a periodic experience study.
- b. Actuarial assumption changes should stand on their own merit, and should not be changed solely to improve benefits or to lower contribution rates.

6. Appropriate Basis for Modifying Contribution Rates

Member and employer contribution rates should only be modified based on the trend in total support rate deficiency or sufficiency revealed in the regular actuarial valuation reports.

E. Pension Plan Investments

1. Appropriate Investment of Public Pension Assets

- a. Public pension plan investment authority should be as uniform as is practicable.
- b. Public pension plan investments should be made in accord with the prudent person rule.
- c. Public pension plan investment authority should be further regulated by a list of authorized investment types, which should appropriately differentiate between pension plans based on asset size and investment expertise.
- d. Written investment policies should be maintained for the investment of public pension plan assets.
- e. Public pension plans should regularly report on their investments, including performance.

Legislative Commission on Pensions and Retirement

Principles of Pension Policy

2. Sole Membership Benefit Dedication of Plan Assets

Recognizing that public pension plan assets exist to defray current and future pension benefit payments, public pension plan assets should be dedicated to the sole benefit of the plan membership in their investment and expenditure.

F. **Compliance With Federal Pension Plan Regulation**

Consistent with the principles of federalism, dual sovereignty, and comity among governmental entities, public pension plan provisions and administrative operations and activities should attempt to comply with applicable federal pension plan regulation in order to maintain the tax qualified status of public pension plans.

G. **Public Pension Plan Fiduciary Responsibility**

1. Strong Fiduciary Responsibility Standards

Public pension plan activities should be conducted in accord with strong fiduciary responsibility standards and regulation.

2. Remedies for Fiduciary Breach

Failures to conduct public pension plan activities in accord with the applicable fiduciary responsibility standards and regulation should be subject to appropriate fiduciary breach remedies.

III. **Procedural Principles of Pension Policy**

A. **Adequate Pension Funding**

1. Pre-Existing Funding

No proposed increase in pension benefits for any public pension plan should be recommended by the Legislative Commission on Pension and Retirement until there is established adequate financing to cover the pre-increase normal cost, administrative expense, and amortization contribution requirements of the defined benefit public pension plan calculated according to the applicable actuarial reporting law.

2. Funding Increase

No proposed increase in pension benefits for any defined benefit public pension plan should be recommended by the Legislative Commission on Pensions and Retirement unless there is included, in the proposal, adequate financing to meet any resulting increase in the normal cost and amortization contribution requirements of the defined benefit public pension plan that are estimated by the applicable actuary to result from adopting the proposed benefit increase.

B. **Preference for General Legislation**

No pension legislation of local or special limited application should be recommended by the Legislative Commission on Pensions and Retirement if the purpose and the intent of the proposed legislation would be better served by legislation of general statutory application or if the proposed legislation constitutes a significant departure from previously established

uniform pension policy. Pension legislation affecting local police or salaried firefighters may be recommended by the Legislative Commission on Pensions and Retirement in light of any special circumstances that are unique to the relief association.

C. **Explicit Application of Principles of Pension Policy**

1. Measurement Against Principles

Each proposed change in retirement benefits or financing should be measured by the Legislative Commission on Pension and Retirement against the current principles of pension policy as part of its consideration to insure that there is adherence to sound pension policy.

2. Formal Reporting of Consistency

The Commission's determination concerning compliance with the principles of pension policy should be a part of the Commission's formal report of its recommendations on proposed public pension legislation.

Revised 12/6/96

Historic Purposes for a Pension Benefit Plan

- A pension benefit plan is part of the overall personnel compensation system of the employer.
- A pension benefit plan must assist the other parts of the personnel system.
- Within the confines of affordability, the pension benefit plan should assist the employing unit in the following:
 1. the recruitment of new qualified personnel;
 2. the retention of existing qualified and productive personnel; and
 3. the encouragement of predictable and systematic out-transitioning of personnel at the end of their normally expected working career.
- The pension benefit plan accomplishes this assistance by providing pension benefits that are adequate to provide retiring employees with financial security at and after the date of retirement.
- The emphasis of a pension benefit plan will vary over time. During the early decades of this century, retention of personnel was the major emphasis for pension benefit plans. Over time, recruitment has gained greater emphasis. During recent periods of downsizing, out-transitioning has been emphasized to a greater extent by both employees and employers.
- The Commission's Principles of Pension Policy, last substantively revised in 1996, provide that:
 1. Minnesota public pension plans exist to augment the Minnesota public employer's personnel and compensation system by assisting in the recruitment of new qualified public employees, the retention of existing qualified public employees, and the systematic outtransitioning of existing public employees at the normally expected conclusion of their working careers by providing, in combination with federal Social Security coverage, personal savings and other relevant financial sources, retirement income that is adequate and affordable.
 2. Minnesota public pension plans should play their appropriate role in providing financial security to public employees in retirement.
 3. As Minnesota public employee workforce trends develop, Minnesota public pension plans should be sufficiently flexible to make necessary adaptations.

Types of Pension Plans

- Pension plans will be one of two types. The types are:
 - a. Defined Benefit Plans. The pension benefit amount that is ultimately payable is pre-determinable or fixed using a formula or comparable arrangement. The fixed element of the benefit amount leaves a variable element, which is the funding required to provide that benefit.
 - b. Defined Contribution Plans. The funding for the pension plan is fixed as a dollar amount or a percentage of payroll. The fixed element of funding leaves a variable element, which is the benefit amount that is ultimately payable.

- There is risk shifting that is applicable to each type of plan:
 - a. Defined Benefit Plans. The employer or the plan sponsor has the inflation and investment risks. If the investment return on plan assets is poor or if inflation produces ever increasing final salaries and benefit payouts, that risk is borne by the employer. The member has the turnover risks. If a plan member terminates with modest service having been rendered or at an early age, the member will receive either no benefit or an inadequate benefit.
 - b. Defined Contribution Plans. The plan member bears the inflation and investment risks. If there is poor investment performance, the plan member's pension assets will be depressed. If inflation impacts the immediate pre-retirement standard of living, the plan member's benefit will be less adequate in meeting the person's pre-retirement standard of living. The plan sponsor or employer loses any turnover gain potential, where past plan funding becomes more concentrated on a subgroup of the total plan membership.

- There are advantages and disadvantages to each type of plan:
 - a. Defined Benefit Plans – Employee Perspective. The plan type favors long-term or long-service employees. It also favors employees who receive regular promotions and sizable salary increases throughout their careers or who achieve substantial salary increases in their compensation at the end of their career. It also favors employees who retire at or before the plan's normal retirement age.

Defined Benefit Plans – Employer Perspective. The plan sponsor can design the plan to emphasize new employee recruitment, existing employee retention, or career employee out-transitioning. The plan sponsor will suffer cost changes over time as demographic changes occur in the membership group, as benefit plan changes are implemented, or as market fluctuations occur in plan assets.
 - b. Defined Contribution Plans – Employee Perspective. The plan type favors employees who are very employment mobile, where employment changes beyond a single employer or a multiple employer group. It also favors short-term employees in comparison to defined benefit plans. It also favors employees with very stable and modestly increasing salary histories and employees who work considerably beyond the plan's normal retirement age.

Defined Contribution Plans – Employer Perspective. The plan sponsor can budget for retirement costs without experiencing unplanned changes in those costs, either as a percentage of pay or as a dollar amount, depending on the contribution specification. The plan sponsor will likely need to expend more dollars to provide the level of benefits to career employees as a defined benefit plan because of the more even allocation of defined contribution pension benefits over the coverage group.

Growth and Development of Minnesota Public Pension Plans

- Earliest Minnesota public pension plan was the Minneapolis Fire Departmental Relief Association, established in 1868.
- All Minnesota public pension plans established before 1900 were public safety plans (except firefighters relief associations, including the Duluth and St. Paul fire plans, and one police relief association, the Minneapolis Police Relief Association).
- Minnesota public pension plans were created on patchwork basis, generally covering uncovered groups rather than reorganizing existing plan coverage.
- First general employee retirement plans were teacher retirement plans (Duluth Teachers Retirement Fund Association (DTRFA) in 1910, Minneapolis Teachers Retirement Fund Association (MTRFA) in 1910, St. Paul Teachers Retirement Fund Association (SPTRFA) in 1910, and the Teachers Insurance and Retirement Fund in 1915).
- First statewide retirement plans were the Teachers Insurance and Retirement Fund in 1915, the State Employees Retirement Association (now MSRS-General) in 1929, and the Public Employees Retirement Association (PERA) in 1931.
- First retirement plan to default was the Teachers Insurance and Retirement Fund. Plan was replaced by the Teachers Retirement Association (TRA) in 1931.
- Latest retirement plans were established in 1999 (State Fire Marshal Arson Investigator Retirement Plan and the local Government Correctional Retirement Plan).

- Retirement plan creation, count by decade:

1860's	1	1930's	11
1870's	0	1940's	23
1880's	3	1950's	11
1890's	6	1960's	12
1900's	6	1970's	3
1910's	8	1980's	5
1920's	2	1990's	2

- Some retirement plans have been closed to new entrants, with replacement coverage (Minneapolis Employees Retirement Fund (MERF), Minneapolis Teachers Retirement Fund Association (MTRFA)-Basic Program, St. Paul Teachers Retirement Fund Association (SPTRFA)-Basic Program, Duluth Teachers Retirement Fund Association (DTRFA)-Old Law Program, Minneapolis Firefighters Relief Association, Minneapolis Police Relief Association, Fairmont Police Relief Association, Virginia Fire Department Relief Association).

Growth and Development of Minnesota Public Pension Plans

- Many retirement plans have been merged into another plan:
 - Game Wardens Retirement Plan and State Police Retirement Plan into State Patrol Retirement Plan;
 - County and Probate Court Judges Retirement Plan, District Court Judges Retirement Plan, and Supreme Court Justices Retirement Plan into Uniform Judicial Retirement Plan;
 - Attorney General Retirement Plan and State Auditor Retirement Plan into Elected State Officers Retirement Plan;
 - Supreme Court Clerk Retirement Plan into MSRS-Unclassified Employees Retirement Plan;
 - 48 local police or paid firefighter relief associations into PERA-P&F.

Minnesota Defined Benefit Plans and Defined Contribution Plans

Minnesota Defined Benefit Plans

A. Statewide Plans

1. General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General)
2. Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional)
3. State Patrol Retirement Plan
4. Judges Retirement Plan
5. Legislators Retirement Plan
6. Elected State Officers Retirement Plan
7. Military Affairs Personnel Retirement Plan
8. Department of Transportation Pilots Retirement Plan
9. State Fire Marshal Division Arson Investigators Retirement Plan
10. General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General)
11. Public Employees Police and Fire Plan (PERA-P&F)
12. PERA-Local Government Correctional Service Retirement Plan (PERA-Correctional)
13. Teachers Retirement Association (TRA)

B. Local Plans

1. Minneapolis Employees Retirement Fund (MERF)
2. Duluth Teachers Retirement Fund Association (DTRFA)
3. Minneapolis Teachers Retirement Fund Association (MTRFA)
4. St. Paul Teachers Retirement Fund Association (SPTRFA)
5. Fairmont Police Relief Association
6. Minneapolis Firefighters Relief Association
7. Minneapolis Police Relief Association
8. Virginia Fire Department Relief Association
9. Various volunteer firefighter relief associations

Minnesota Defined Contribution Plans

A. Statewide Plans

1. MSRS-Unclassified Employees Retirement Plan
2. Higher Education Individual Retirement Account Plan (MnSCU-IRAP)
3. Higher Education Supplemental Retirement Plan (MnSCU-Supplemental)
4. PERA-Defined Contribution Retirement Plan
5. Ambulance Service Personnel Longevity Plan

B. Local Plans

1. Hennepin County Supplemental Retirement Plan
2. Various volunteer firefighter relief associations

Establishment of Minnesota Public Pension Plans

Statewide Pension Plans	Establishment Date
General State Employees Retirement Plan (MSRS-General)	1929
Correctional Employees Retirement Plan (MSRS-Correctional) ¹	1973
Game Wardens Retirement Plan ²	1955
State Police Retirement Plan ³	1961
State Patrol Retirement Plan	1943
Legislators Retirement Plan ⁴	1965
Attorney General Retirement Plan ⁵	1953
State Auditor Retirement Plan ⁵	1955
Elective State Officers Retirement Plan (ESO) ⁵³	1967
Supreme Court Justices Retirement Plan ⁶	1943
District Court Judges Retirement Plan ⁶	1949
Probate and County Court Judges Retirement Plan ⁶	1931
Uniform Judicial Retirement Plan ⁵⁴	1973
Supreme Court Clerk Retirement Plan ⁷	1953
Military Affairs Department Personnel Retirement Plan ⁸	1980
Transportation Department Pilots Retirement Plan ⁸	1982
State Fire Marshal Division Arson Investigator Retirement Plan ⁸	1999
Unclassified State Employees Retirement Program (MSRS-Unclassified) ⁹	1971
Metropolitan Transit Commission-Transit Operating Division Retirement Plan ¹⁰	1944
Public Employees Retirement Plan (PERA-General)	1931
Public Employees Police and Fire Retirement Plan (PERA-P&F) ¹¹	1959
Local Government Correctional Employees Retirement Plan ¹²	1987/1999
PERA Defined Contribution Retirement Plan ¹³	1987
University of Minnesota Police Retirement Plan ¹⁴	1969
Teachers Insurance and Retirement Plan ¹⁵	1915
Teachers Retirement Plan (TRA)	1931
State University and Community College Supplemental Retirement Plan	1965
Individual Retirement Account Plan (IRAP) ¹⁶	1988
Local General Employee Pension Plans	
Minneapolis Employees Retirement Plan (MERF) ¹⁷	1919
St. Paul Bureau of Health Relief Association ¹⁸	1919
Hennepin County Supplemental Retirement Plan ¹⁹	1969
Duluth Teachers Retirement Plan (DTRFA) ²⁰	1910
Minneapolis Teachers Retirement Plan (MTRFA) ²⁰	1910
St. Paul Teachers Retirement Plan (SPTRFA) ²⁰	1910
Local Police and Salaried Firefighters Pension Plans	
Albert Lea Firefighters Relief Association ²¹	1895
Albert Lea Police Relief Association ²²	1943
Anoka Police Relief Association ²³	1948
Austin Firefighters Relief Association ²⁴	1909
Austin Police Relief Association ⁴⁹	1943
Bloomington Firefighters Relief Association ⁵⁵	1947
Bloomington Police Relief Association ²¹	1960
Brainerd Police Relief Association ⁴⁷	1952
Brooklyn Center Police Relief Association ²⁵	1967

Establishment of Minnesota Public Pension Plans

Local Police and Salaried Firefighters Pension Plans

Buhl Police Relief Association ²⁶	1957
Chisholm Firefighters Relief Association ²⁷	1907
Chisholm Police Relief Association ²⁷	1931
Cloquet Fire Department Relief Association ²⁸	1941
Columbia Heights Fire Department Relief Association ²⁹	1923
Columbia Heights Police Relief Association ³⁰	1957
Crookston Fire Department Relief Association ³¹	1902
Crookston Police Relief Association ⁵⁶	1948
Crystal Police Relief Association ³²	1961
Duluth Firefighters Relief Association ³²	1887
Duluth Police Relief Association ³³	1905
Eveleth Firefighters Relief Association ³⁴	1935
Eveleth Police Relief Association ³⁴	1935
Fairmont Police Relief Association ⁴⁸	1949
Faribault Fire Department Relief Association ²²	1897
Faribault Police Relief Association ⁴⁷	1948
Fridley Firefighters Relief Association ³⁵	N/A
Fridley Police Relief Association ⁵⁰	1966
Gilbert Supplemental Police Pension Plan ³⁶	1957
Hibbing Firefighters Relief Association ³⁷	1914
Hibbing Police Relief Association ³⁷	1930
Mankato Fire Department Relief Association ³⁸	1895
Mankato Police Relief Association ⁵⁷	1947
Minneapolis Fire Department Relief Association ⁵²	1868
Minneapolis Police Relief Association ⁵²	1890
Moorhead Firefighters Relief Association ³⁹	1955
Moorhead Police Relief Association ³⁹	1945
Nashwauk Police Relief Association ⁴⁰	1943
New Ulm Police Relief Association ⁴¹	1949
Red Wing Fire Department Relief Association ²³	1892
Red Wing Police Relief Association ²⁷	1948
Richfield Fire Department Relief Association ⁵⁷	1942
Richfield Police Relief Association ²²	1965
Rochester Fire Department Relief Association ⁴²	1891
Rochester Police Relief Association ³⁸	1939
St. Cloud Fire Department Relief Association ⁴³	1906
St. Cloud Police Relief Association ⁴⁴	1939
St. Louis Park Fire Department Relief Association ³⁷	1948
St. Louis Park Police Relief Association ⁴²	1955
St. Paul Fire Department Relief Association ³²	1885
St. Paul Police Relief Association ²¹	1903
South St. Paul Firefighters Relief Association ²¹	1943
South St. Paul Police Relief Association ⁵⁷	1941
Thief River Falls Police Relief Association ⁴⁵	1941
Virginia Fire Department Relief Association ⁵¹	1931
Virginia Police Relief Association ⁴⁷	1935
West St. Paul Fire Department Relief Association ⁴⁶	1947
West St. Paul Police Relief Association ²¹	1967

Establishment of Minnesota Public Pension Plans

Local Police and Salaried Firefighters Pension Plans

Winona Fire Department Relief Association ³⁷	1887
Winona Police Relief Association ⁴²	1914

Local Volunteer Firefighters Pension Plans

692 volunteer firefighter relief associations as of 12/31/2001	various years
--	---------------

Employer-Funded Deferred Compensation and Related Plans

State Deferred Compensation Plan	1971
Prior Lake School District Supplemental Retirement Plan	1967
Bloomington School District Supplemental Retirement Plan	N/A
Edina School District Supplemental Retirement Plan	N/A
Hopkins School District Supplemental Retirement Plan	N/A
Mnnetonka School District Supplemental Retirement Plan	N/A
Richfield School District Supplemental Retirement Plan	N/A
St. Louis Park School District Supplemental Retirement Plan	N/A
Wayzata School District Supplemental Retirement Plan	N/A

N/A means establishment year is not available

Notes:

- ¹ Before the 1973 creation of the Correctional Employees Retirement Plan, coverage was provided by the General State Employees Retirement Plan.
- ² Game Wardens Retirement Plan was replaced by the State Police Retirement Plan in 1961.
- ³ State Police Retirement Plan consolidated with the State Patrol Retirement Plan in 1969.
- ⁴ Before the 1965 creation of the Legislators Retirement Plan, coverage was provided by the Public Employees Retirement Plan. The plan was closed to new interests as of July 1, 1997, and existing members were permitted to elect coverage by the Unclassified State Employees Retirement Program.
- ⁵ Coverage was shifted to the Elective State Officers Retirement in 1967.
- ⁶ Coverage limited to judges who first assumed judicial office before January 1, 1974.
- ⁷ Plan was repealed in 1980. Coverage for the membership of the prior plan was transferred to the Unclassified State Employees Retirement Program in 1981, retroactive to the date of initial appointment to employment position.
- ⁸ Before creation of the plan, coverage was provided by the General State Employees Retirement Plan.
- ⁹ Before creation of the program, coverage was provided by the General State Employees Retirement Plan. Program members retain the option to select General State Employees Retirement Plan benefits if the member has at least ten years of state service.
- ¹⁰ The plan was acquired by the Metropolitan Transit Commission from the prior employer, the Twin City Rapid Transit Co. in 1970. The plan consolidated with the General State Employees Retirement Plan in 1978.
- ¹¹ Before creation of the Public Employees Police and Fire Retirement Plan in 1959, coverage was provided by the Public Employees Retirement Plan. In 1999, the various police and salaried firefighter consolidation accounts were merged into this plan.
- ¹² The 1987 plan was not implemented by any of the counties authorized to do so by 1997 and was repealed. A replacement plan was enacted in 1999.
- ¹³ For local government elected officials added to eligibility for coverage by the plan in 1990, coverage is optional and prior coverage, if any, was by the Public Employees Retirement Plan.
- ¹⁴ Before creation of the plan, prior coverage was by the General State Employees Retirement Plan. Plan consolidated into the Public Employees Police and Fire Retirement Plan in 1978.
- ¹⁵ Plan was replaced by the Teachers Retirement Plan.

Establishment of Minnesota Public Pension Plans

- ⁶ Before creation of the Individual Retirement Account Plan in 1988, coverage was provided by the Teachers Retirement Plan.
- ¹⁷ Plan was closed to new entrants as of June 30, 1979. Coverage for applicable employees initially hired after June 30, 1979 is provided by the Public Employees Retirement Plan.
- ¹⁸ Plan was closed to new entrants as of December 31, 1969, in favor of the Public Employees Retirement Plan, and short service members and members opting for Social Security coverage were transferred to the Public Employees Retirement Plan. Plan was consolidated into the Public Employees Retirement Plan in 1973.
- ¹⁹ Plan was closed to new entrants and reemployed former members as of April 14, 1982.
- ²⁰ Plan was authorized in 1909, but not implemented until 1910.
- ²¹ Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1993.
- ²² Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1991.
- ²³ Plan was closed to new entrants in 1973 and consolidated into the Public Employees Police and Fire Plan in 1989.
- ²⁴ Plan was closed to new entrants in 1976 and consolidated into the Public Employees Police and Fire Plan in 1998.
- ²⁵ Plan consolidated into the Public Employees Police and Fire Plan in 1978.
- ²⁶ Plan was closed to new entrants in 1976 and consolidated into the Public Employees Police and Fire Plan in 1987.
- ²⁷ Plan was closed to new entrants in 1973, and consolidated into the Public Employees Police and Fire Plan in 1990.
- ²⁸ Plan consolidated into the Public Employees Police and Fire Plan in 1973.
- ²⁹ Plan was closed to new entrants in 1975 and consolidated into the Public Employees Police and Fire Plan in 1994.
- ³⁰ Plan was closed to new entrants in 1977 and consolidated into the Public Employee Police and Fire Plan in 1994.
- ³¹ Plan consolidated into the Public Employees Police and Fire Plan in 1990.
- ³² Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1992.
- ³³ Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1987.
- ¹ Coverage for active members was transferred to the Public Employees Police and Fire Plan in 1977 and plan was converted to city-operated trust fund for benefit recipients.
- ³⁵ Coverage for salaried firefighters was transferred to the Public Employees Police and Fire Plan in 1973; Plan continues as volunteer firefighters relief association.
- ³⁶ Plan coverage was terminated in 1973.
- ³⁷ Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1989.
- ³⁸ Plan was closed to new entrants in 1971 and consolidated into the Public Employees Police and Fire Plan in 1990.
- ³⁹ Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1985.
- ⁴⁰ Coverage for active members was transferred to the public Employees Police and Fire Plan in 1969 and plan operates as trust fund for benefit recipients.
- ⁴¹ Plan was closed to new entrants in 1974 and consolidated into the Public Employee Police and Fire Plan in 1994.
- ⁴² Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1990.
- ⁴³ Plan was closed to new entrants in 1974 and consolidated into the Public Employees Police and Fire Plan in 1989.
- ⁴⁴ Plan was closed to new entrants in 1973 and consolidated into the Public Employees Police and Fire Plan in 1997.
- ⁴⁵ Coverage for active members was transferred to the Public Employees Police and Fire Plan in 1978 and plan was converted to city-operated trust fund for benefit recipients.
- ⁴⁶ Plan was closed to new entrants as of June 15, 1980, and consolidated into the Public Employees Police and Fire Plan in 1988.
- ⁴⁷ Plan was closed to new entrants as of June 15, 1980 and consolidated into the Public Employees Police and Fire Plan in 1996.
- ⁴⁸ Plan was closed to new entrants in 1977.
- ⁴⁹ Plan was closed to new entrants in 1976 and consolidated into the Public Employees Police and Fire Plan in 1993.
- ⁵⁰ Plan was closed to new entrants in 1977 and consolidated into the Public Employees Police and Fire Plan in 1993.
- ⁵¹ Plan was closed to new entrants in 1974.
- ¹ Plan was closed to new entrants as of June 15, 1980.
- ³ Plan was closed to new entrants as of July 1, 1997. Existing members were permitted to elect coverage by the Unclassified State Employees Retirement Program.
- ⁵⁴ Judges who reach the service credit maximum in the Judges Retirement Plan are covered by the Unclassified State Employees Retirement Program for future service (employee contribution only).
- ⁵⁵ The plan covers volunteer firefighters, but because it provides benefits based on the salary of a top grade Bloomington police officer, with post-retirement escalation, the plan is considered to be a salaried firefighter pension plan.
- ⁵⁶ The plan was closed to new entrants in 1980 and consolidated into the Public Employees Police and Fire Plan in 1998.
- ⁵⁷ The plan was closed to new entrants in 1980 and consolidated into the Public Employees Police and Fire Plan in 1997.

Local Police and Paid Fire Relief Associations Phase-out or Consolidation into the Public Employees Police and Fire Fund (PERA-P&F)

Updated Through December 31, 2000

<u>Relief Association</u>		<u>Phase-Out Into PERA-P&F</u>	<u>Consolidation Into PERA-P&F</u>	<u>Merged Into PERA-P&F</u>
Albert Lea	Fire Police	MN Statutes, Sec. 423A.01 (1980) MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1993) MN Statutes, Chap. 353A (1991)	Laws 1999, Chap. 222, Art. 4 Laws 1999, Chap. 222, Art. 4
Anoka	Police	Laws 1973, Chap. 587	MN Statutes, Chap. 353A (1989)	Laws 1999, Chap. 222, Art. 4
Austin	Fire Police	Laws 1976, Chap. 36 Laws 1976, Chap. 36	MN Statutes, Chap. 353A (1998) MN Statutes, Chap. 353A (1993)	Laws 1999, Chap. 222, Art. 4 Laws 1999, Chap. 222, Art. 4
Bloomington	Police	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1993)	Laws 1999, Chap. 222, Art. 4
Brainerd	Police	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1996)	Laws 1999, Chap. 222, Art. 4
Brooklyn Center	Police	--	Laws 1978, Chap. 684	Laws 1978, Chap. 684
Buhl	Police	Laws 1976, Chap. 247	MN Statutes, Chap. 353A (1987)	Laws 1999, Chap. 222, Art. 4
Chisholm	Fire Police	Laws 1973, Chap. 433 Laws 1973, Chap. 433	MN Statutes, Chap. 353A (1990) MN Statutes, Chap. 353A (1990)	Laws 1999, Chap. 222, Art. 4 Laws 1999, Chap. 222, Art. 4
Cloquet	Fire	--	Laws 1973, Chap. 563	Laws 1973, Chap. 563
Columbia Heights	Fire Police	Laws 1975, Chap. 424 Laws 1977, Chap. 374	MN Statutes, Chap. 353A (1994) MN Statutes, Chap. 353A (1994)	Laws 1999, Chap. 222, Art. 4 Laws 1999, Chap. 222, Art. 4
Crookston	Fire Police	-- MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1990) MN Statutes, Chap. 353A (1998)	Laws 1999, Chap. 222, Art. 4 Laws 1999, Chap. 222, Art. 4
Crystal	Police	Ordinance, Ratified by Laws 1980, Chap. 607, Art. XV, Sec. 23	MN Statutes, Chap. 353A (1992)	Laws 1999, Chap. 222, Art. 4
Duluth	Fire Police	MN Statutes, Sec. 423A.01 (1980) MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1992) MN Statutes, Chap. 353A (1987)	Laws 1999, Chap. 222, Art. 4 Laws 1999, Chap. 222, Art. 4
Eveleth	Fire Police	-- --	Laws 1977, Chap. 61 Laws 1977, Chap. 61	-- --
Fairmont	Police	Laws 1977, Chap. 100	--	--
Faribault	Fire Police	Laws 1985, Chap. 259, Sec. 5 Laws 1985, Chap. 259, Sec. 5	MN Statutes, Chap. 353A (1991) MN Statutes, Chap. 353A (1996)	Laws 1999, Chap. 222, Art. 4 Laws 1999, Chap. 222, Art. 4
Fridley	Fire Police	-- Laws 1977, Chap. 83	Laws 1973, Chap. 594 MN Statutes, Chap. 353A (1993)	Laws 1973, Chap. 594 Laws 1999, Chap. 222, Art. 4
Gilbert	Police	Laws 1973, Chap. 382	--	--
Hibbing	Fire Police	MN Statutes, Sec. 423A.01 (1980) MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1989) MN Statutes, Chap. 353A (1989)	Laws 1999, Chap. 222, Art. 4 Laws 1999, Chap. 222, Art. 4
Mankato	Fire Police	Laws 1971, Chap. 407 Laws 1971, Chap. 407	MN Statutes, Chap. 353A (1990) MN Statutes, Chap. 353A (1997)	Laws 1999, Chap. 222, Art. 4 Laws 1999, Chap. 222, Art. 4

**Local Police and Paid Fire Relief Associations
Phase-out or Consolidation into the Public Employees
Police and Fire Fund (PERA-P&F)**

<u>Relief Association</u>		<u>Phase-Out Into PERA-P&F</u>	<u>Consolidation Into PERA-P&F</u>	<u>Merged Into PERA-P&F</u>
Minneapolis	Fire	MN Statutes, Sec. 423A.01 (1980)	--	--
	Police	MN Statutes, Sec. 423A.01 (1980)	--	--
Moorhead	Fire	MN Statutes, Sec. 423A.01 (1980)	Laws 1985, Chap. 261, Secs. 25-31	Laws 1985, Chap. 261, Secs. 25-31
	Police	MN Statutes, Sec. 423A.01 (1980)	Laws 1985, Chap. 261, Secs. 25-31	Laws 1985, Chap. 261, Secs. 25-31
Nashwauk	Police	Laws 1969, Chap. 569	--	--
New Ulm	Police	Laws 1974, Chap. 251	MN Statutes, Chap. 353A (1994)	Laws 1999, Chap. 222, Art. 4
Red Wing	Fire	Laws 1973, Chap. 359	MN Statutes, Chap. 353A (1989)	Laws 1999, Chap. 222, Art. 4
	Police	Laws 1973, Chap. 346	MN Statutes, Chap. 353A (1990)	Laws 1999, Chap. 222, Art. 4
Richfield	Fire	Ordinance, Ratified by Laws 1980, Chap. 607, Art. XV, Sec. 23	MN Statutes, Chap. 353A (1997)	Laws 1999, Chap. 222, Art. 4
	Police	Ordinance, Ratified by Laws 1980, Chap. 607, Art. XV, Sec. 23	MN Statutes, Chap. 353A (1991)	Laws 1999, Chap. 222, Art. 4
Rochester	Fire	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1990)	Laws 1999, Chap. 222, Art. 4
	Police	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1989)	Laws 1999, Chap. 222, Art. 4
St. Cloud	Fire	Laws 1974, Chap. 382	MN Statutes, Chap. 353A (1989)	Laws 1999, Chap. 222, Art. 4
	Police	Laws 1973, Chap. 432	MN Statutes, Chap. 353A (1997)	Laws 1999, Chap. 222, Art. 4
St. Louis Park	Fire	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1989)	Laws 1999, Chap. 222, Art. 4
	Police	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1990)	Laws 1999, Chap. 222, Art. 4
St. Paul	Fire	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1992)	Laws 1999, Chap. 222, Art. 4
	Police	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1993)	Laws 1999, Chap. 222, Art. 4
South St. Paul	Fire	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1993)	Laws 1999, Chap. 222, Art. 4
	Police	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1997)	Laws 1999, Chap. 222, Art. 4
Thief River Falls	Police	--	Laws 1978, Chap. 689	--
Virginia	Fire	Laws 1974, Chap. 183	--	--
	Police	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1996)	Laws 1999, Chap. 222, Art. 4
West St. Paul	Fire	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1988)	Laws 1999, Chap. 222, Art. 4
	Police	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1993)	Laws 1999, Chap. 222, Art. 4
Winona	Fire	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1989)	Laws 1999, Chap. 222, Art. 4
	Police	MN Statutes, Sec. 423A.01 (1980)	MN Statutes, Chap. 353A (1990)	Laws 1999, Chap. 222, Art. 4

Major and Statewide Minnesota Public Pension Plans Plan, Fund and Administration

<u>Benefit Plan</u>	<u>Benefit Plan Administration</u>	<u>Pension Fund</u>	<u>Investment Authority</u>
General State Employees Retirement Plan	Minnesota State Retirement System	State Employees Retirement Fund	State Board of Investment
Military Affairs Personnel Retirement Plan	Minnesota State Retirement System	State Employees Retirement Fund	State Board of Investment
Transportation Dept. Pilots Retirement Plan	Minnesota State Retirement System	State Employees Retirement Fund	State Board of Investment
State Fire Marshal Division Arson Investigators Retirement Plan	Minnesota State Retirement System	State Employees Retirement Fund	State Board of Investment
Correctional Employees Retirement Plan	Minnesota State Retirement System	Correctional Employees Retirement Fund	State Board of Investment
State Patrol Retirement Plan	Minnesota State Retirement System	State Patrol Retirement Fund	State Board of Investment
Elective State Officers Retirement Plan	Minnesota State Retirement System	None (State General Fund)	N/A
Unclassified State Employees Retirement Program	Minnesota State Retirement System	Minnesota Supplemental Investment Fund	State Board of Investment
Legislators Retirement Plan	Minnesota State Retirement System	None (Minnesota Post Retirement Investment Fund; State General Fund)	State Board of Investment
Judges Retirement Plan	Minnesota State Retirement System	Judges Retirement Fund	State Board of Investment
Public Employees Retirement Plan	Public Employees Retirement Association	Public Employees Retirement Fund	State Board of Investment
Public Employees Police and Fire Plan	Public Employees Retirement Association	Public Employees Police and Fire Fund	State Board of Investment
Public Employees Local Government Correctional Service Retirement Plan	Public Employees Retirement Association	Local Government Correctional Service Retirement Fund	State Board of Investment
Ambulance Service Personnel Longevity Plan	Emergency Medical Services Regulatory Board	Minnesota Supplemental Investment Fund	State Board of Investment
Teachers Retirement Plan	Teachers Retirement Association	Teachers Retirement Fund	State Board of Investment
MnSCU Supplemental Retirement Plan	Minnesota State Colleges and Universities Board	Minnesota Supplemental Investment Fund and outside investment vehicles	State Board of Investment/ Outside Vendors
MnSCU Individual Retirement Account Plan	Minnesota State Colleges and Universities Board	Minnesota Supplemental Investment Fund and outside investment vehicles	State Board of Investment/ Outside Vendors
Duluth Teachers Retirement Plan	Duluth Teachers Retirement Fund Association	Duluth Teachers Retirement Fund	Duluth Teachers Retirement Fund Association Board
Minneapolis Teachers Retirement Plan	Minneapolis Teachers Retirement Fund Association	Minneapolis Teachers Retirement Fund	Minneapolis Teachers Retirement Fund Association Board
St. Paul Teachers Retirement Plan	St. Paul Teachers Retirement Fund Association	St. Paul Teachers Retirement Fund	St. Paul Teachers Retirement Fund Association Board
Minneapolis Employees Retirement Plan	Minneapolis Employees Retirement Fund	Minneapolis Employees Retirement Fund	Minneapolis Employees Retirement Fund Board

Plan Demographics

A. ACTIVE MEMBERSHIP

1. Number

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	45,590	49,576	49,705	47,920	49,099	48,136
PERA-General	86,312	102,664	126,612	135,560	137,817	140,066
TRA	<u>58,533</u>	<u>64,324</u>	<u>67,558</u>	<u>70,508</u>	<u>71,690</u>	<u>71,916</u>
<i>Subtotal</i>	190,435	216,564	243,875	253,988	258,606	260,118
MSRS-Correctional	1,191	1,416	2,117	3,098	3,249	3,262
State Patrol	764	788	803	830	810	805
PERA-P&F	4,928	6,136	7,380	9,627	9,940	9,948
P&F Consolidation Accounts	--	287	1,061	0	0	0
Local Govt. Correctional	--	--	--	<u>2,781</u>	<u>3,270</u>	<u>3,155</u>
<i>Subtotal</i>	6,883	8,627	11,361	16,336	17,269	17,170
Legislators	201	201	198	173	134	--
Elected State Officers	6	6	6	0	0	--
Judges	<u>240</u>	<u>262</u>	<u>271</u>	<u>282</u>	<u>283</u>	<u>288</u>
<i>Subtotal</i>	447	469	475	455	417	--
MERF	3,812	2,730	2,036	1,152	836	705
DTRFA	1,182	1,553	1,512	1,441	1,276	1,373
MTRFA	2,758	3,252	4,686	5,777	5,720	5,381
SPTRFA	<u>2,888</u>	<u>3,343</u>	<u>3,742</u>	<u>4,445</u>	<u>4,306</u>	<u>4,331</u>
<i>Subtotal</i>	6,828	8,148	9,940	11,663	11,302	11,085

2. Average Covered Salary

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	\$23,667	\$30,529	\$32,425	\$39,652	\$41,557	\$44,434
PERA-General	16,497	20,203	23,149	26,577	28,787	30,223
TRA	<u>23,811</u>	<u>30,030</u>	<u>34,416</u>	<u>39,906</u>	<u>42,411</u>	<u>43,983</u>
<i>Group Average</i>	\$20,462	\$25,486	\$28,161	\$32,744	\$34,988	\$36,657
MSRS-Correctional	\$26,075	\$33,245	\$33,549	\$41,174	\$40,392	\$42,464
State Patrol	33,830	43,684	49,611	62,627	63,547	56,569
PERA-P&F	28,251	35,206	42,532	51,328	54,452	58,573
P&F Consolidation Accounts	--	37,928	50,216	--	--	--
Local Govt. Correctional	--	--	--	<u>29,061</u>	<u>32,538</u>	<u>36,855</u>
<i>Group Average</i>	\$28,494	\$35,749	\$42,076	\$46,186	\$48,084	\$51,428
Legislators	\$22,423	\$31,987	\$36,326	\$34,932	\$39,433	--
Elected State Officers	61,000	71,270	75,374	--	--	--
Judges	<u>64,671</u>	<u>78,862</u>	<u>86,453</u>	<u>99,949</u>	<u>109,742</u>	<u>\$118,993</u>
<i>Group Average</i>	\$45,624	\$58,676	\$65,418	\$75,228	\$87,149	--
MERF	\$26,165	\$33,949	\$40,986	\$47,068	\$51,987	\$52,451
DTRFA	\$26,415	\$26,109	\$32,054	\$36,851	\$37,310	\$36,431
MTRFA	31,778	38,064	37,233	44,225	46,578	49,204
SPTRFA	<u>26,265</u>	<u>32,869</u>	<u>39,610</u>	<u>42,283</u>	<u>46,785</u>	<u>50,542</u>
<i>Group Average</i>	\$28,518	\$33,654	\$37,340	\$42,574	\$45,611	\$48,145

Plan Demographics

A. ACTIVE MEMBERSHIP

3. Average Age

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	39.6	40.9	42.7	44.3	44.8	45.4
PERA-General	42.2	42.6	43.3	44.4	44.9	45.2
TRA	<u>41.5</u>	<u>42.8</u>	<u>42.9</u>	<u>42.6</u>	<u>42.8</u>	<u>43.0</u>
<i>Group Average</i>	41.4	42.3	43.1	43.9	44.3	44.6
MSRS-Correctional	36.0	37.5	38.0	40.3	40.7	41.1
State Patrol	40.5	40.6	42.3	40.8	41.0	41.2
PERA-P&F	37.2	37.6	38.4	38.7	38.6	38.8
P&F Consolidation Accounts	--	45.9	48.1	--	--	--
Local Govt. Correctional	--	--	--	<u>37.5</u>	<u>37.9</u>	<u>38.4</u>
<i>Group Average</i>	37.4	38.1	39.5	38.9	39.0	39.3
Legislators	45.6	49.4	49.3	53.8	55.5	--
Elected State Officers	46.2	52.1	52.0	--	--	--
Judges	<u>53.2</u>	<u>52.9</u>	<u>53.0</u>	<u>54.4</u>	<u>54.1</u>	<u>54.7</u>
<i>Group Average</i>	49.7	51.4	51.4	54.2	54.6	--
MERF	47.6	48.8	51.0	52.9	53.8	54.3
DTRFA	43.5	43.2	43.9	44.1	45.0	44.5
MTRFA	44.0	44.7	43.3	42.6	42.5	42.8
SPTRFA	<u>42.9</u>	<u>43.3</u>	<u>43.9</u>	<u>43.1</u>	<u>43.7</u>	<u>44.0</u>
<i>Group Average</i>	43.4	43.8	43.6	43.0	43.2	43.5

4. Average Service

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	8.9	9.6	11.1	11.7	11.8	12.3
PERA-General	8.1	8.3	8.2	9.0	9.4	9.6
TRA	<u>11.5</u>	<u>12.3</u>	<u>12.5</u>	<u>11.7</u>	<u>11.6</u>	<u>11.6</u>
<i>Group Average</i>	9.3	9.8	10.0	10.3	10.5	10.7
MSRS-Correctional	7.0	8.1	7.2	7.8	8.0	8.2
State Patrol	13.7	13.8	15.1	12.9	12.6	12.9
PERA-P&F	9.4	10.1	10.5	11.0	10.9	11.1
P&F Consolidation Accounts	--	19.7	22.0	--	--	--
Local Govt. Correctional	--	--	--	<u>0.9</u>	<u>2.2</u>	<u>2.9</u>
<i>Group Average</i>	9.5	10.4	11.3	8.8	8.8	9.1
Legislators	5.9	8.7	8.0	11.8	13.3	--
Elected State Officers	5.9	10.2	10.3	--	--	--
Judges	<u>11.5</u>	<u>10.7</u>	<u>10.6</u>	<u>10.9</u>	<u>9.9</u>	<u>10.2</u>
<i>Group Average</i>	8.9	9.8	9.5	11.2	11.0	--
MERF	15.1	19.0	23.0	26.7	28.0	28.7
DTRFA	12.0	10.2	10.5	10.5	11.5	11.0
MTRFA	14.4	13.7	9.6	8.4	8.4	9.0
SPTRFA	<u>11.6</u>	<u>11.3</u>	<u>11.2</u>	<u>10.8</u>	<u>11.1</u>	<u>11.2</u>
<i>Group Average</i>	12.8	12.0	10.3	9.6	9.8	10.1

Plan Demographics

ACTIVE MEMBERSHIP

5. Average Member Contribution

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	\$891	\$1,267	\$1,320	\$1,586	\$1,662	\$1,777
PERA-General	732	897	998	1,268	1,471	1,544
TRA	<u>1,113</u>	<u>1,375</u>	<u>2,240</u>	<u>1,996</u>	<u>2,121</u>	<u>2,199</u>
Group Average	\$887	\$1,124	\$1,408	\$1,530	\$1,687	\$1,768
MSRS-Correctional	\$1,278	\$1,629	\$1,644	\$2,343	\$2,298	\$2,416
State Patrol	2,876	3,713	4,426	5,260	5,338	4,752
PERA-P&F	2,260	2,816	3,232	3,182	3,376	3,632
P&F Consolidation Accounts	--	2,849	3,816	--	--	--
Local Govt. Correctional	--	--	--	<u>1,694</u>	<u>1,897</u>	<u>2,149</u>
Group Average	\$2,158	\$2,704	\$3,075	\$2,875	\$2,985	\$3,180
Legislators	\$2,020	\$2,881	\$3,268	\$3,145	\$3,552	--
Elected State Officers	5,500	6,333	6,833	0	0	--
Judges	<u>2,671</u>	<u>3,401</u>	<u>5,498</u>	<u>7,996</u>	<u>8,781</u>	<u>\$9,424</u>
Group Average	\$2,416	\$3,216	\$4,585	\$6,152	\$7,101	--
MERF	\$2,551	\$3,310	\$3,996	\$4,773	\$5,272	\$5,114
DTRFA	\$1,188	\$1,175	\$1,763	\$2,027	\$2,175	\$2,004
MTRFA	2,517	2,704	2,295	2,699	2,747	2,874
SPTRFA	<u>1,870</u>	<u>2,136</u>	<u>2,338</u>	<u>2,708</u>	<u>2,951</u>	<u>2,967</u>
Group Average	\$2,013	\$2,180	\$2,230	\$2,619	\$2,763	\$2,808

6. Average Employer Contribution

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	\$956	\$1,310	\$1,362	\$1,586	\$1,662	\$1,777
PERA-General	813	972	1,066	1,385	1,596	1,674
TRA	<u>2,180</u>	<u>2,468</u>	<u>2,804</u>	<u>1,996</u>	<u>2,121</u>	<u>2,199</u>
Group Average	\$1,267	\$1,494	\$1,608	\$1,593	\$1,754	\$1,838
MSRS-Correctional	\$2,269	\$2,085	\$2,103	\$3,286	\$3,223	\$3,389
State Patrol	6,394	6,500	7,382	7,892	8,007	7,128
PERA-P&F	3,390	4,225	4,849	4,773	5,064	5,447
P&F Consolidation Accounts	--	14,924	5,725	--	--	--
Local Govt. Correctional	--	--	--	<u>2,543</u>	<u>2,847</u>	<u>3,225</u>
Group Average	\$3,529	\$4,437	\$4,598	\$4,270	\$4,436	\$4,727
Legislators	-- ¹	-- ¹	-- ¹	-- ¹	-- ¹	-- ¹
Elected State Officers	-- ²	-- ²	-- ²	-- ²	-- ²	-- ²
Judges	-- ¹	<u>\$14,393</u>	<u>\$19,018</u>	<u>\$20,489</u>	<u>\$22,498</u>	<u>\$24,394</u>
Group Average	--	--	--	--	--	--
MERF	\$4,575	\$6,010	\$9,102 ³	\$10,457 ³	\$12,011	\$12,751
DTRFA	\$1,530	\$1,512	\$1,856 ³	\$2,134 ³	\$2,288	\$2,109
MTRFA	3,835	3,905	3,650 ³	3,956 ³	4,039 ³	4,227 ³
SPTRFA	<u>2,781</u>	<u>3,004</u>	<u>3,780</u> ³	<u>4,058</u> ³	<u>4,434</u> ³	<u>4,463</u> ³
Group Average	\$2,990	\$3,079	\$3,426	\$3,770	\$3,992	\$4,057

¹ Plan is terminally funded, meaning that the State contribution is made only upon the retirement of each participant.

² Plan is funded on a current disbursements or "pay-as-you-go" basis, meaning that the State funds the retirement annuities or benefits monthly when they are done.

³ Plan is funded also with a direct State appropriation, excluded from this calculation, which would increase the total employer contribution amount.

Plan Demographics

B. SERVICE RETIREES

1. Number

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	10,464	11,810	14,004	16,276	17,279	17,774
PERA-General	17,277	24,314	31,487	39,940	43,037	44,532
TRA	<u>12,798</u>	<u>16,133</u>	<u>21,458</u>	<u>29,525</u>	<u>32,231</u>	<u>33,290</u>
<i>Subtotal</i>	40,539	52,257	66,949	85,741	92,547	97,370
MSRS-Correctional	309	340	399	616	754	843
State Patrol	285	346	401	531	577	592
PERA-P&F	765	1,057	1,435	3,991	4,191	4,381
P&F Consolidation Accounts	--	248	1,349	--	--	--
Local Govt. Correctional	--	--	--	<u>9</u>	<u>35</u>	<u>57</u>
<i>Subtotal</i>	1,359	1,991	3,584	5,147	5,557	5,873
Legislators	108	126	155	210	230	--
Elected State Officers	6	3	5	8	8	--
Judges	<u>83</u>	<u>105</u>	<u>131</u>	<u>153</u>	<u>164</u>	<u>160</u>
<i>Subtotal</i>	197	234	291	371	402	--
MERF	3,459	3,688	3,657	3,757	3,780	3,749
DTRFA	562	634	788	937	1,004	1,019
MTRFA	2,153	2,254	2,482	3,033	3,283	3,334
SPTRFA	<u>963</u>	<u>1,111</u>	<u>1,334</u>	<u>1,728</u>	<u>1,884</u>	<u>1,988</u>
<i>Subtotal</i>	3,678	3,999	4,604	5,698	6,171	6,341

2. Average Benefit

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	\$3,784	\$5,891	\$7,898	\$13,103	\$14,797	\$14,818
PERA-General	4,617	6,493	7,696	11,458	12,407	12,212
TRA	<u>6,680</u>	<u>10,781</u>	<u>15,952</u>	<u>26,617</u>	<u>29,009</u>	<u>28,596</u>
<i>Group Average</i>	\$5,053	\$7,681	\$10,381	\$16,990	\$18,635	\$18,067
MSRS-Correctional	\$4,966	\$7,306	\$11,592	\$15,619	\$17,120	\$19,660
State Patrol	11,745	19,066	25,865	43,808	49,458	49,409
PERA-P&F	8,271	13,592	18,613	35,115	40,381	40,555
P&F Consolidation Accounts	--	17,107	23,377	--	--	--
Local Govt. Correctional	--	--	--	<u>427</u>	<u>1,201</u>	<u>1,510</u>
<i>Group Average</i>	\$8,248	\$13,908	\$20,447	\$33,618	\$37,921	\$38,069
Legislators	\$6,568	\$8,884	\$11,751	\$17,864	\$19,830	--
Elected State Officers	13,836	21,009	20,070	26,612	30,459	--
Judges	<u>19,880</u>	<u>27,410</u>	<u>35,855</u>	<u>55,729</u>	<u>61,285</u>	<u>60,342</u>
<i>Group Average</i>	\$12,398	\$17,352	\$22,745	\$33,668	\$36,954	--
MERF	\$8,598	\$13,258	\$16,463	\$24,148	\$28,161	\$28,879
DTRFA	\$4,044	\$5,027	\$9,581	\$13,853	\$15,729	\$15,964
MTRFA	7,384	14,462	18,737	27,928	31,124	31,729
SPTRFA	<u>9,422</u>	<u>12,384</u>	<u>16,523</u>	<u>26,874</u>	<u>29,850</u>	<u>30,367</u>
<i>Group Average</i>	\$7,407	\$12,389	\$16,528	\$25,294	\$28,230	\$28,769

Plan Demographics

3. SURVIVORS

1. Number

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	537	899	1,313	1,955	2,308	2,405
PERA-General	3,854	4,414	5,260	6,010	6,276	6,391
TRA	<u>781</u>	<u>929</u>	<u>1,331</u>	<u>1,912</u>	<u>2,192</u>	<u>2,351</u>
<i>Subtotal</i>	5,172	6,242	7,904	9,877	10,776	11,147
MSRS-Correctional	8	15	25	56	69	82
State Patrol	109	105	121	157	156	162
PERA-P&F	279	347	426	1,205	1,206	1,213
P&F Consolidation Accounts	--	129	580	--	--	--
Local Govt. Correctional	<u>--</u>	<u>--</u>	<u>--</u>	<u>0</u>	<u>2</u>	<u>6</u>
<i>Subtotal</i>	396	596	1,152	1,418	1,433	1,463
Legislators	41	37	61	70	67	--
Elected State Officers	3	5	6	5	5	--
Judges	<u>52</u>	<u>64</u>	<u>77</u>	<u>82</u>	<u>87</u>	<u>87</u>
<i>Subtotal</i>	96	106	144	157	159	--
MERF	938	942	987	1,056	1,036	1,014
DTRFA	23	29	46	53	68	74
MTRFA	140	204	225	254	268	285
SPTRFA	<u>112</u>	<u>129</u>	<u>170</u>	<u>213</u>	<u>228</u>	<u>239</u>
<i>Subtotal</i>	275	362	441	520	564	598

2. Average Benefit

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	\$2,828	\$4,645	\$6,601	\$11,405	\$13,115	\$13,130
PERA-General	2,574	4,475	6,856	11,382	12,693	12,920
TRA	<u>5,594</u>	<u>9,150</u>	<u>12,990</u>	<u>21,623</u>	<u>24,029</u>	<u>23,802</u>
<i>Group Average</i>	\$3,056	\$5,195	\$7,847	\$13,369	\$15,089	\$15,260
MSRS-Correctional	\$5,078	\$4,501	\$5,948	\$8,877	\$9,845	\$10,443
State Patrol	4,454	7,875	13,493	22,137	26,297	25,745
PERA-P&F	3,886	6,770	10,864	18,867	21,930	22,390
P&F Consolidation Accounts	--	8,453	11,854	--	--	--
Local Govt. Correctional	<u>--</u>	<u>--</u>	<u>--</u>	<u>0</u>	<u>1,800</u>	<u>3,673</u>
<i>Group Average</i>	\$4,066	\$7,272	\$11,532	\$18,835	\$21,795	\$22,015
Legislators	\$2,437	\$4,242	\$5,537	\$9,539	\$12,364	--
Elected State Officers	7,451	9,874	11,107	20,446	23,401	--
Judges	<u>9,888</u>	<u>14,502</u>	<u>20,148</u>	<u>33,899</u>	<u>37,876</u>	<u>\$37,505</u>
<i>Group Average</i>	\$6,630	\$10,702	\$13,582	\$22,609	\$26,670	--
MERF	\$5,143	\$8,454	\$11,453	\$17,586	\$21,819	\$22,284
DTRFA	\$2,638	\$3,308	\$7,521	\$11,528	\$13,077	\$12,921
MTRFA	5,959	10,046	13,672	21,587	24,819	25,546
SPTRFA	<u>5,501</u>	<u>7,376</u>	<u>10,075</u>	<u>19,865</u>	<u>22,799</u>	<u>23,691</u>
<i>Group Average</i>	\$5,495	\$8,555	\$11,644	\$19,856	\$22,587	\$23,242

Plan Demographics

D. DISABILITANTS

1. Number

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	695	676	824	1,070	1,218	1,275
PERA-General	654	708	959	1,397	1,565	1,640
TRA	<u>223</u>	<u>257</u>	<u>379</u>	<u>509</u>	<u>551</u>	<u>558</u>
<i>Subtotal</i>	1,572	1,641	2,162	2,976	3,334	3,473
MSRS-Correctional	12	9	25	75	115	135
State Patrol	13	14	18	22	29	31
PERA-P&F	54	89	146	482	574	614
P&F Consolidation Accounts	--	16	53	--	--	--
Local Govt. Correctional	<u>--</u>	<u>--</u>	<u>--</u>	<u>3</u>	<u>26</u>	<u>37</u>
<i>Subtotal</i>	79	128	242	582	744	817
Legislators	--	--	--	--	--	--
Elected State Officers	--	--	--	--	--	--
Judges	<u>4</u>	<u>9</u>	<u>7</u>	<u>4</u>	<u>5</u>	<u>6</u>
<i>Subtotal</i>	4	9	7	4	5	--
MERF	261	258	240	213	205	197
DTRFA	8	11	7	6	13	14
MTRFA	47	40	49	20	21	23
SPTRFA	<u>28</u>	<u>30</u>	<u>35</u>	<u>23</u>	<u>24</u>	<u>21</u>
<i>Subtotal</i>	83	81	91	49	58	58

2. Average Benefit

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	\$2,924	\$4,159	\$5,613	\$9,434	\$10,704	\$10,849
PERA-General	4,911	5,487	6,712	9,077	9,860	9,678
TRA	<u>7,834</u>	<u>10,759</u>	<u>12,743</u>	<u>19,553</u>	<u>20,245</u>	<u>19,521</u>
<i>Group Average</i>	\$4,447	\$5,766	\$7,350	\$10,997	\$11,885	\$11,689
MSRS-Correctional	\$5,879	\$5,018	\$11,946	\$13,865	\$14,689	\$17,197
State Patrol	10,397	14,228	20,528	31,589	34,984	35,716
PERA-P&F	9,030	13,743	17,535	33,378	40,134	40,025
P&F Consolidation Accounts	--	15,379	21,871	--	--	--
Local Govt. Correctional	<u>--</u>	<u>--</u>	<u>--</u>	<u>10,419</u>	<u>12,752</u>	<u>13,875</u>
<i>Group Average</i>	\$8,776	\$13,387	\$18,130	\$30,677	\$35,043	\$34,905
Legislators	--	--	--	--	--	--
Elected State Officers	--	--	--	--	--	--
Judges	<u>\$19,669</u>	<u>\$25,781</u>	<u>\$35,158</u>	<u>\$68,229</u>	<u>\$76,616</u>	<u>\$69,759</u>
<i>Group Average</i>	\$19,669	\$25,781	\$35,158	\$68,229	\$76,616	--
MERF	\$6,503	\$9,617	\$12,378	\$18,179	\$21,142	\$21,282
DTRFA	\$3,956	\$6,478	\$11,925	\$11,024	\$13,044	\$12,792
MTRFA	7,436	11,832	16,485	35,032	36,415	36,625
SPTRFA	<u>16,640</u>	<u>19,280</u>	<u>23,764</u>	<u>33,018</u>	<u>31,915</u>	<u>29,397</u>
<i>Group Average</i>	\$10,206	\$13,863	\$18,934	\$31,147	\$29,315	\$28,255

Plan Demographics

Ē. DEFERRED MEMBERS AND INACTIVE MEMBERS

1. Deferred Retirees

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	940	1,824	5,518	11,125	11,939	12,679
PERA-General	1,863	2,699	7,156	21,495	29,353	32,128
TRA	<u>2,191</u>	<u>1,955</u>	<u>5,103</u>	<u>7,375</u>	<u>8,680</u>	<u>9,304</u>
<i>Subtotal</i>	4,994	6,478	17,777	39,995	49,972	54,111
MSRS-Correctional	30	113	296	419	550	601
State Patrol	21	23	19	24	27	20
PERA-P&F	163	128	250	470	637	758
P&F Consolidation Accounts	--	3	32	--	--	--
Local Govt. Correctional	--	--	--	<u>0</u>	<u>282</u>	<u>590</u>
<i>Subtotal</i>	214	267	597	913	1,496	1,969
Legislators	111	101	141	90	97	--
Elected State Officers	5	6	5	4	4	--
Judges	<u>7</u>	<u>2</u>	<u>7</u>	<u>9</u>	<u>24</u>	<u>26</u>
<i>Subtotal</i>	123	109	153	103	125	--
MERF	101	97	86	233	200	189
DTRFA	50	42	122	172	305	187
MTRFA	562	519	628	756	1,043	1,123
SPTRFA	<u>36</u>	<u>36</u>	<u>107</u>	<u>243</u>	<u>815</u>	<u>858</u>
<i>Subtotal</i>	648	597	857	1,171	2,163	2,168

2. Inactive Members

<u>Plan</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>
MSRS-General	4,957	4,638	5,242	7,772	8,224	8,626
PERA-General	38,986	7,695	9,683	79,362	87,114	94,340
TRA	<u>13,628</u>	<u>15,356</u>	<u>16,411</u>	<u>17,833</u>	<u>19,022</u>	<u>19,256</u>
<i>Subtotal</i>	57,271	27,689	31,336	104,967	114,360	122,222
MSRS-Correctional	79	45	74	163	268	340
State Patrol	9	4	5	10	11	13
PERA-P&F	350	121	141	626	663	740
P&F Consolidation Accounts	--	1	0	--	--	--
Local Govt. Correctional	--	--	--	<u>0</u>	<u>488</u>	<u>702</u>
<i>Subtotal</i>	438	171	220	799	1,430	1,795
Legislators	15	3	9	3	5	--
Elected State Officers	1	0	0	0	0	--
Judges	<u>0</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>
<i>Subtotal</i>	16	4	10	5	6	--
MERF	197	184	181	0	0	0
DTRFA	0	435	561	575	769	826
MTRFA	60	134	895	1,815	2,620	3,057
SPTRFA	<u>1,770</u>	<u>888</u>	<u>1,066</u>	<u>1,697</u>	<u>2,078</u>	<u>1,966</u>
<i>Subtotal</i>	1,830	1,457	2,522	4,087	5,467	5,849

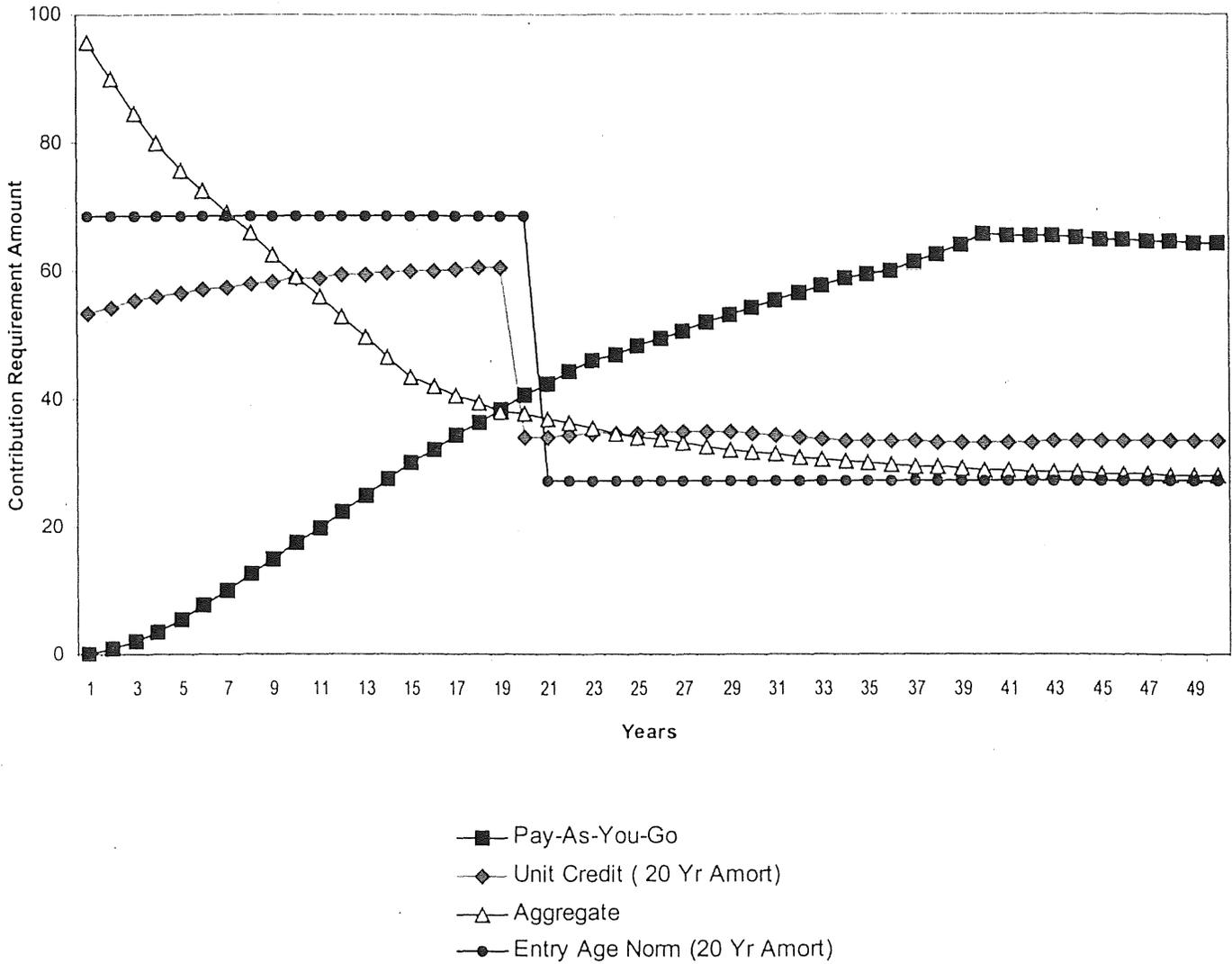
Actuarial Reporting on Minnesota Public Pension Plans

- Before 1957, no state law required any actuarial reporting regarding Minnesota public pension plans.
- Regular Minnesota public pension plan actuarial and financial reporting was first required in 1965, with the actuarial valuations prepared by the consulting actuaries retained by the plans.
- Since 1984, actuarial reporting on the major and statewide Minnesota public pension plans has been required to be prepared by the consulting actuary retained by the Legislative Commission on Pensions and Retirement.
- Actuarial reporting requirements and major economic assumptions are largely prescribed in statute. The statutory regulation of actuarial work is augmented by the Standards for Actuarial Work adopted by the Commission. Additional demographic actuarial assumptions are adopted by the plan governing boards, subject to Commission approval.
- Actuarial reporting prepared by the Commission-retained actuary is reviewed or supplemented by the consulting actuaries retained by the various plans.
- The cost to the Legislative Commission on Pensions and Retirement for the regular pension plan actuarial reporting prepared by Commission-retained actuary is recouped from the various statewide and major pension plans.
- Actuarial reporting is intended to assess the adequacy of the total non-investment revenue financial support of the pension plan compared with calculated annual actuarial funding requirements of the pension plan, to assess the extent of conformance with the selected budgetary actuarial method for accumulating financial reserves for pension liabilities, and to provide required actuarial disclosure for governmental accounting purposes.

Nature of Actuarial Funding

- Actuarial funding is a mechanism for:
 1. Determining the magnitude of pension liabilities previously undertaken by a defined benefit pension plan;
 2. Comparing the current pension plan assets reserved for pension purposes with the accrued pension liabilities amassed by a defined benefit pension plan; and
 3. Assessing the adequacy of total annual contribution support to meet the total annual funding requirements of a defined benefit pension plan.
- Actuarial funding differs from non-actuarial pension funding, which is typically represented by current disbursements (pay-as-you-go) funding, as used by the Social Security System historically.
- Many different actuarial funding methods exist and were developed primarily to meet the budgetary needs of a plan sponsor.
- Minnesota utilizes the Entry Age Actuarial Cost Method (or Entry Age Normal Cost Actuarial Cost Method), which emphasizes the determination of a level actuarial cost as a percentage of covered payroll over a plan member's working career.
- Minnesota actuarial reporting produces:
 1. A measure of the magnitude of accrued pension liability: Actuarial Accrued Liability
 2. A pension reserve comparison: Current Assets (actuarial value of assets)
Unfunded Actuarial Accrued Liability
Funding Ratio (assets expressed as a percentage of liabilities)
 3. Measure of contribution adequacy: Funding Requirement
 1. Normal Cost
 2. Administrative Expenses
 3. Supplementary (Amortization) ContributionTotal Actuarial Requirement (1. + 2. + 3.)
Contributions
 4. Member Contributions
 5. Employer Contributions
 6. State Aid or Other Regular FundingTotal Contributions (4. + 5. + 6.)

Pattern of Recognizing Pension Costs Over Time Under Various Funding Methods



Source: Robert Tilove, *Public Employee Pension Funds*, N. Y., Columbia University Press, 1976, pp. 144-145, as adapted from Charles L. Trowbridge, "Fundamentals of Pension Funding," *Transactions, Society of Actuaries*, Vol. 4, 1952

2004 Actuarial Valuation Results Statewide General Employee Plans

	MSRS-General 2004	PERA 2004	TRA 2004	Total Statewide General Employee Plans 2004
<u>Membership</u>				
Active Members		138,164		72,008
Service Retirees		46,470		34,581
Disabilitants		1,760		589
Survivors		6,550		2,479
Deferred Retirees		33,915		10,767
Nonvested Former Members		<u>102,265</u>		<u>18,223</u>
Total Membership		329,124		138,647
<u>Funded Status</u>				
Accrued Liability		\$14,959,464,879		\$17,518,783,700
Current Assets		<u>\$11,477,960,861</u>		<u>\$17,519,909,350</u>
Unfunded Accrued Liability		\$3,481,504,018		(\$1,125,650)
Funding Ratio	76.73%		100.01%	
<u>Financing Requirements</u>				
Covered Payroll		\$4,220,502,712		\$3,206,759,440
Benefits Payable		\$687,124,293		\$1,008,410,471
Normal Cost	7.78%	\$328,196,111	8.07%	\$258,898,450
Administrative Expenses	<u>0.21%</u>	<u>\$8,863,056</u>	<u>0.39%</u>	<u>\$12,506,362</u>
Normal Cost & Expense	7.99%	\$337,059,167	8.46%	\$271,404,812
Normal Cost & Expense	7.99%	\$337,059,167	8.46%	\$271,404,812
Amortization	<u>4.25%</u>	<u>\$179,371,365</u>	<u>0.00%</u>	<u>\$0</u>
Total Requirements	12.24%	\$516,430,532	8.46%	\$271,404,812
Employee Contributions	5.10%	\$215,425,739	5.00%	\$160,337,972
Employer Contributions	5.54%	\$233,675,208	5.00%	\$160,337,972
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0
Direct State Funding	0.00%	\$0	0.00%	\$0
Other Govt. Funding	0.00%	\$0	0.00%	\$0
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	10.64%	\$449,100,947	10.00%	\$320,675,944
Total Requirements	12.24%	\$516,430,532	8.46%	\$271,404,812
Total Contributions	<u>10.64%</u>	<u>\$449,100,947</u>	<u>10.00%</u>	<u>\$320,675,944</u>
Deficiency (Surplus)	1.60%	\$67,329,585	(1.54%)	(\$49,271,132)

2004 Actuarial Valuation Results Statewide Public Safety Plans

	MSRS-Correctional 2004	State Patrol 2004	PERA-P&F 2004	PERA-Correctional 2004	Total Statewide Public Safety Plans 2004
<u>Membership</u>					
Active Members			10,055	3,251	
Service Retirees			4,547	81	
Disabilitants			700	50	
Survivors			1,385	8	
Deferred Retirees			878	758	
Nonvested Former Members			<u>750</u>	<u>911</u>	
Total Membership			18,315	5,059	
<u>Funded Status</u>					
Accrued Liability			\$4,692,190,387	\$85,693,412	
Current Assets			<u>\$4,746,834,494</u>	<u>\$75,918,151</u>	
Unfunded Accrued Liability			(\$54,644,107)	\$9,775,261	
Funding Ratio			101.16%	88.59%	
<u>Financing Requirements</u>					
Covered Payroll			\$593,944,656	\$120,511,319	
Benefits Payable			\$237,442,200	\$804,803	
Normal Cost			22.37% \$132,886,767	12.31% \$14,834,390	
Administrative Expenses			<u>0.12%</u> <u>\$712,734</u>	<u>0.14%</u> <u>\$168,716</u>	
Normal Cost & Expense			22.49% \$133,599,501	12.45% \$15,003,106	
Normal Cost & Expense			22.49% \$133,599,501	12.45% \$15,003,106	
Amortization			<u>(0.44%)</u> <u>(\$2,613,356)</u>	<u>0.55%</u> <u>\$662,812</u>	
Total Requirements			22.05% \$130,986,145	13.00% \$15,665,918	
Employee Contributions			6.20% \$36,824,569	5.83% \$7,025,810	
Employer Contributions			9.30% \$55,236,853	8.75% \$10,544,740	
Employer Add'l Cont.			0.00% \$0	0.00% \$0	
Direct State Funding			0.00% \$0	0.00% \$0	
Other Govt. Funding			0.00% \$0	0.00% \$0	
Administrative Assessment			<u>0.00%</u> <u>\$0</u>	<u>0.00%</u> <u>\$0</u>	
Total Contributions			15.50% \$92,061,422	14.58% \$17,570,550	
Total Requirements			22.05% \$130,986,145	13.00% \$15,665,918	
Total Contributions			<u>15.50%</u> <u>\$92,061,422</u>	<u>14.58%</u> <u>\$17,570,550</u>	
Deficiency (Surplus)			6.55% \$38,924,723	(1.58%) (\$1,904,632)	

2004 Actuarial Valuation Results Statewide Specialty Retirement Plans

	Elective State Officers		Judges		Legislators		Total Statewide Specialty Plans	
	2004		2004		2004		2004	
<u>Membership</u>								
Active Members		0		0		87		87
Service Retirees		8		0		251		259
Disabilitants		0		0		0		0
Survivors		5		0		64		69
Deferred Retirees		3		0		114		117
Nonvested Former Members		<u>0</u>		<u>0</u>		<u>4</u>		<u>4</u>
Total Membership		16		0		520		536
<u>Funded Status</u>								
Accrued Liability		\$4,001,787		\$0		\$83,197,221		\$87,199,008
Current Assets		<u>\$203,566</u>		<u>\$0</u>		<u>\$46,155,159</u>		<u>\$46,358,725</u>
Unfunded Accrued Liability		\$3,798,221		\$0		\$37,042,062		\$40,840,283
Funding Ratio	5.09%	\$0	0.00%		55.48%		53.16%	
<u>Financing Requirements</u>								
Covered Payroll		\$0		\$0		\$3,343,323		\$3,343,323
Benefits Payable		\$380,763		\$0		\$5,766,150		\$6,146,913
Normal Cost	0.00%	\$0	0.00%	\$0	16.89%	\$565,086	16.90%	\$565,086
Administrative Expenses	<u>0.00%</u>	<u>\$1,000</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.43%</u>	<u>\$14,376</u>	<u>0.46%</u>	<u>\$15,376</u>
Normal Cost & Expense	0.00%	\$1,000	0.00%	\$0	17.32%	\$579,462	17.36%	\$580,462
Normal Cost & Expense	0.00%	\$1,000	0.00%	\$0	17.32%	\$579,462	17.36%	\$580,462
Amortization	<u>0.00%</u>	<u>\$435,594</u>	<u>0.00%</u>	<u>\$0</u>	<u>87.40%</u>	<u>\$2,922,064</u>	<u>100.43%</u>	<u>\$3,357,658</u>
Total Requirements	0.00%	\$436,594	0.00%	\$0	104.72%	\$3,501,526	117.79%	\$3,938,120
Employee Contributions	0.00%	\$0	0.00%	\$0	9.00%	\$300,899	9.00%	\$300,899
Employer Contributions	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Direct State Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	0.00%	\$0	0.00%	\$0	9.00%	\$300,899	9.00%	\$300,899
Total Requirements	0.00%	\$436,594	0.00%	\$0	104.72%	\$3,501,526	117.79%	\$3,938,120
Total Contributions	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>9.00%</u>	<u>\$300,899</u>	<u>9.00%</u>	<u>\$300,899</u>
Deficiency (Surplus)	0.00%	\$436,594	0.00%	\$0	95.72%	\$3,200,627	108.79%	\$3,637,221

2004 Actuarial Valuation Results First Class City Retirement Plans

	DTRFA		MTRFA		SPTRFA		MERF		Total First Class City Plans	
	2004		2004		2004		2004		2004	
<u>Membership</u>										
Active Members		1,178		5,074		4,435		552		11,239
Service Retirees		1,036		3,449		2,084		3,791		10,360
Disabilitants		14		24		28		191		257
Survivors		87		291		249		999		1,626
Deferred Retirees		312		1,243		1,261		181		2,997
Nonvested Former Members		<u>650</u>		<u>3,384</u>		<u>1,664</u>		<u>0</u>		<u>5,698</u>
Total Membership		3,277		13,465		9,721		5,714		32,177
<u>Funded Status</u>										
Accrued Liability		\$301,704,445		\$1,729,551,327		\$1,251,460,084		\$1,643,139,996		\$4,925,855,852
Current Assets		<u>\$276,949,052</u>		<u>\$877,763,977</u>		<u>\$898,859,732</u>		<u>\$1,513,388,863</u>		<u>\$3,566,961,624</u>
Unfunded Accrued Liability		\$24,755,393		\$851,787,350		\$352,600,352		\$129,751,133		\$1,358,894,228
Funding Ratio	91.79%		50.75%		71.82%		92.10%		72.41%	
<u>Financing Requirements</u>										
Covered Payroll		\$55,820,306		\$249,069,999		\$230,777,730		\$31,019,951		\$566,687,986
Benefits Payable		\$17,347,576		\$118,352,032		\$67,941,921		\$137,235,498		\$340,877,027
Normal Cost	8.78%	\$4,903,049	9.59%	\$23,889,438	9.31%	\$21,479,177	18.46%	\$5,725,402	9.88%	\$55,997,066
Administrative Expenses	<u>0.85%</u>	<u>\$474,473</u>	<u>0.28%</u>	<u>\$697,396</u>	<u>0.24%</u>	<u>\$553,867</u>	<u>2.41%</u>	<u>\$746,670</u>	<u>0.44%</u>	<u>\$2,472,406</u>
Normal Cost & Expense	9.63%	\$5,377,522	9.87%	\$24,586,834	9.55%	\$22,033,044	20.86%	\$6,472,072	10.32%	\$58,469,472
Normal Cost & Expense	9.63%	\$5,377,522	9.87%	\$24,586,834	9.55%	\$22,033,044	20.86%	\$6,472,072	10.32%	\$58,469,472
Amortization	<u>2.49%</u>	<u>\$1,389,926</u>	<u>28.24%</u>	<u>\$70,337,368</u>	<u>12.05%</u>	<u>\$27,808,716</u>	<u>43.05%</u>	<u>\$13,354,076</u>	<u>19.92%</u>	<u>\$112,890,086</u>
Total Requirements	12.12%	\$6,767,448	38.11%	\$94,924,202	21.60%	\$49,841,760	63.92%	\$19,826,148	30.24%	\$171,359,558
Employee Contributions	5.50%	\$3,070,117	5.78%	\$14,405,402	5.80%	\$13,393,204	9.75%	\$3,024,445	5.98%	\$33,893,168
Employer Contributions	5.79%	\$3,231,996	8.52%	\$21,216,367	8.74%	\$20,171,429	27.03%	\$8,385,962	9.35%	\$53,005,754
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	0.00%	\$0	1.13%	\$351,106	0.06%	\$351,106
Direct State Funding	0.00%	\$0	7.56%	\$18,829,000	2.08%	\$4,803,000	26.00%	\$8,064,635	5.59%	\$31,696,635
Other Govt. Funding	0.00%	\$0	1.00%	\$2,500,000	0.00%	\$0	0.00%	\$0	0.44%	\$2,500,000
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	11.29%	\$6,302,113	22.87%	\$56,950,769	16.63%	\$38,367,633	63.91%	\$19,826,148	21.43%	\$121,446,663
Total Requirements	12.12%	\$6,767,448	38.11%	\$94,924,202	21.60%	\$49,841,760	63.92%	\$19,826,148	30.24%	\$171,359,558
Total Contributions	<u>11.29%</u>	<u>\$6,302,113</u>	<u>22.87%</u>	<u>\$56,950,769</u>	<u>16.63%</u>	<u>\$38,367,633</u>	<u>63.91%</u>	<u>\$19,826,148</u>	<u>21.43%</u>	<u>\$121,446,663</u>
Deficiency (Surplus)	0.83%	\$465,335	15.24%	\$37,973,433	4.97%	\$11,474,127	0.01%	\$0	8.81%	\$49,912,895

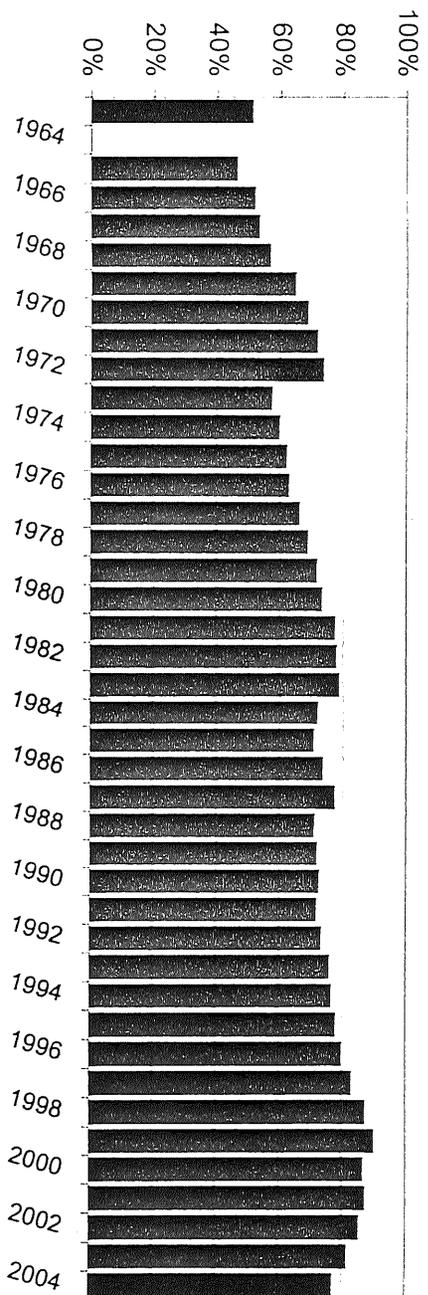
2004 Actuarial Valuation Results Minneapolis Retirement Plans

	MTRFA		MERF		Minneapolis Fire		Minneapolis Police	
	2004		2004		2003		2003	
Membership								
Active Members		5,074		552		58		24
Service Retirees		3,449		3,791		439		689
Disabilitants		24		191		8		0
Survivors		291		999		183		246
Deferred Retirees		1,243		181		2		0
Nonvested Former Members		<u>3,384</u>		<u>0</u>		<u>---</u>		<u>---</u>
Total Membership		13,465		5,714		690		959
Funded Status								
Accrued Liability		\$1,729,551,327		\$1,643,139,996		\$293,955,306		\$465,275,886
Current Assets		<u>\$877,763,977</u>		<u>\$1,513,388,863</u>		<u>\$236,990,860</u>		<u>\$300,154,422</u>
Unfunded Accrued Liability		\$851,787,350		\$129,751,133		\$56,964,446		\$165,121,464
Funding Ratio	50.75%		92.10%		80.62%		64.51%	
Financing Requirements								
Covered Payroll		\$249,069,999		\$31,019,951		\$4,396,958		\$1,860,356
Benefits Payable		\$118,352,032		\$137,235,498		\$0		\$33,194,254
Normal Cost	9.59%	\$23,889,438	18.46%	\$5,725,402	21.44%	\$906,523	19.78%	\$367,974
Administrative Expenses	<u>0.28%</u>	<u>\$697,396</u>	<u>2.41%</u>	<u>\$746,670</u>	<u>0.00%</u>	<u>---</u>	<u>0.00%</u>	<u>---</u>
Normal Cost & Expense	9.87%	\$24,586,834	20.86%	\$6,472,072	21.44%	\$906,523	19.78%	\$367,974
Normal Cost & Expense	9.87%	\$24,586,834	20.86%	\$6,472,072	21.44%	\$906,523	19.78%	\$367,974
Amortization	<u>28.24%</u>	<u>\$70,337,368</u>	<u>43.05%</u>	<u>\$13,354,076</u>	<u>125.02%</u>	<u>\$5,533,223</u>	<u>1702.84%</u>	<u>\$31,678,807</u>
Total Requirements	38.11%	\$94,924,202	63.92%	\$19,826,148	146.46%	\$6,439,746	1722.62%	\$32,046,781
Employee Contributions	5.78%	\$14,405,402	9.75%	\$3,024,445	8.00%	\$351,757	8.00%	\$148,828
Employer Contributions	8.52%	\$21,216,367	27.03%	\$8,385,962	138.46%	\$6,087,989	1714.62%	\$31,897,953
Employer Add'l Cont.	0.00%	\$0	1.13%	\$351,106	--	--	--	--
Direct State Funding	7.56%	\$18,829,000	26.00%	\$8,064,635	--	--	--	--
Other Govt. Funding	1.00%	\$2,500,000	0.00%	\$0	--	--	--	--
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Contributions	22.87%	\$56,950,769	63.91%	\$19,826,148	146.46%	\$6,439,746	1722.62%	\$32,046,781
Total Requirements	38.11%	\$94,924,202	63.92%	\$19,826,148	146.46%	\$6,439,746	1722.62%	\$32,046,781
Total Contributions	<u>22.87%</u>	<u>\$56,950,769</u>	<u>63.91%</u>	<u>\$19,826,148</u>	<u>146.46%</u>	<u>\$6,439,746</u>	<u>1722.62%</u>	<u>\$32,046,781</u>
Deficiency (Surplus)	15.24%	\$37,973,433	0.01%	\$0	0.00%	\$0	0.00%	\$0

Minnesota Public Pension Plans Funding Progress 1957-2003

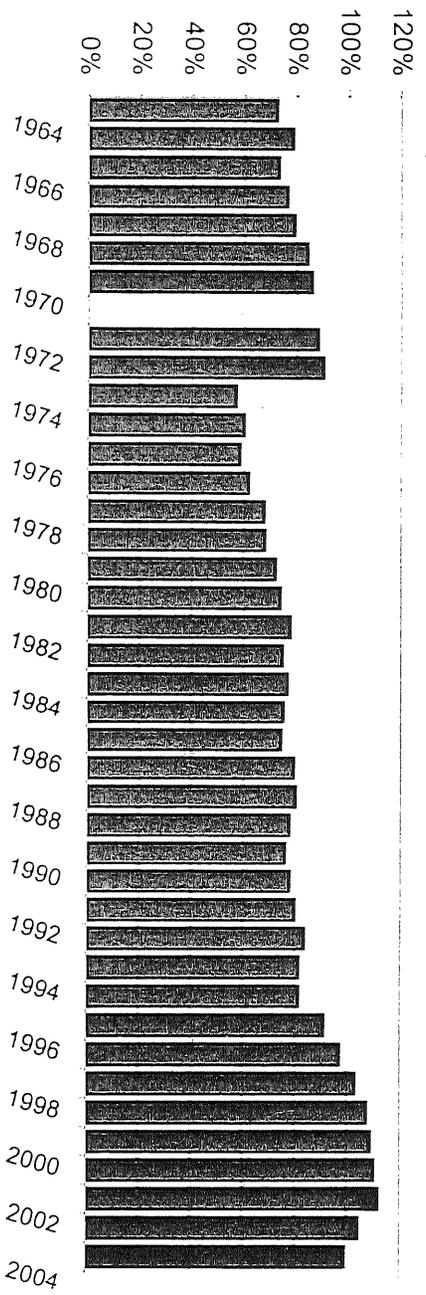
	General State Employees Plan (MSRS)		Major Three Plans (MSRS, PERA, TRA)		Minneapolis Teachers Retirement Fund Association (MTRFA)	First Class City Teacher Retirement Fund Associations	All Plans			
1957: Actuarial Accr. Liab.		\$69,000,000		\$291,738,421	\$63,923,400	\$99,349,200			\$564,829,533	
Assets		<u>\$42,300,000</u>		<u>\$107,088,150</u>	<u>\$26,517,000</u>	<u>\$35,596,700</u>			<u>\$177,900,430</u>	
Unfunded Accr. Liab.		\$26,700,000		\$184,650,271	\$37,406,400	\$63,752,500			\$386,929,103	
Funding Ratio	61.30%		36.71%		41.48%	35.83%			31.50%	
Normal Cost	6.29%	\$5,289,890	9.03%	\$26,414,703	12.75%	\$2,023,700	13.17%	\$3,800,800	9.37%	\$34,192,946
Expenses	--	--	0.07%	\$193,895	--	--	--	--	0.05%	\$193,895
Amortization	<u>1.37%</u>	<u>\$1,152,170</u>	<u>11.61%</u>	<u>\$7,345,006</u>	<u>3.19%</u>	<u>\$506,300</u>	<u>5.63%</u>	<u>\$1,625,300</u>	<u>3.92%</u>	<u>\$14,306,194</u>
Financial Req.	7.66%	\$6,442,060	20.71%	\$33,953,604	15.94%	\$2,530,000	18.80%	\$5,426,100	13.34%	\$48,693,035
Member Contrib.	3.00%	\$2,523,000	5.14%	\$15,024,358	6.00%	\$952,300	5.76%	\$1,662,800	5.17%	\$18,881,196
Employer Contrib.	<u>5.00%</u>	<u>\$4,205,000</u>	<u>6.69%</u>	<u>\$19,557,757</u>	<u>13.72%</u>	<u>\$2,177,700</u>	<u>11.29%</u>	<u>\$3,258,000</u>	<u>7.38%</u>	<u>\$26,931,655</u>
Total Contrib.	8.00%	\$6,728,000	11.83%	\$34,582,115	19.72%	\$3,130,000	17.05%	\$4,920,800	12.55%	\$45,812,851
1975: Actuarial Accr. Liab.		\$429,700,000		\$2,286,800,000	\$177,235,900	\$330,125,800			\$3,406,858,458	
Assets		<u>\$255,800,000</u>		<u>\$1,311,400,000</u>	<u>\$101,094,100</u>	<u>\$173,018,400</u>			<u>\$1,799,398,021</u>	
Unfunded Accr. Liab.		\$173,900,000		\$975,400,000	\$76,141,800	\$157,107,400			\$1,607,460,437	
Funding Ratio	59.50%		57.30%		57.04%	52.40%			52.80%	
Normal Cost	6.91%	\$26,486,000	8.53%	\$138,946,000	12.65%	\$7,201,500	10.24%	\$13,105,500	9.92%	\$196,674,000
Expenses	0.14%	\$537,000	0.12%	\$1,981,000	0.52%	\$296,000	0.38%	\$481,700	0.15%	\$2,916,000
Amortization	<u>3.11%</u>	<u>\$11,921,000</u>	<u>4.46%</u>	<u>\$72,751,000</u>	<u>9.44%</u>	<u>\$5,374,000</u>	<u>8.99%</u>	<u>\$11,503,900</u>	<u>5.97%</u>	<u>\$118,440,000</u>
Financial Req.	10.16%	\$38,944,000	13.11%	\$213,678,000	22.61%	\$12,871,500	19.61%	\$25,091,100	16.04%	\$318,030,000
Member Contrib.	4.00%	\$15,332,000	4.62%	\$75,244,000	6.50%	\$3,700,400	6.08%	\$7,773,300	5.02%	\$99,459,000
Employer Contrib.	<u>6.00%</u>	<u>\$22,998,000</u>	<u>6.57%</u>	<u>\$107,066,000</u>	<u>14.03%</u>	<u>\$7,987,000</u>	<u>10.67%</u>	<u>\$13,645,800</u>	<u>8.78%</u>	<u>\$174,017,000</u>
Total Contrib.	10.00%	\$38,330,000	11.19%	\$182,310,000	20.53%	\$11,687,400	16.75%	\$21,419,100	13.80%	\$273,476,000
1992: Actuarial Accr. Liab.		\$3,125,299,000		\$16,227,774,000	\$840,840,000	\$1,498,845,000			\$21,696,883,910	
Assets		<u>\$2,613,472,000</u>		<u>\$12,916,315,000</u>	<u>\$457,978,000</u>	<u>\$930,468,000</u>			<u>\$16,182,748,253</u>	
Unfunded Accr. Liab.		\$511,827,000		\$3,311,459,000	\$382,862,000	\$568,377,000			\$5,514,135,657	
Funding Ratio	83.62%		79.59%		54.47%	62.08%			74.59%	
Normal Cost	6.58%	\$109,348,000	7.78%	\$484,644,000	12.81%	\$18,672,800	12.01%	\$37,593,700	8.95%	\$635,565,597
Expenses	0.23%	\$3,815,000	0.31%	\$19,386,000	2.16%	\$3,148,600	1.51%	\$4,726,600	0.42%	\$29,673,009
Amortization	<u>1.46%</u>	<u>\$24,218,000</u>	<u>2.49%</u>	<u>\$155,114,000</u>	<u>12.46%</u>	<u>\$18,162,600</u>	<u>8.62%</u>	<u>\$26,972,900</u>	<u>3.37%</u>	<u>\$239,396,412</u>
Financial Req.	8.27%	\$137,381,000	10.58%	\$659,144,000	27.43%	\$39,984,000	22.14%	\$69,293,200	12.74%	\$904,635,018
Member Contrib.	4.07%	\$67,512,000	4.35%	\$271,099,000	6.64%	\$9,678,900	6.22%	\$19,454,200	4.72%	\$335,020,962
Employer Contrib.	<u>4.20%</u>	<u>\$69,669,000</u>	<u>5.76%</u>	<u>\$358,409,000</u>	<u>9.69%</u>	<u>\$14,124,900</u>	<u>8.77%</u>	<u>\$27,452,300</u>	<u>7.28%</u>	<u>\$517,346,923</u>
Total Contrib.	8.27%	\$137,181,000	10.11%	\$629,508,000	16.33%	\$23,803,800	14.99%	\$46,906,500	12.00%	\$852,367,885
2003: Actuarial Accr. Liab.		\$7,830,671,000		\$38,463,248,000	\$1,671,982,000	\$3,152,452,000			\$50,077,427,255	
Assets		<u>\$7,757,292,000</u>		<u>\$36,337,373,000</u>	<u>\$956,913,000</u>	<u>\$2,134,140,000</u>			<u>\$46,877,353,153</u>	
Unfunded Accr. Liab.		\$73,379,000		\$2,125,875,000	\$715,069,000	\$1,018,312,000			\$3,200,074,102	
Funding Ratio	99.06%		94.47%		57.23%	67.70%			93.61%	
Normal Cost	9.03%	\$193,153,000	8.78%	\$837,393,000	10.36%	\$27,426,000	10.21%	\$54,314,000	10.01%	\$1,106,317,400
Expenses	0.21%	\$4,492,000	0.29%	\$27,406,000	0.30%	\$794,000	0.33%	\$1,763,000	0.29%	\$32,513,100
Amortization	<u>0.19%</u>	<u>\$4,064,000</u>	<u>1.10%</u>	<u>\$105,132,000</u>	<u>21.30%</u>	<u>\$56,395,000</u>	<u>14.73%</u>	<u>\$79,066,000</u>	<u>1.98%</u>	<u>\$218,713,500</u>
Financial Req.	9.43%	\$201,709,000	10.17%	\$969,931,000	31.96%	\$84,615,000	25.27%	\$135,143,000	12.28%	\$1,357,544,000
Member Contrib.	4.00%	\$85,554,000	4.82%	\$459,886,000	5.84%	\$15,460,000	5.82%	\$31,219,000	5.01%	\$553,867,600
Employer Contrib.	4.00%	\$85,554,000	5.02%	\$478,243,000	8.59%	\$22,750,000	8.41%	\$45,138,000	5.96%	\$659,469,600
Direct State Funding	0.00%	\$0	0.00%	\$0	7.11%	\$18,829,000	4.40%	\$23,632,000	0.41%	\$45,309,100
Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.94%	\$2,500,000	0.47%	\$2,500,000	0.03%	\$3,265,100
Admin. Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contrib.	8.00%	\$171,108,000	9.84%	\$938,129,000	22.48%	\$59,539,000	19.10%	\$102,789,000	11.41%	\$1,261,911,400

Funding Ratio Over Time

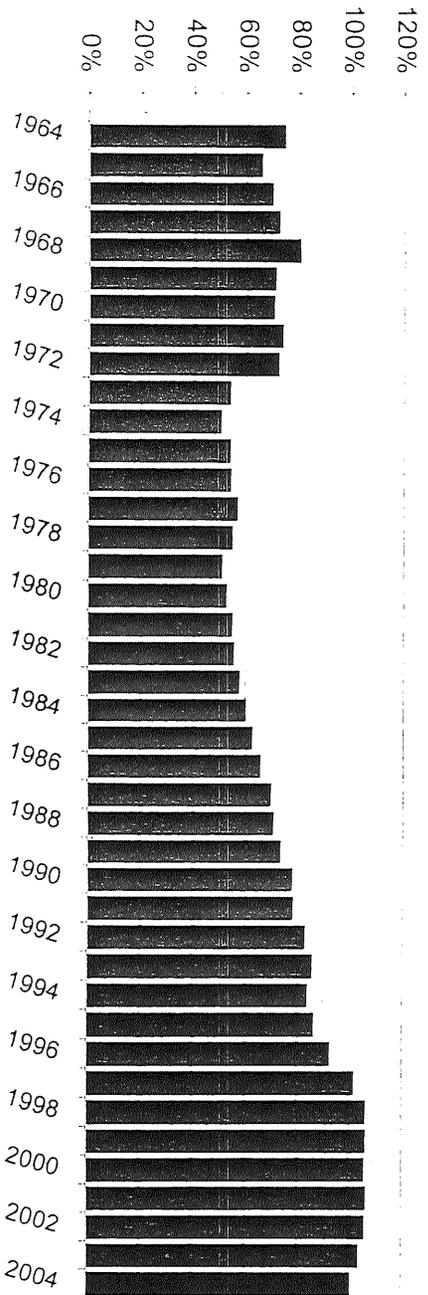


PERA-General

MSRS-General

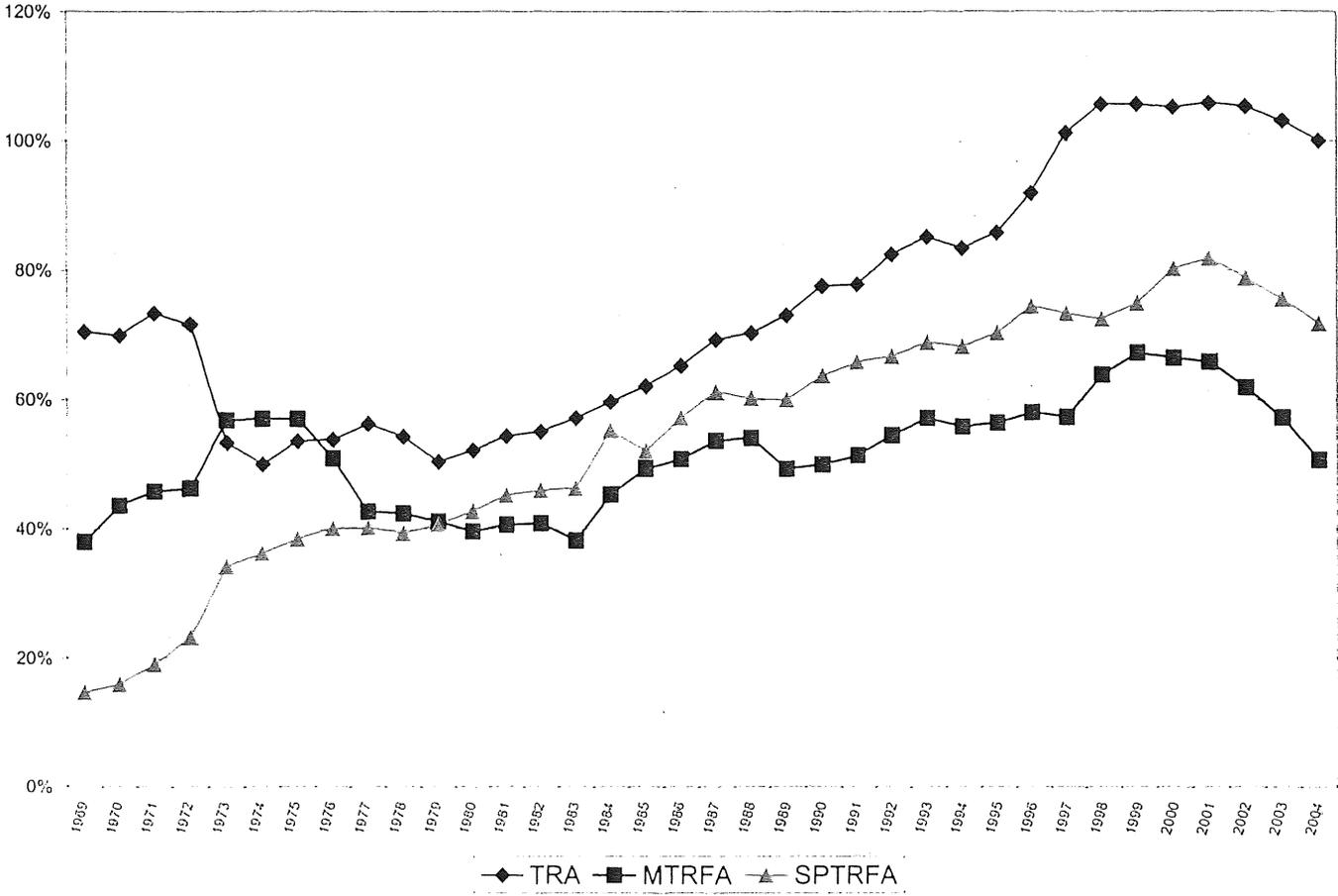


TRA



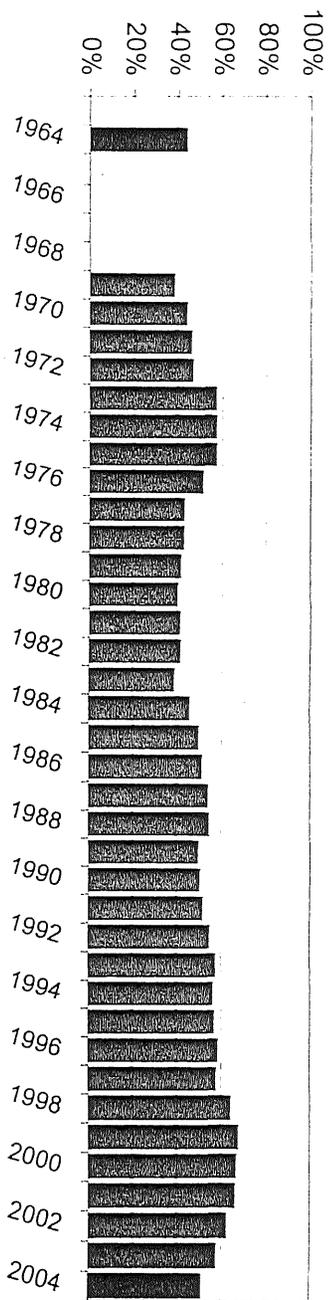
Funding Ratio Over Time

TRA, MTRFA, and SPTRFA

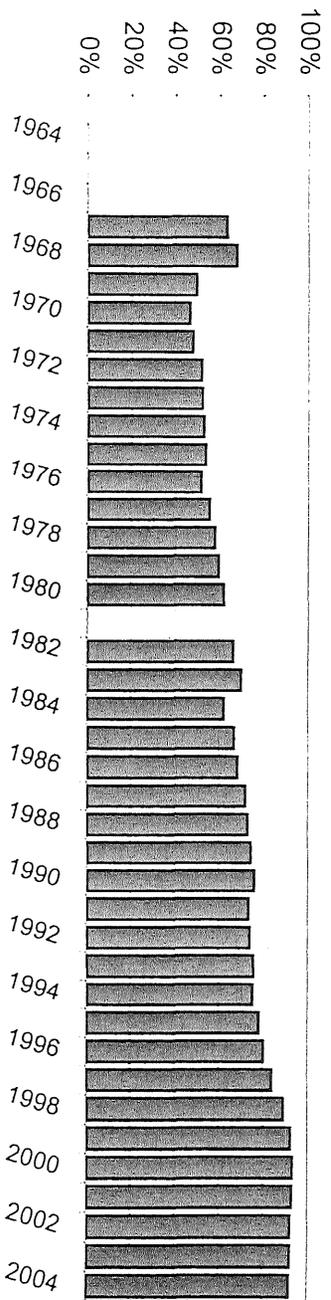


Funding Ratio Over Time

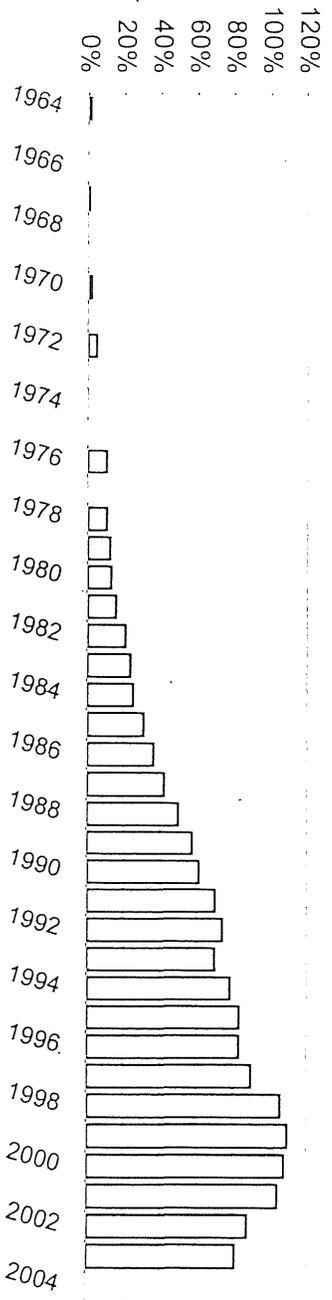
MTRFA



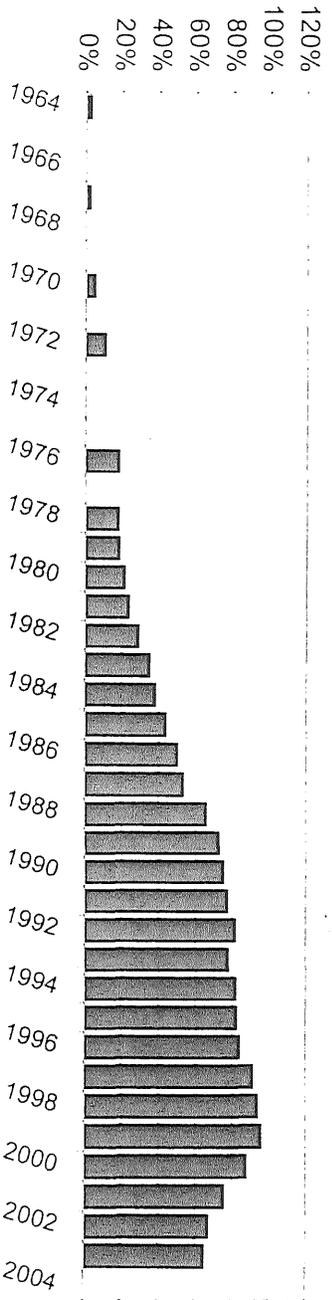
MERF



MFRA

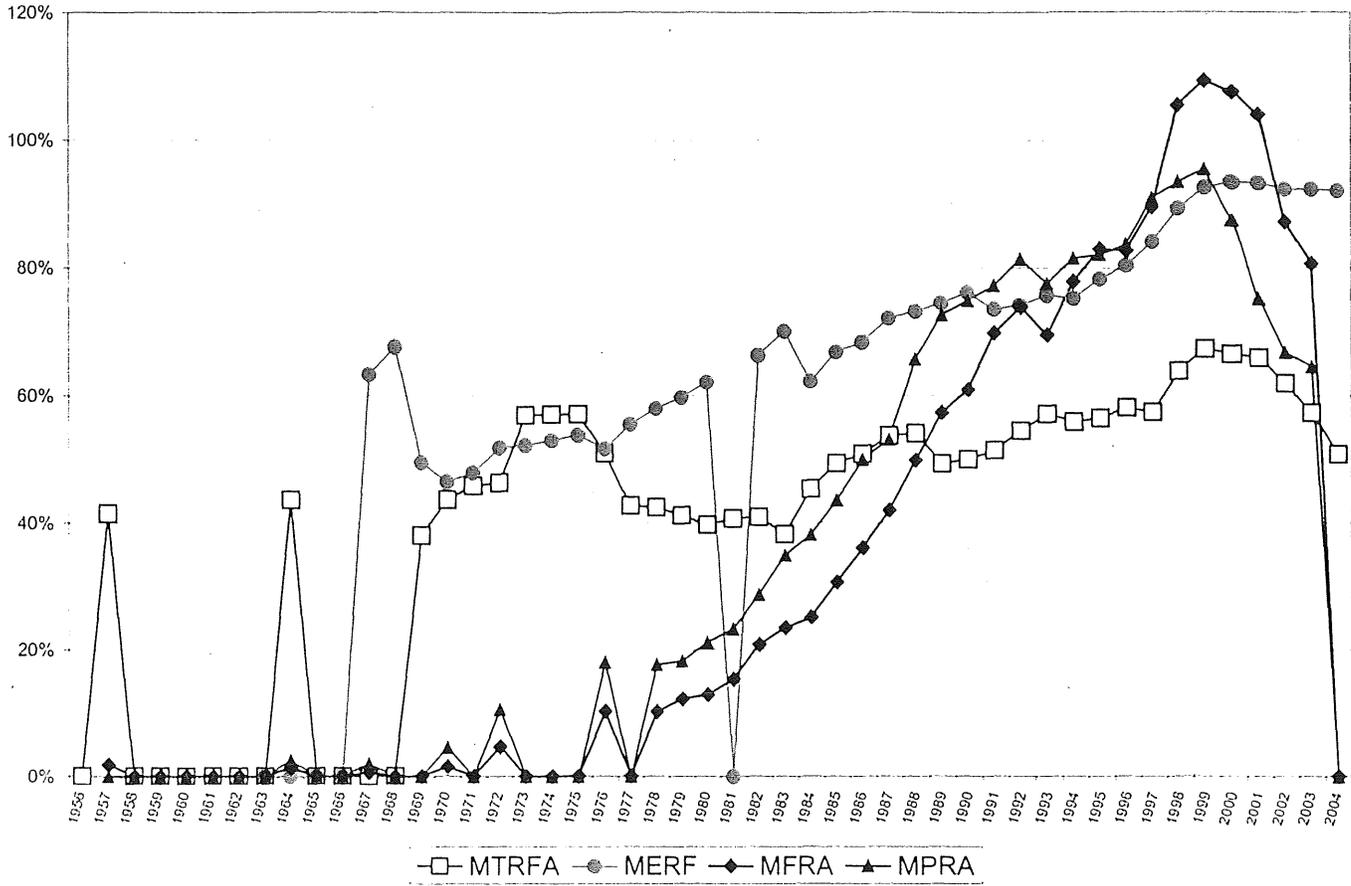


MPPRA

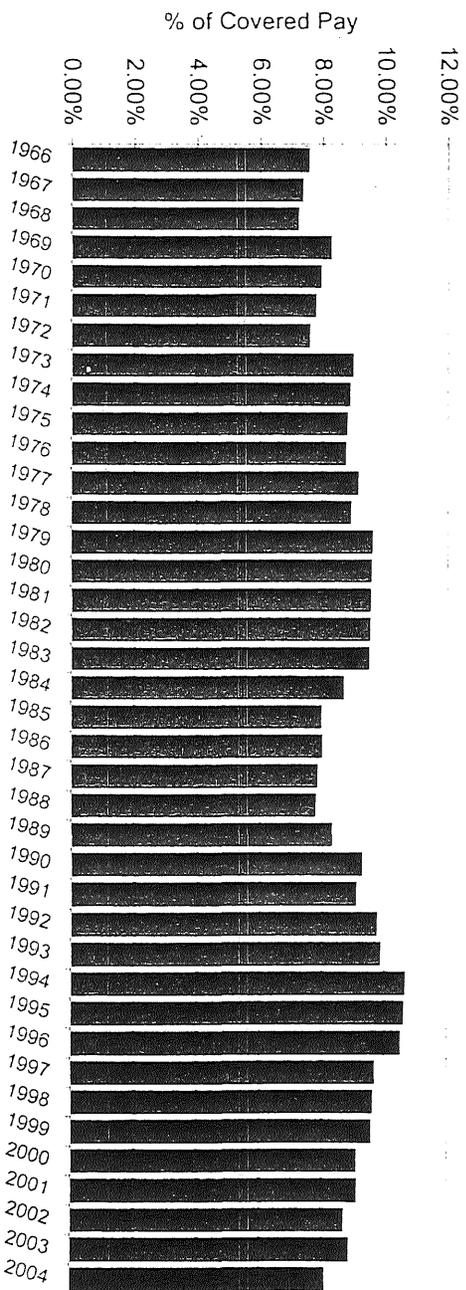
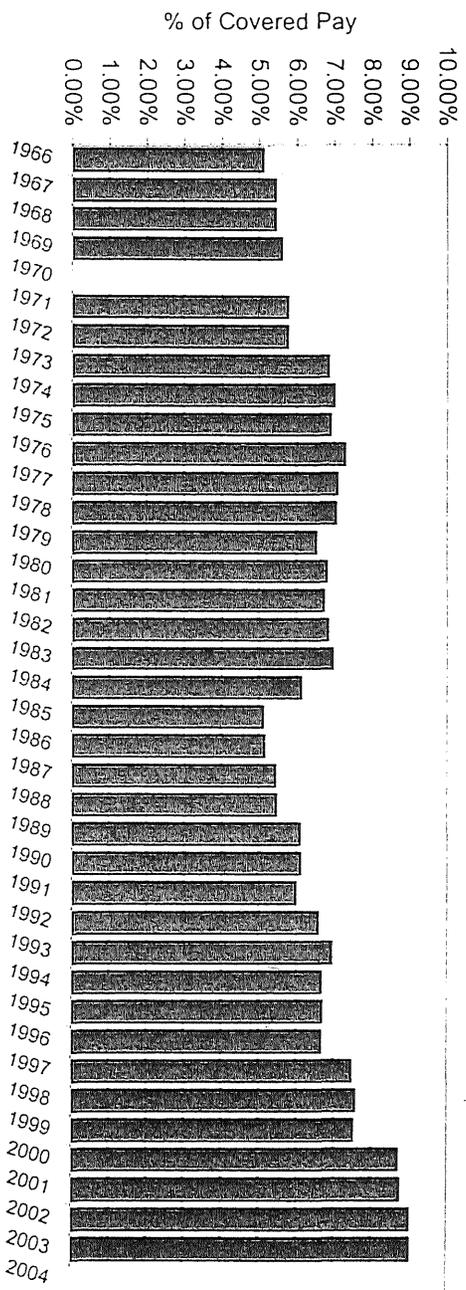
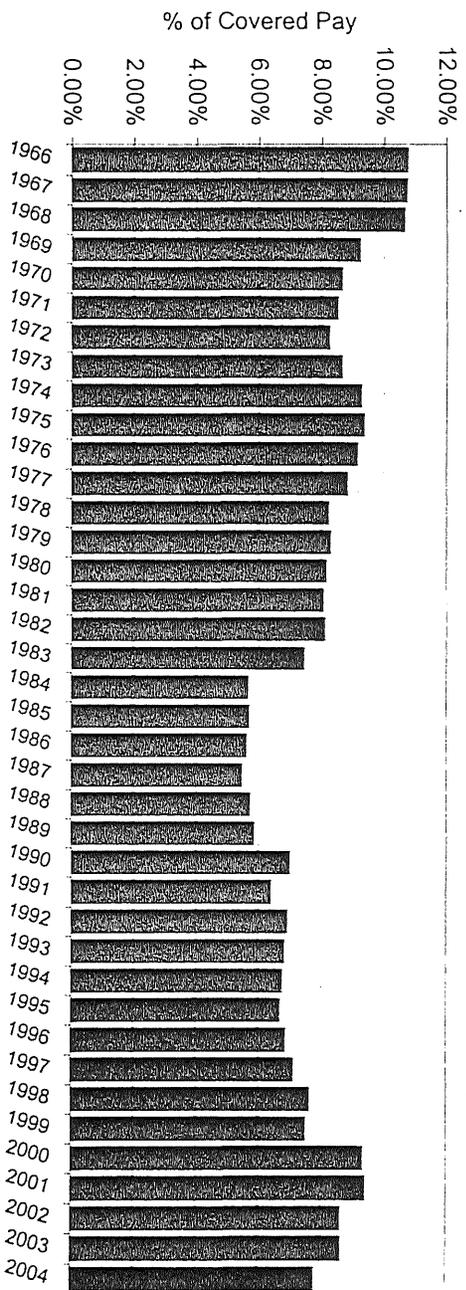


Funding Ratio Over Time

Minneapolis Plans

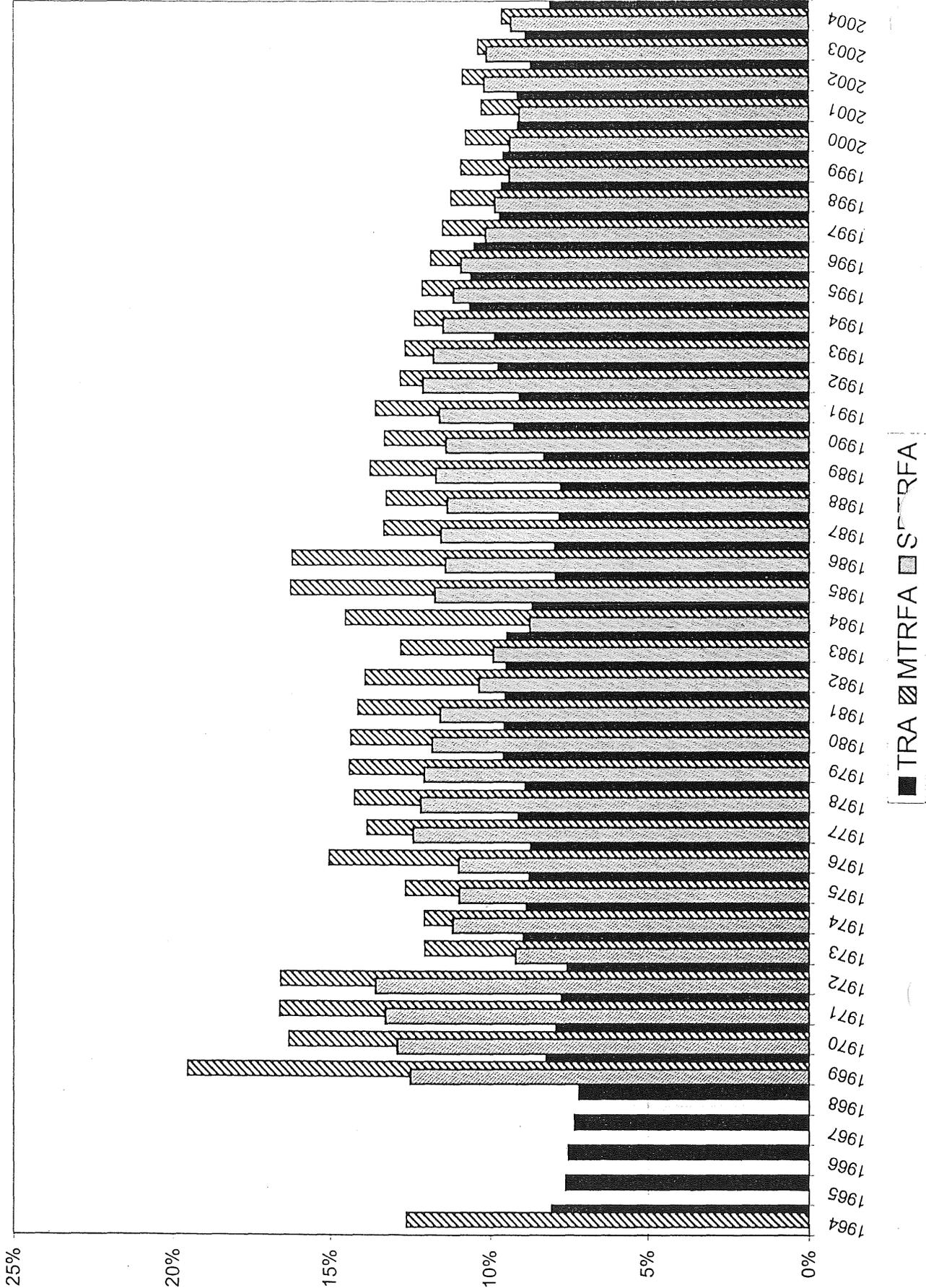


Normal Cost as a Percentage of Payroll



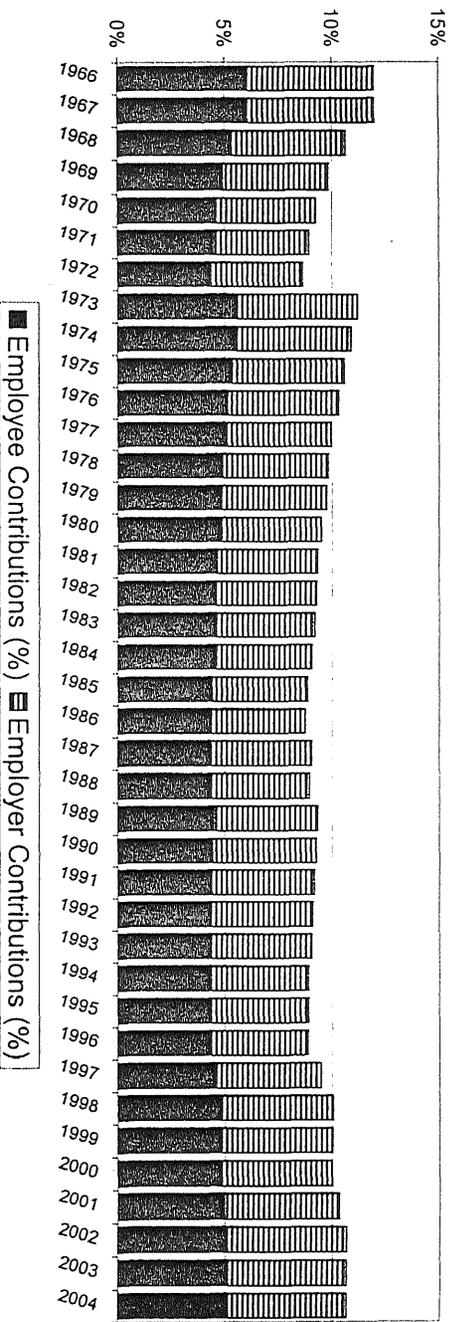
Normal Cost as a Percentage of Payroll

TRA, MTRFA, and SPTRFA

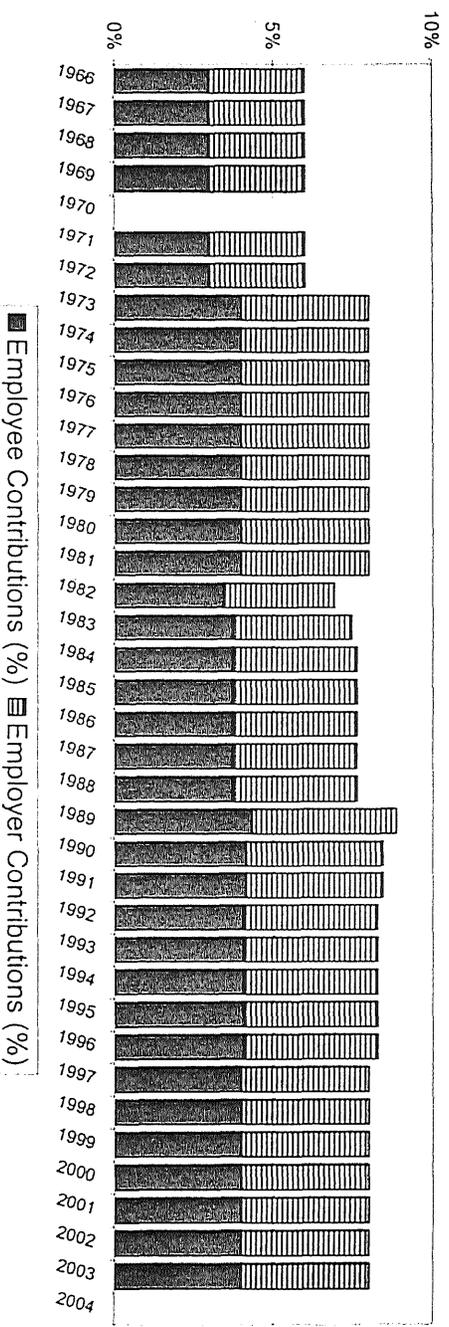


Employee and Employer Contribution Rates Over Time

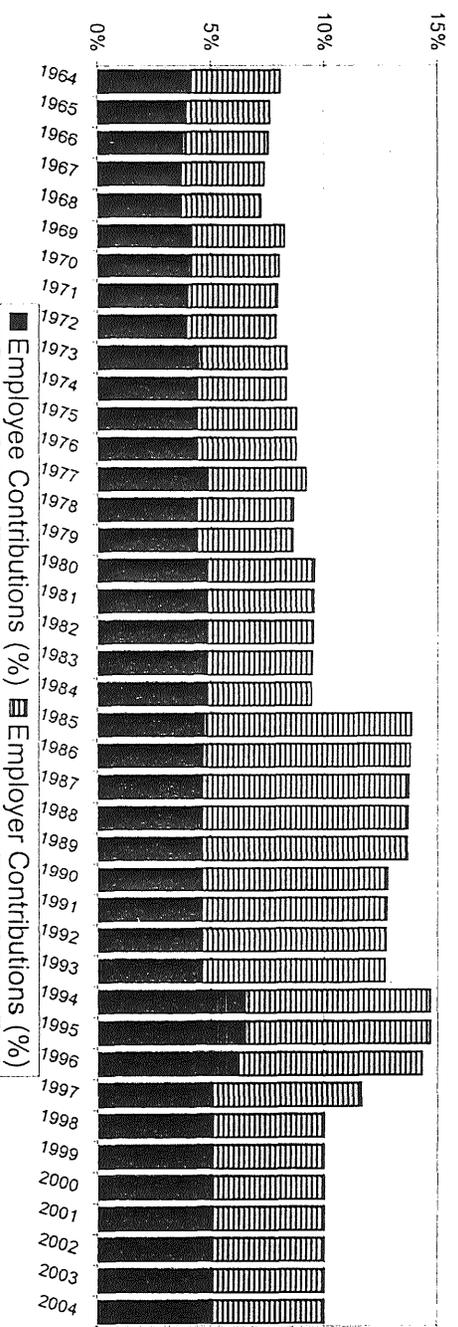
PERA-General



MSRS-General

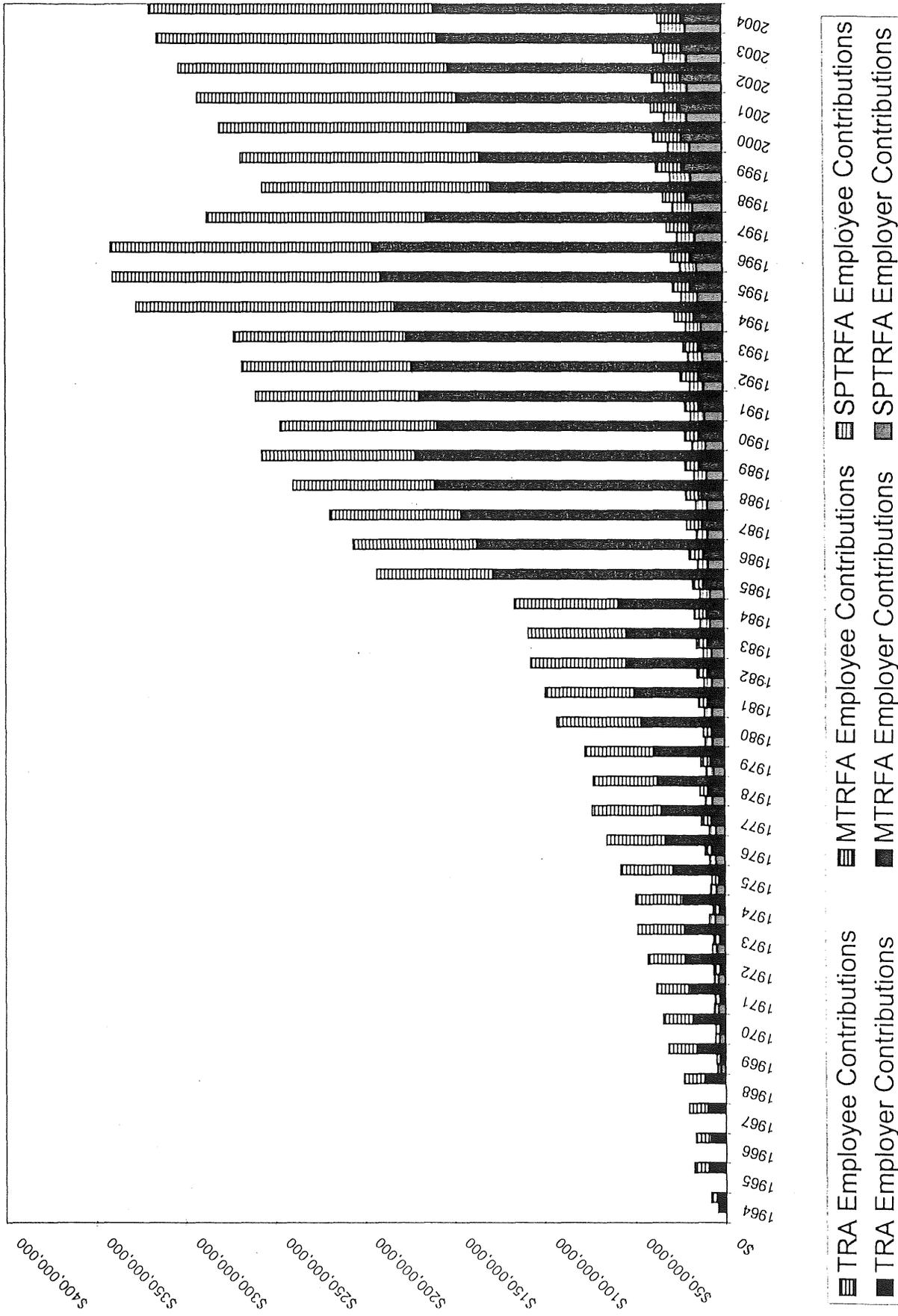


TRA



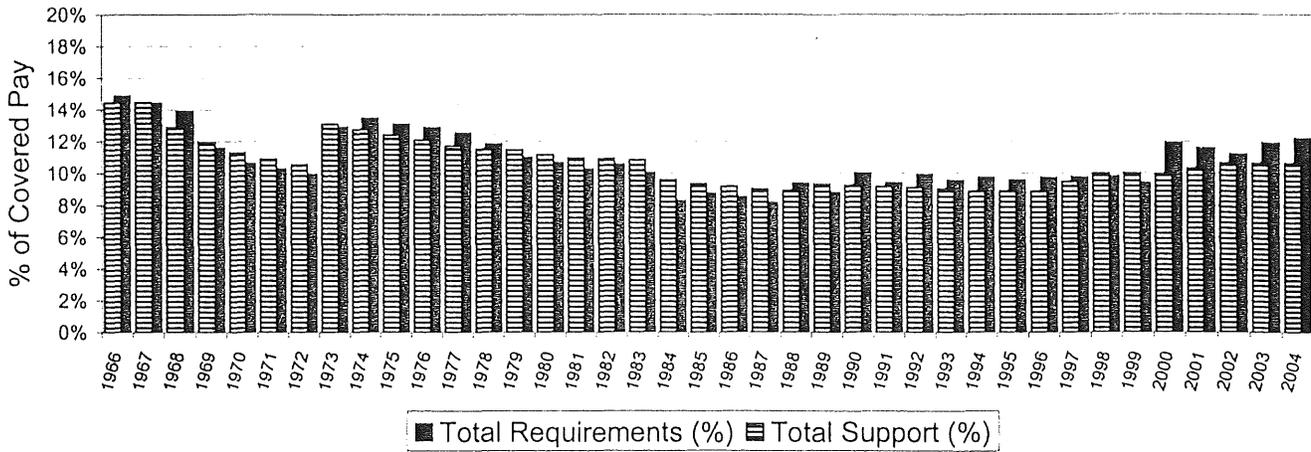
Employee and Employer Contribution Rates Over Time

TRA, MTRFA, and SPTRFA

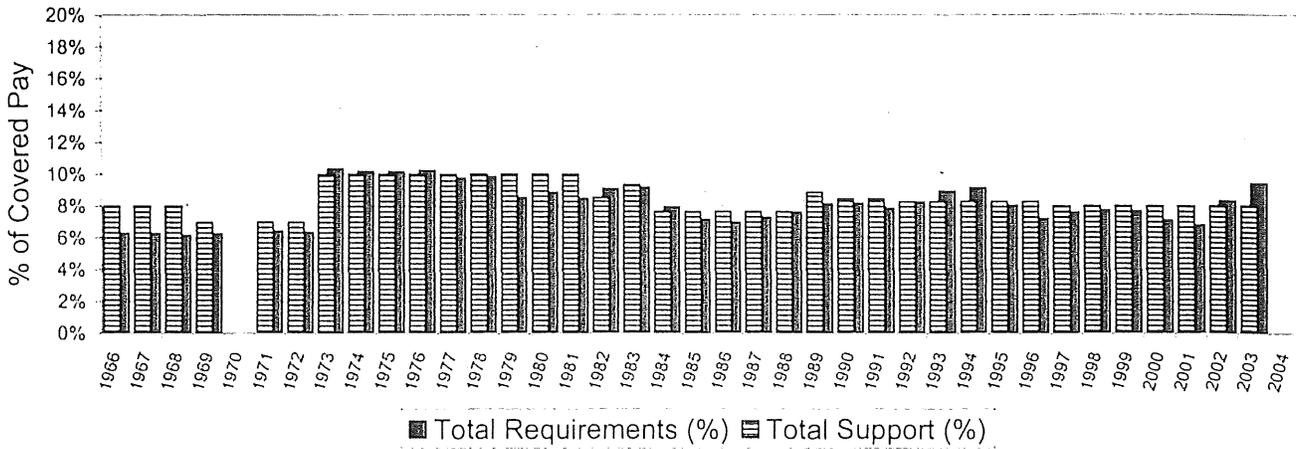


Total Requirements vs. Total Support

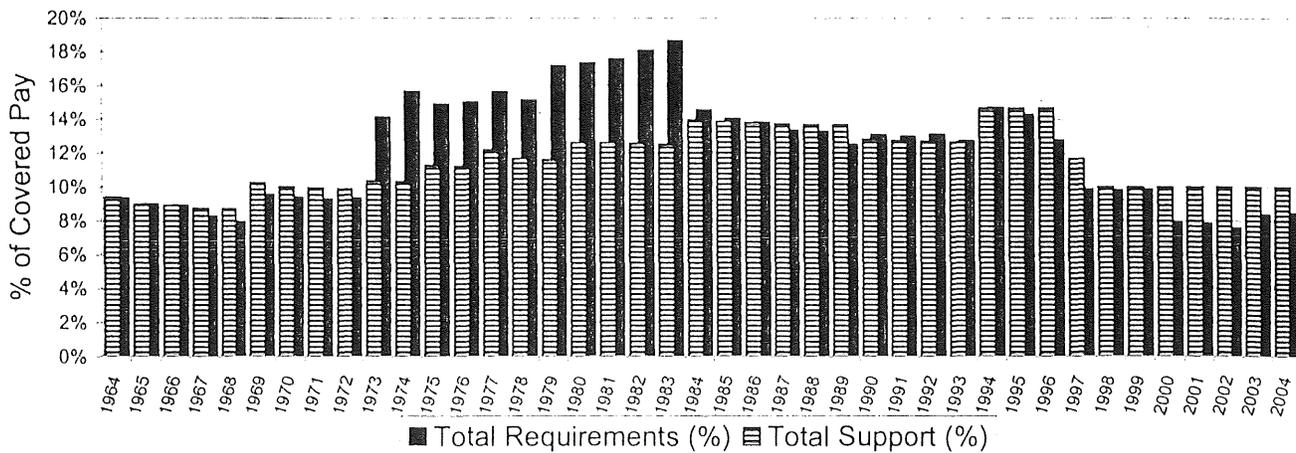
PERA



MSRS-General

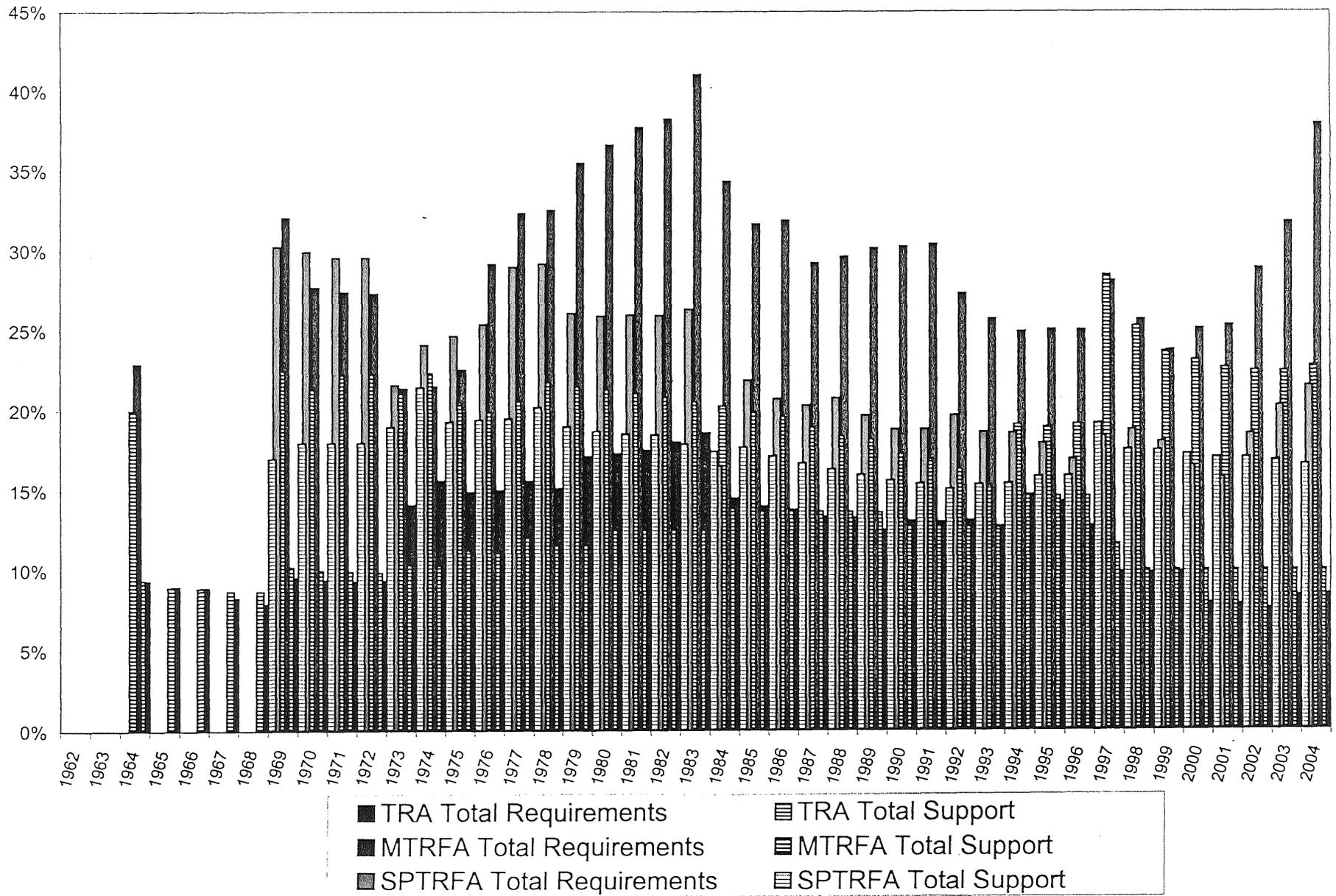


TRA



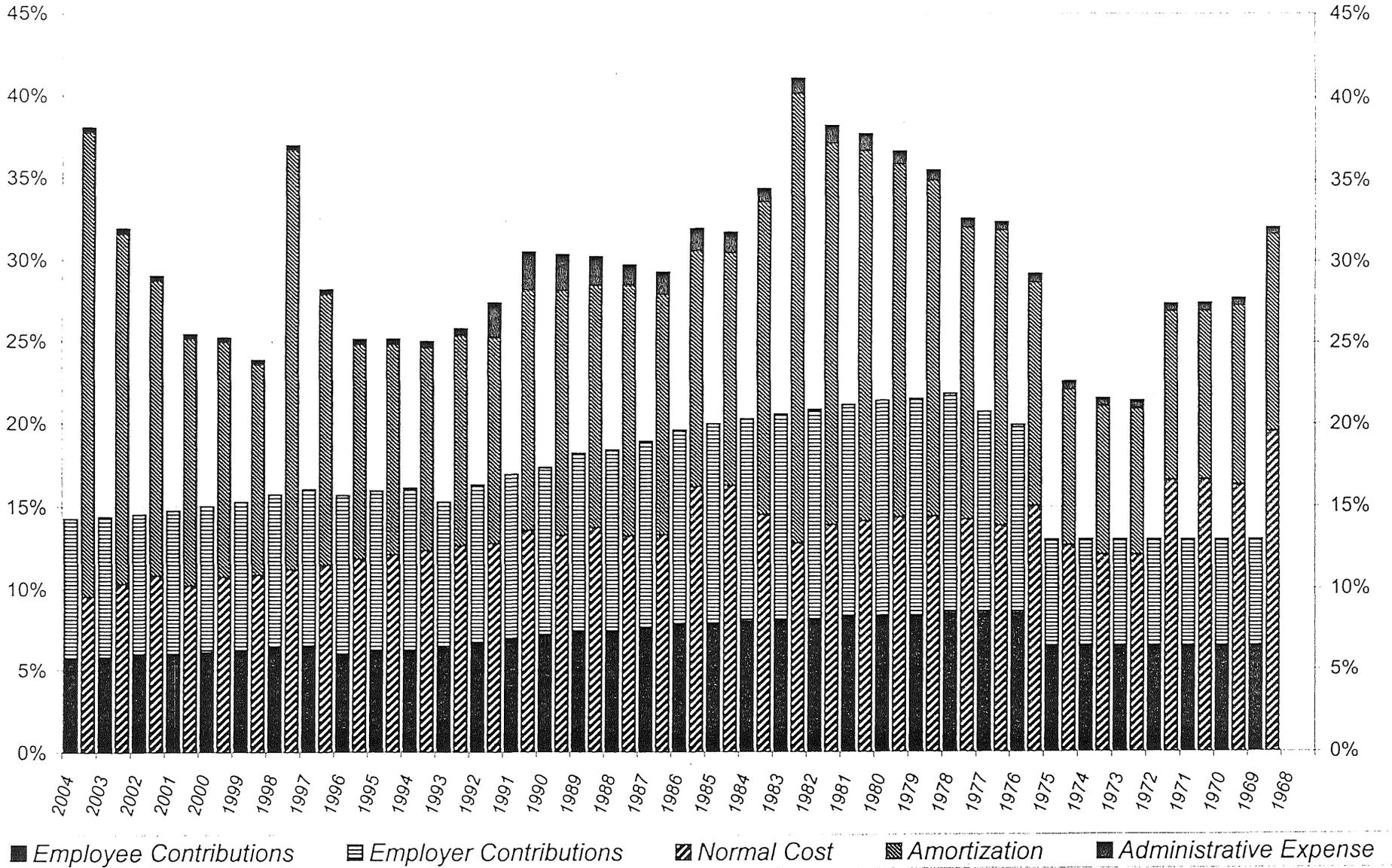
Total Requirements vs. Total Support

TRA, MTRFA, and SPTRFA



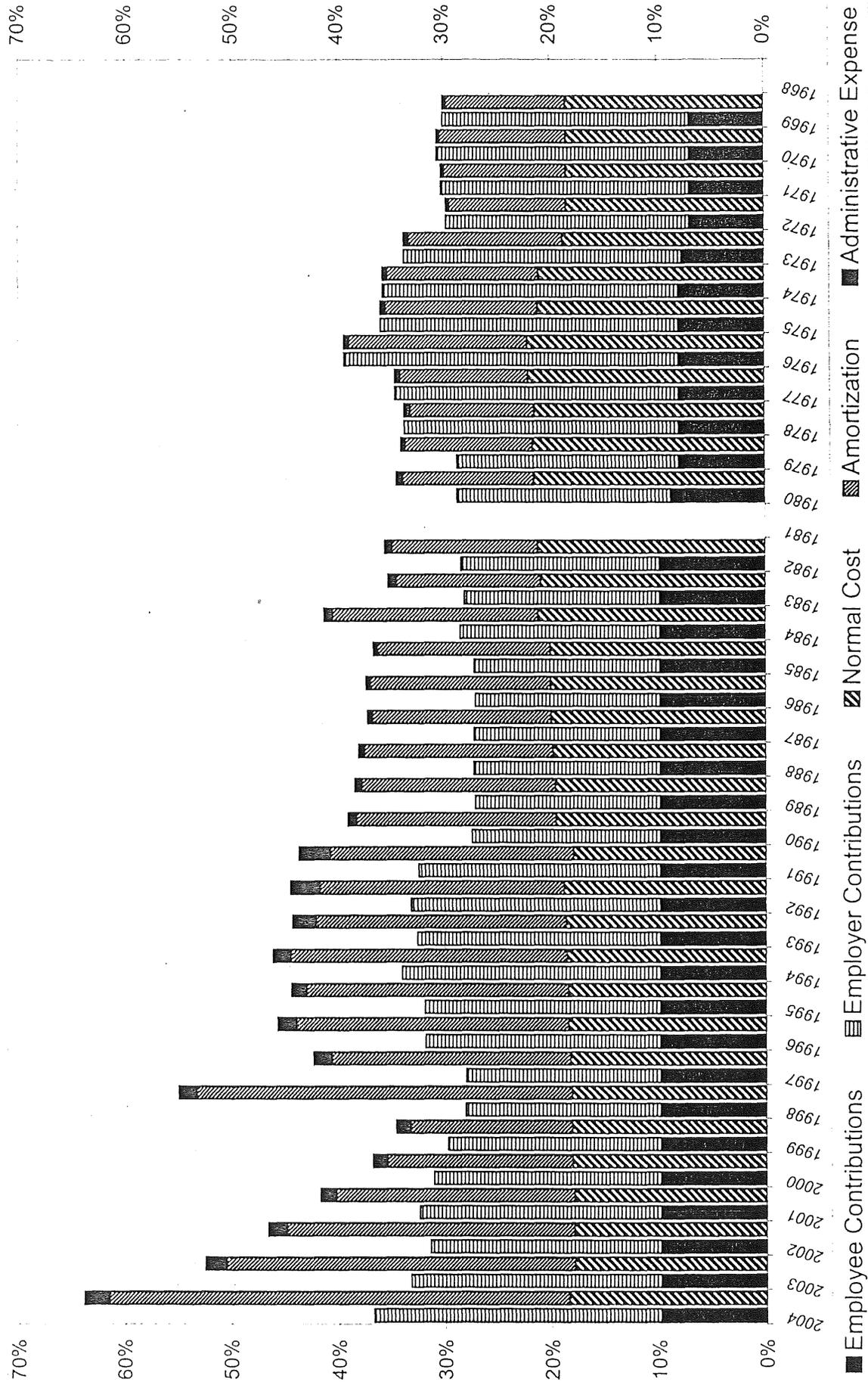
Total Requirements and Total Contributions Over Time

MTRFA



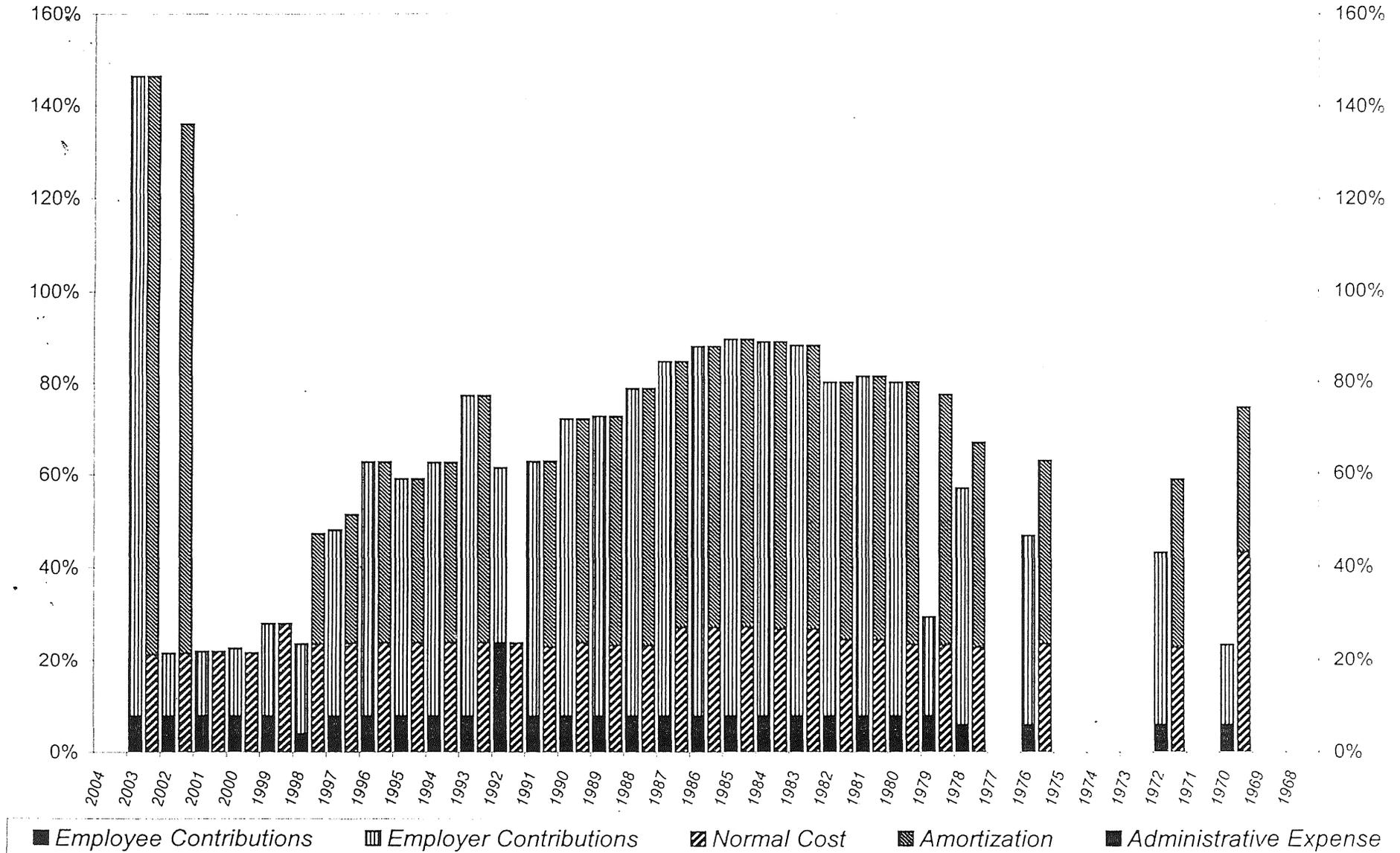
Total Requirements and Total Contributions Over Time

MERF



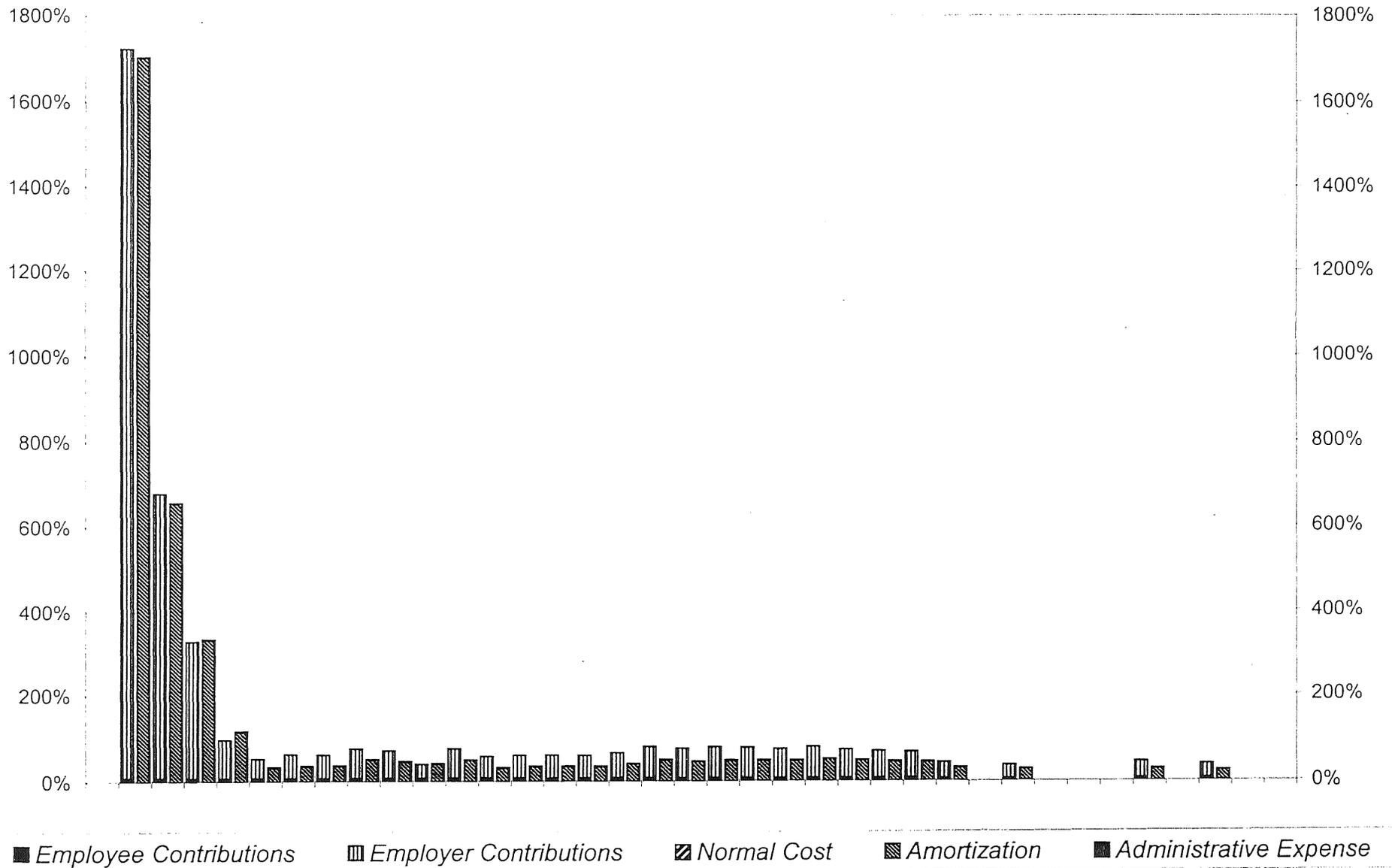
Total Requirements and Total Contributions Over Time

MFRA

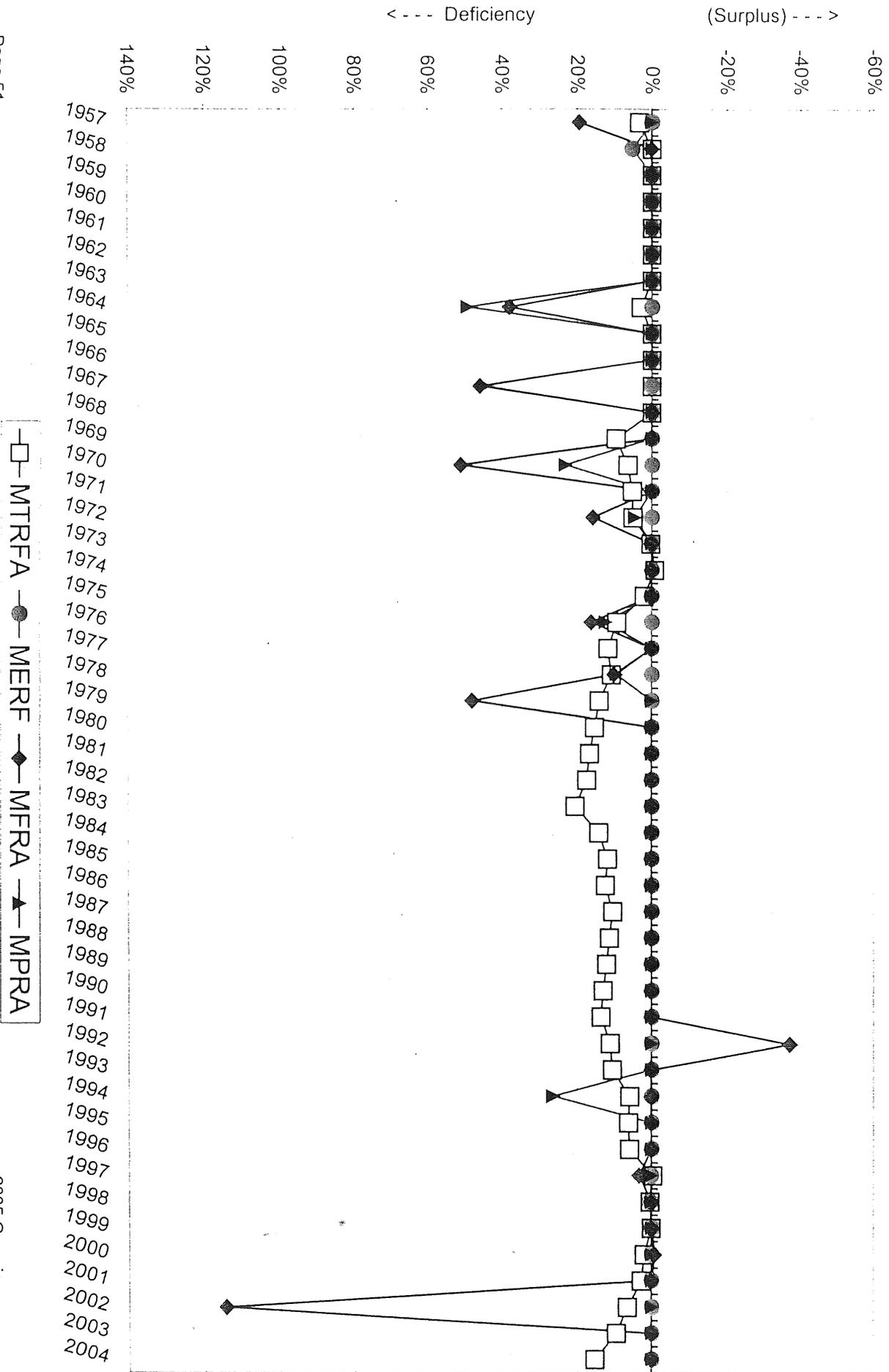


Total Requirements and Total Contributions Over Time

MPRA

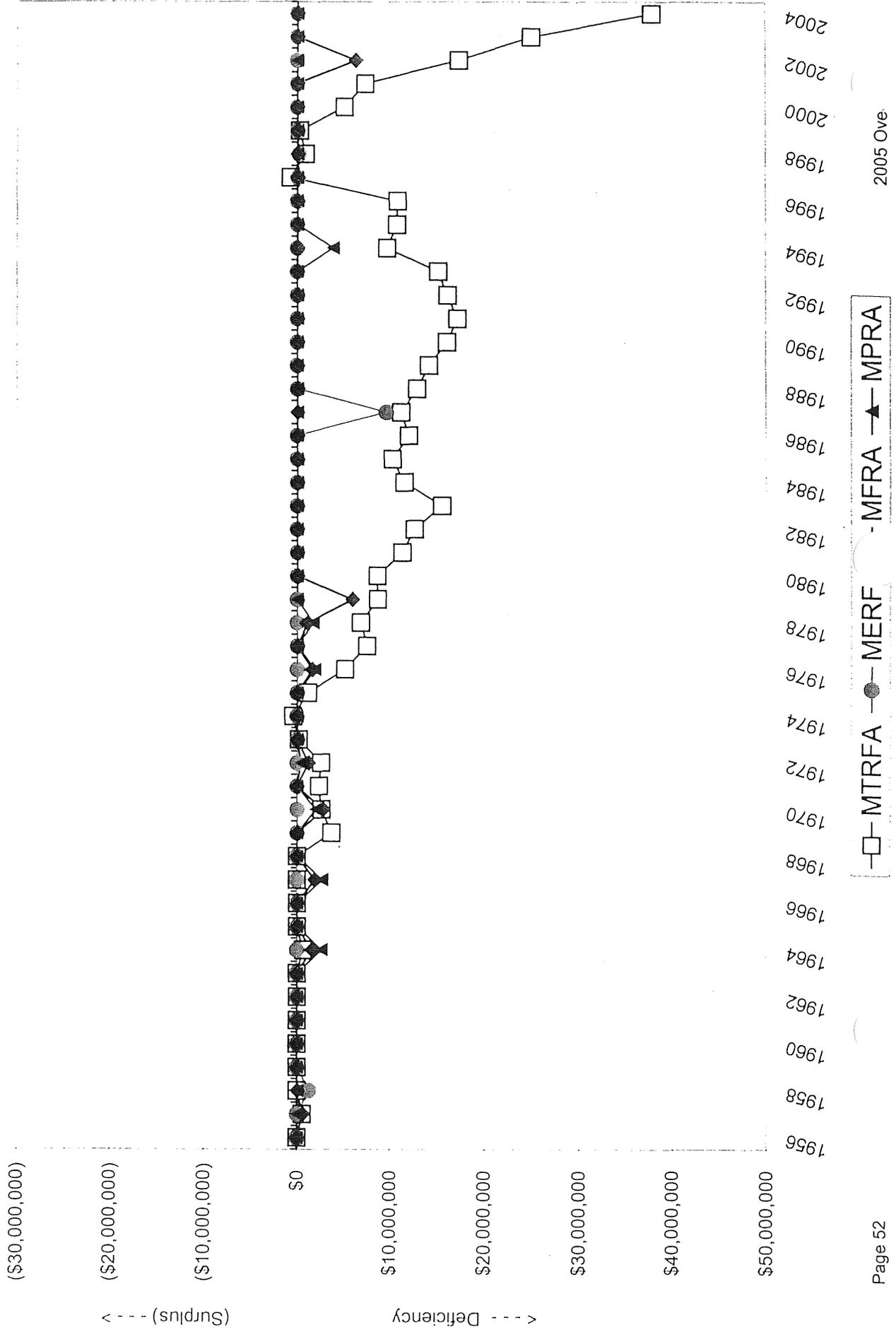


Contribution Deficiency/(Surplus) Over Time as a Percentage of Covered Payroll Minneapolis Plans



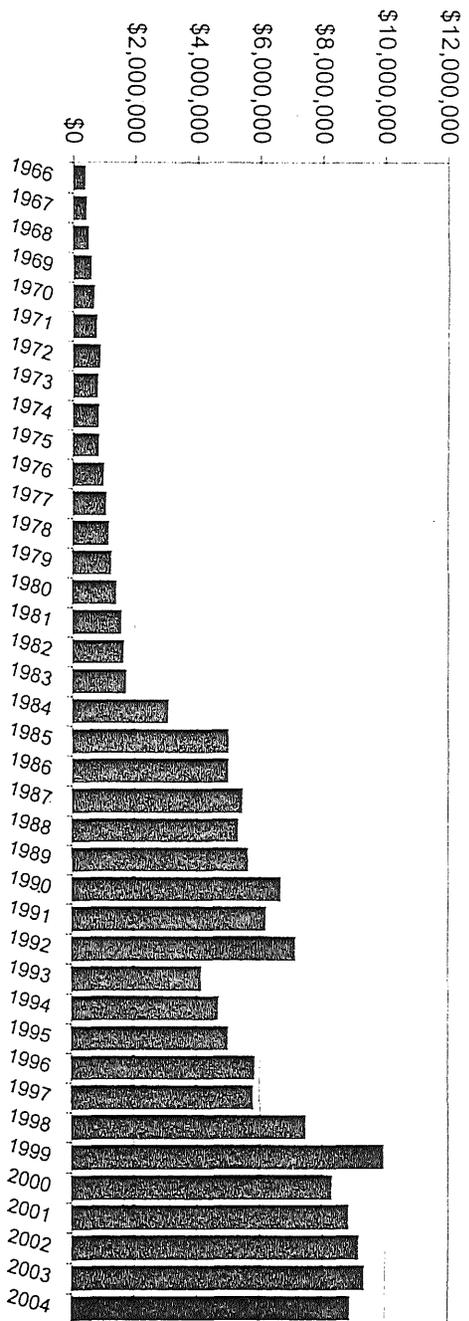
Contribution Deficiency/(Surplus) Over Time

Minneapolis Plans

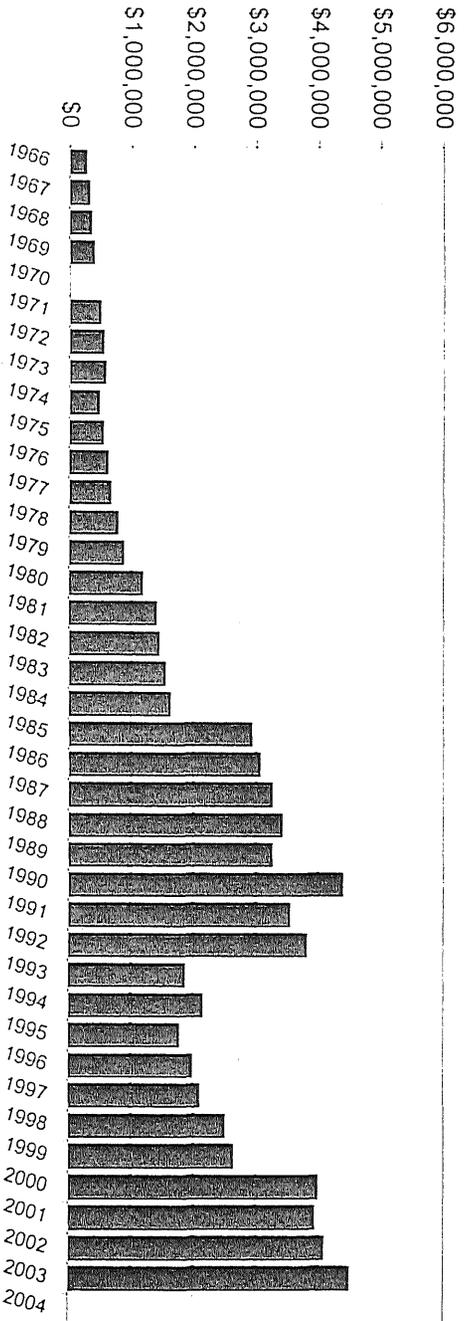


Administrative Expenses

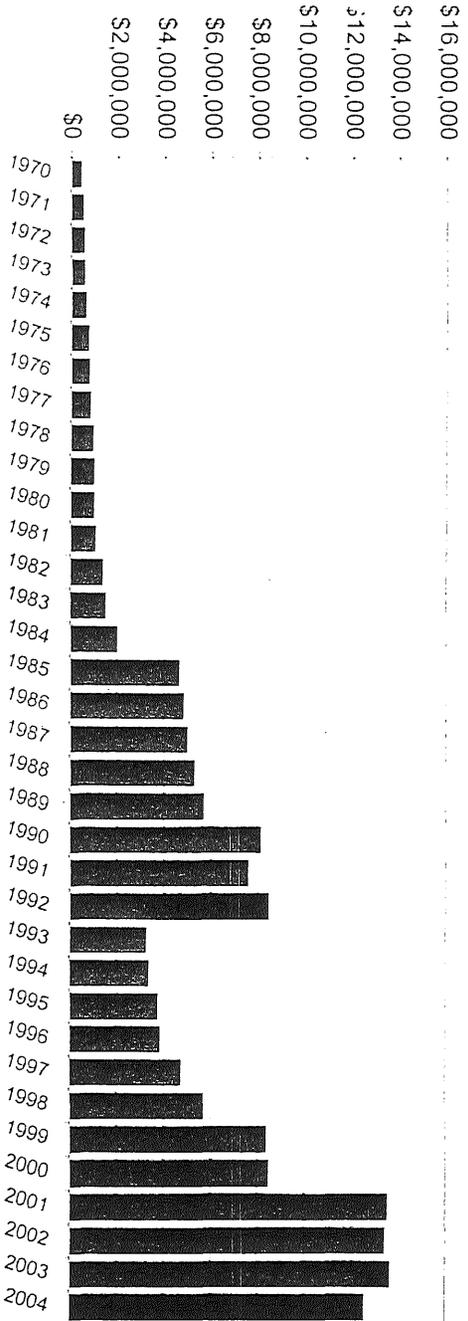
PERA-General



MSRS-General

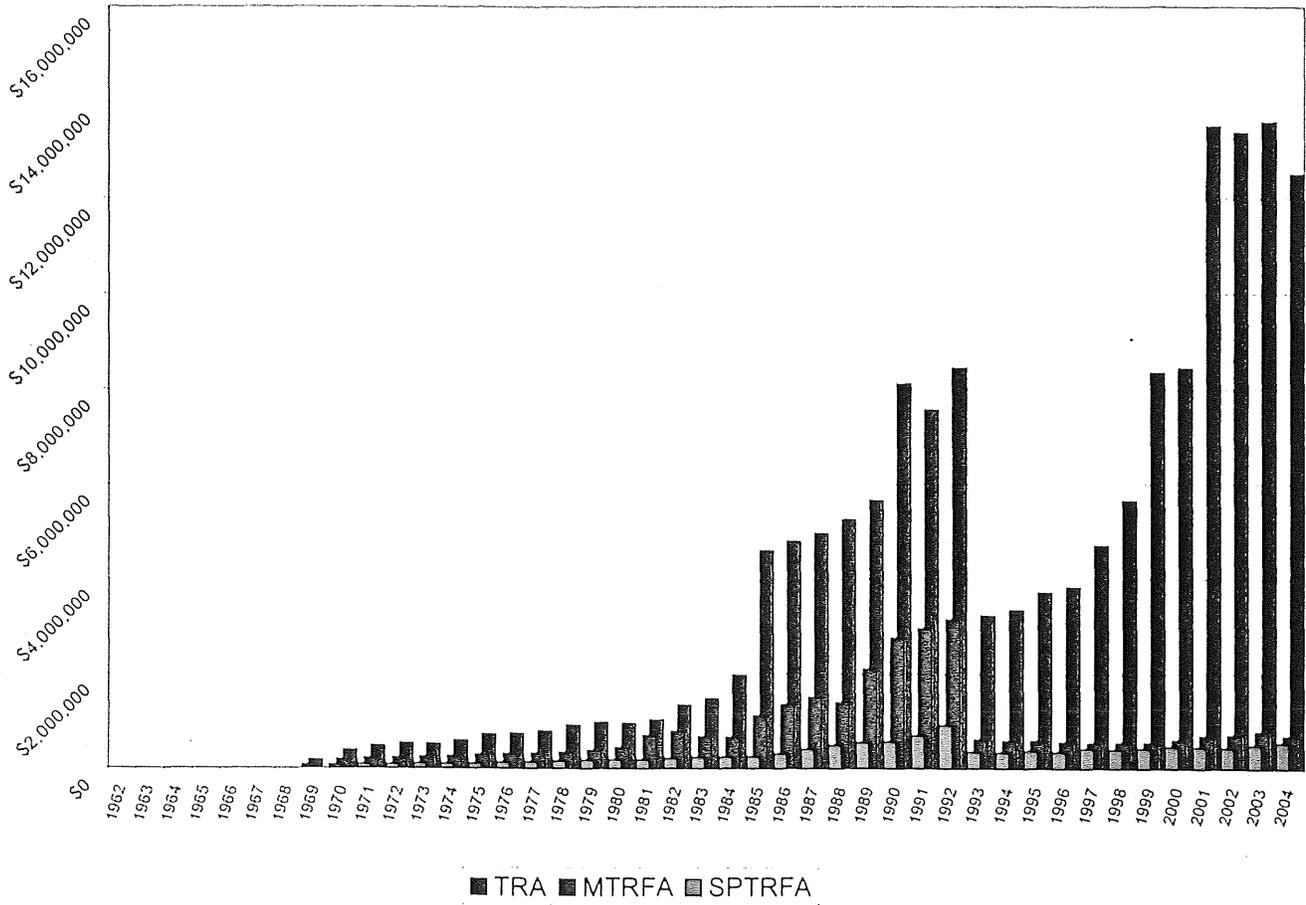


TRA



Administrative Expenses

TRA, MTRFA, and SPTRFA



The Retirement Plan Watch List

As Reported by Milliman USA, the
Consulting Actuarial Firm Retained by the
Legislative Commission on Pensions and Retirement (2/10/2004)

In order of the severity of the problem and
the need for corrective action

Retirement Plans With Current Funding Problems:

<u>Plan</u>	<u>Funding Ratio</u> ¹	<u>Contribution Deficiency (Sufficiency)</u> ²
Minneapolis Teachers Retirement Fund Association	58.97%	9.47%
Public Employees Police and Fire Plan	111.10%	4.02%
St. Paul Teachers Retirement Fund Association	79.00%	3.46%
MSRS-Correctional State Employees Retirement Plan	105.62%	2.16%
MSRS-General State Employees Retirement Plan	105.49%	1.43%
PERA-General Employees Retirement Plan	86.94%	1.24%

Retirement Plans Without Current Funding Problems:

<u>Plan</u>	<u>Funding Ratio</u> ¹	<u>Contribution Deficiency (Sufficiency)</u> ²
Minneapolis Employees Retirement Fund	93.44%	(0.01%)
Duluth Teachers Retirement Fund Association	99.65%	(0.02%)
PERA-Local Correctional Retirement Plan	101.05%	(0.45%)
Teachers Retirement Association	110.59%	(1.63%)
Judges Retirement Plan	79.85%	(1.69%)
State Patrol	119.01%	(3.19%)

Source: 7/1/2003 Actuarial Valuations and Summary of 2003 Valuations, Milliman USA

Notes:

¹ The actuarial value of plan assets expressed as a percentage of the actuarial accrued liability of the plan.

² The difference between the total actuarial requirements of the plan and the total contributions and other remaining support, expressed as a percentage of covered payroll.

Actuarial Value of Pension Plan Assets Compared to Market Value

Table A-1

June 30, 2003 – Relationship of Current Assets to Market Value of Assets

(\$ in Thousands)

	Current Assets	Market Value	Ratio
<u>Plans With Segregated Post-Funds</u>			
PERA – General	11,195,902	10,240,029	109%
PERA – Police & Fire	4,713,606	4,177,661	113%
PERA – Local Correctional	56,487	49,834	113%
MSRS – State Employees	7,757,292	6,883,753	113%
MSRS – State Patrol	591,521	539,463	110%
MSRS – Correctional	470,716	418,744	112%
MSRS – Judges	134,142	128,164	105%
TRA	17,384,179	15,907,892	109%
MERF	1,519,421	1,471,326	103%
<u>Plans Without Segregated Post-Funds</u>			
DTRFA	278,467	231,247	120%
MTRFA	956,913	719,599	133%
StPTRFA	898,760	757,640	119%

Source: Milliman USA Summary of 2003 Actuarial Valuations

Actuarial Value of Pension Plan Assets Compared to Market Value

Table A-2

Deferred Asset Losses That Will Be Recognized July 1, 2004

	(\$ in thousands)
<u>Plans With Segregated Post-Funds</u>	
PERA – General	(431,029)
PERA – Police & Fire	(240,103)
PERA – Local Correctional	(2,693)
MSRS – State Employees	(394,624)
MSRS – State Patrol	(23,475)
MSRS – Correctional	(23,213)
MSRS – Judges	(2,637)
TRA	(668,354)
MERF	(21,742)
<u>Plans Without Segregated Post-Funds</u>	
DTRFA	(20,876)
MTRFA	(108,484)
StPTRFA	(61,745)

Source: Milliman USA Summary of 2003 Actuarial Valuations

Actuarial Value of Pension Plan Assets Compared to Market Value

Table A-3

July 1, 2003 – Actuarial Accrued Liability Funding Ratios

	Current Asset Basis	Market Value Basis
<u>Plans With Segregated Post-Funds</u>		
PERA – General	81.27%	74.33%
PERA – Police & Fire	107.35%	95.14%
PERA – Local Correctional	90.32%	79.68%
MSRS – State Employees	99.06%	87.91%
MSRS – State Patrol	109.75%	100.09%
MSRS – Correctional	97.06%	86.34%
MSRS – Judges	76.09%	72.70%
TRA	103.13%	94.37%
MERF	92.31%	89.39%
<u>Plans Without Segregated Post-Funds</u>		
DTRFA	95.66%	79.44%
MTRFA	57.23%	43.04%
SIPTRFA	75.57%	63.70%

Source: Milliman USA Summary of 2003 Actuarial Valuations

Actuarial Value of Pension Plan Assets Compared to Market Value

Table A-4

2003-04 Contribution Sufficiency/(Deficiency) Measure

	Current Asset Basis	Market Value Basis
<u>Plans With Segregated Post-Funds</u>		
PERA – General	-1.24%	-2.38%
PERA – Police & Fire	-4.02%	-8.42%
PERA – Local Correctional	0.45%	0.08%
MSRS – State Employees	-1.43%	-3.67%
MSRS – State Patrol	3.19%	-1.76%
MSRS – Correctional	-2.16%	-4.22%
MSRS – Judges	1.69%	0.31%
TRA	1.63%	-0.88%
MERF	0.01%	-11.87%
<u>Plans Without Segregated Post-Funds</u>		
DTRFA	0.02%	-4.88%
MTRFA	-9.47%	-16.54%
StPTRFA	-3.46%	-8.33%

Source: Milliman USA Summary of 2003 Actuarial Valuations

Minnesota Public Pension Plans
Actuarial Experience Gains (-) and Losses (+)
(1986-2003)

Salary Increase Assumption

<u>Plan</u>	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>	<u>1996-2000</u>	<u>1991-2000</u>	<u>1986-2000</u>
MSRS-General	-7,148,000	-100,655,000	108,969,000	-125,831,000	-344,439,000	-417,563,000
PERA-General	33,730,000	-221,668,000	-50,387,000	-366,202,000	-725,461,000	-817,982,000
TRA	<u>-59,162,000</u>	<u>-119,422,000</u>	<u>7,300,000</u>	<u>-442,219,000</u>	<u>-1,188,570,000</u>	<u>-1,326,930,000</u>
Subtotal	-32,580,000	-441,745,000	65,882,000	-934,252,000	-2,258,470,000	-2,562,475,000
MSRS-Corr.	-3,155,000	-6,690,000	-12,263,000	1,576,000	-5,753,000	-7,241,000
State Patrol	10,717,000	-8,953,000	-10,122,000	701,000	-1,138,000	-6,369,000
PERA-P&F	-14,079,000	-64,490,000	-5,139,000	-72,046,000	-141,994,000	-158,834,000
P&F Consol. Accts.	--	--	--	--	--	--
Loc. Govt. Correc.	<u>468,000</u>	<u>376,000</u>	<u>2,110,000</u>	<u>-926,000</u>	<u>-926,000</u>	<u>-926,000</u>
Subtotal	-6,049,000	-79,757,000	-25,414,000	-70,695,000	-149,811,000	-173,370,000
Legislators	--	-1,595,000	569,000	-5,343,000	-8,495,000	-9,191,000
Elected St. Officers	--	0	0	-236,000	-480,000	-588,000
Judges	<u>1,007,000</u>	<u>1,965,000</u>	<u>-720,000</u>	<u>-7,034,000</u>	<u>-17,215,000</u>	<u>-19,710,000</u>
Subtotal	1,007,000	370,000	-151,000	-12,613,000	-26,190,000	-29,489,000
MERF	-7,515,000	7,831,000	-149,000	-6,148,000	-14,885,000	7,377,000
DTRFA	1,296,000	-3,998,000	-1,811,000	-12,305,000	-56,155,000	-62,594,000
MTRFA	-15,735,000	-17,097,000	-12,689,000	22,101,000	3,902,000	-20,052,000
SPTRFA	<u>-8,245,000</u>	<u>-8,292,000</u>	<u>-2,602,000</u>	<u>-20,063,000</u>	<u>-25,499,000</u>	<u>-32,734,000</u>
Subtotal	-22,684,000	-29,387,000	-17,102,000	-10,267,000	-77,752,000	-115,380,000
Total	-67,821,000	-542,688,000	23,066,000	-1,033,975,000	-2,527,108,000	-2,873,337,000

Investment Return Assumption

<u>Plan</u>	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>	<u>1996-2000</u>	<u>1991-2000</u>	<u>1986-2000</u>
MSRS-General	345,598,000	211,865,000	-29,406,000	-1,170,958,000	-1,339,497,000	-1,554,413,000
PERA-General	380,033,000	235,075,000	-24,896,000	-1,230,517,000	-1,425,328,000	-1,722,945,000
TRA	<u>580,484,000</u>	<u>351,134,000</u>	<u>-63,301,000</u>	<u>-437,398,000</u>	<u>-885,311,000</u>	<u>-1,371,667,000</u>
Subtotal	1,306,115,000	798,074,000	-117,603,000	-2,838,873,000	-3,650,136,000	-4,649,025,000
MSRS-Corr.	19,710,000	11,694,000	-2,628,000	-62,760,000	-70,850,000	-80,384,000
State Patrol	20,370,000	12,190,000	-2,005,000	-82,780,000	-94,355,000	-110,094,000
PERA-P&F	212,577,000	130,589,000	-14,635,000	-656,932,000	-728,195,000	-813,031,000
P&F Consol. Accts.	--	--	--	--	--	--
Loc. Govt. Correc.	<u>2,591,000</u>	<u>1,585,000</u>	<u>489,000</u>	<u>258,000</u>	<u>258,000</u>	<u>258,000</u>
Subtotal	255,248,000	156,058,000	-18,779,000	-802,214,000	-893,142,000	-1,003,251,000
Legislators	--	623,000	562,000	2,759,000	4,914,000	6,587,000
Elected St. Officers	--	17,000	14,000	158,000	301,000	408,000
Judges	<u>2,387,000</u>	<u>15,030,000</u>	<u>-2,000</u>	<u>-6,283,000</u>	<u>-7,195,000</u>	<u>-8,761,000</u>
Subtotal	2,387,000	15,670,000	574,000	-3,366,000	-1,980,000	-1,766,000
MERF	15,763,000	7,714,000	-5,538,000	-197,268,000	-161,922,000	-210,927,000
DTRFA	14,193,000	6,139,000	-5,482,000	-48,167,000	-56,883,000	-75,172,000
MTRFA	99,686,000	71,199,000	13,655,000	-51,313,000	-115,300,000	-193,272,000
SPTRFA	<u>48,877,000</u>	<u>21,216,000</u>	<u>-8,279,000</u>	<u>2,469,000</u>	<u>-24,317,000</u>	<u>-72,740,000</u>
Subtotal	162,756,000	98,554,000	-106,000	-97,011,000	-196,500,000	-341,184,000
Total	1,742,269,000	1,076,070,000	-141,452,000	-3,938,732,000	-4,903,680,000	-6,206,153,000

Minnesota Public Pension Plans
Actuarial Experience Gains (-) and Losses (+)
(1986-2003)

Mortality Assumption

<u>Plan</u>	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>	<u>1996-2000</u>	<u>1991-2000</u>	<u>1986-2000</u>
MSRS-General	-8,282,000	20,843,000	3,788,000	20,780,000	28,867,000	33,554,000
PERA-General	38,275,000	-122,987,000	-14,319,000	-88,292,000	-44,209,000	16,751,000
TRA	<u>-23,198,000</u>	<u>-10,365,000</u>	<u>-21,143,000</u>	<u>50,487,000</u>	<u>57,010,000</u>	<u>54,848,000</u>
Subtotal	6,795,000	-112,509,000	-31,674,000	-17,025,000	41,668,000	105,153,000
MSRS-Corr.	664,000	11,694,000	-2,628,000	214,000	1,219,000	847,000
State Patrol	3,281,000	607,000	3,159,000	11,417,000	12,204,000	13,038,000
PERA-P&F	21,520,000	-42,416,000	-25,777,000	10,828,000	15,345,000	23,126,000
P&F Consol. Accts.	--	--	--	19,772,778	24,391,165	25,019,484
Loc. Govt. Correc.	<u>-12,000</u>	<u>142,000</u>	<u>-38,000</u>	<u>-2,000</u>	<u>-2,000</u>	<u>-2,000</u>
Subtotal	25,453,000	-29,973,000	-25,284,000	42,229,778	53,157,165	62,028,484
Legislators	--	-5,000	105,000	-1,587,000	1,598,000	2,281,000
Elected St. Officers	--	73,000	65,000	-314,000	-375,000	-445,000
Judges	<u>-1,595,000</u>	<u>1,459,000</u>	<u>1,604,000</u>	<u>1,445,000</u>	<u>6,680,000</u>	<u>6,844,000</u>
Subtotal	-1,595,000	1,527,000	1,774,000	-456,000	7,903,000	8,680,000
MERF	10,513,000	7,714,000	-5,538,000	10,105,000	9,227,000	7,755,000
OTRFA	-1,290,000	-1,207,000	-2,194,000	-1,796,000	-595,000	-24,670,000
TRFA	-18,966,000	-5,007,000	848,000	13,761,000	-19,411,000	-16,618,000
PTRFA	<u>-1,742,000</u>	<u>-2,106,000</u>	<u>-2,475,000</u>	<u>-29,103,000</u>	<u>-35,268,000</u>	<u>-38,898,000</u>
Subtotal	-21,998,000	-8,320,000	-3,821,000	-17,138,000	-55,274,000	-80,186,000
Total	19,168,000	-141,561,000	-64,543,000	17,715,778	56,681,165	103,430,484

Other Assumptions

<u>Plan</u>	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>	<u>1996-2000</u>	<u>1991-2000</u>	<u>1986-2000</u>
MSRS-General	79,388,000	45,958,000	13,977,000	210,148,000	161,489,000	365,317,000
PERA-General	103,118,000	48,659,000	31,733,000	407,022,000	730,865,000	1,134,284,000
TRA	<u>451,185,000</u>	<u>11,405,000</u>	<u>4,892,000</u>	<u>616,885,000</u>	<u>1,170,772,000</u>	<u>1,445,631,000</u>
Subtotal	633,691,000	106,022,000	50,602,000	1,234,055,000	2,063,126,000	2,945,232,000
MSRS-Corr.	7,053,000	9,225,000	12,702,000	35,948,000	29,639,000	37,672,000
State Patrol	632,000	2,794,000	209,000	12,921,000	-8,901,000	-3,126,000
PERA-P&F	69,944,000	20,098,000	58,959,000	194,138,000	196,059,000	218,207,000
P&F Consol. Accts.	--	--	--	-134,063,938	-272,790,818	-290,462,162
Loc. Govt. Correc.	<u>2,056,000</u>	<u>-554,000</u>	<u>663,000</u>	<u>463,000</u>	<u>463,000</u>	<u>463,000</u>
Subtotal	79,685,000	31,563,000	72,533,000	109,406,062	-55,530,818	-37,246,162
Legislators	--	-455,000	1,027,000	3,452,000	189,000	2,822,000
Elected St. Officers	--	71,000	217,000	65,000	-187,000	158,000
Judges	<u>776,000</u>	<u>-3,848,000</u>	<u>156,000</u>	<u>7,912,000</u>	<u>3,185,000</u>	<u>7,555,000</u>
Subtotal	776,000	-4,232,000	1,400,000	11,429,000	3,187,000	10,535,000
MERF	8,230,000	15,073,000	25,640,000	62,682,000	70,618,000	114,951,000
DTRFA	666,000	3,459,000	1,706,000	10,542,000	17,842,000	25,548,000
MTRFA	6,000,000	8,686,000	17,173,000	22,223,000	59,140,000	115,434,000
SPTRFA	<u>4,479,000</u>	<u>3,239,000</u>	<u>9,695,000</u>	<u>-17,033,000</u>	<u>-15,000,000</u>	<u>6,235,000</u>
Subtotal	11,145,000	15,384,000	28,574,000	15,732,000	61,982,000	147,217,000
Total	733,527,000	163,810,000	178,749,000	1,433,304,062	2,143,382,182	3,180,688,838

Minnesota Public Pension Plans
Actuarial Experience Gains (-) and Losses (+)
(1986-2003)

Total Experience Gains and Losses

<u>Plan</u>	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>	<u>1996-2000</u>	<u>1991-2000</u>	<u>1986-2000</u>
MSRS-General	409,556,000	178,011,000	-128,186,000	-1,065,861,000	-1,493,580,000	-1,573,105,000
PERA-General	555,156,000	-60,921,000	-57,869,000	-1,277,989,000	-1,464,133,000	-1,389,892,000
TRA	<u>949,309,000</u>	<u>232,752,000</u>	<u>-72,252,000</u>	<u>-212,245,000</u>	<u>-846,099,000</u>	<u>-1,198,118,000</u>
Subtotal	1,914,021,000	349,842,000	-258,307,000	-2,556,095,000	-3,803,812,000	-4,161,115,000
MSRS-Corr.	24,272,000	15,300,000	-5,521,000	-25,022,000	-45,745,000	-49,106,000
State Patrol	35,000,000	6,638,000	-8,759,000	-57,741,000	-92,190,000	-106,551,000
PERA-P&F	289,962,000	43,781,000	13,408,000	-524,012,000	-658,785,000	-730,532,000
P&F Consol. Accts.	--	--	--	-114,291,160	-248,399,653	-265,442,678
Loc. Govt. Correc.	<u>5,103,000</u>	<u>1,549,000</u>	<u>3,224,000</u>	<u>-207,000</u>	<u>-207,000</u>	<u>-207,000</u>
Subtotal	354,337,000	67,268,000	2,352,000	-721,273,160	-1,045,326,653	-1,151,838,678
Legislators	--	-1,432,000	2,263,000	-719,000	-1,794,000	2,499,000
Elected St. Officers	--	161,000	296,000	-327,000	-741,000	-467,000
Judges	<u>2,575,000</u>	<u>1,079,000</u>	<u>1,038,000</u>	<u>-3,960,000</u>	<u>-14,545,000</u>	<u>-14,072,000</u>
Subtotal	2,575,000	-192,000	3,597,000	-5,006,000	-17,080,000	-12,040,000
MERF	26,991,000	24,437,000	12,767,000	-130,629,000	-96,962,000	-80,844,000
DTRFA	14,865,000	4,393,000	-7,781,000	-51,726,000	-95,791,000	-136,888,000
MTRFA	58,985,000	57,781,000	18,987,000	6,772,000	-71,669,000	-114,508,000
SPTRFA	<u>43,369,000</u>	<u>14,057,000</u>	<u>-3,660,000</u>	<u>-63,730,000</u>	<u>-100,084,000</u>	<u>-138,137,000</u>
Subtotal	117,219,000	76,231,000	7,546,000	-108,684,000	-267,544,000	-389,533,000
Total	2,415,143,000	517,586,000	-232,045,000	-3,521,687,160	-5,230,724,653	-5,795,370,678

Public Pension Plan State Aid

The State of Minnesota has established 16 different aid programs dedicated to or specifically applicable to public employee retirement plans.

The aid programs are:

1. Fire State Aid;
2. Minimum Volunteer Firefighter Fire State Aid;
3. First Class City Fire Insurance Premium Tax Surcharge;
4. Police State Aid;
5. Local Police and Paid Fire Relief Association Amortization Aid;
6. Supplemental Police and Paid Fire Amortization State Aid;
7. Additional Amortization State Aid;
8. Minneapolis Employees Retirement Fund (MERF) State Contribution;
9. Volunteer Fire Lump Sum Supplemental Benefit State Reimbursement;
10. Pre-1974 Retiree MERF Special Post Retirement Adjustment Aid;
11. Teacher Retirement Plan State Categorized Aid and State Funding;
12. 1993 State Supplemental MTRFA/SPTRFA Contributions;
13. 1996 State Supplementary MTRFA/SPTRFA Contributions;
14. 1997 State Supplemental First Class City Teacher Retirement Fund Association Funding;
15. 1997 State Aid for the PERA-General Employer Contribution Rate Increase; and
16. Ambulance Service Personnel Longevity Award and Incentive State Aid.

The following summarizes these aid programs, specifying their governing statutes, the establishment year, the source of the aid, the aid recipient or recipients, and the recent total aid amounts:

State Aid Program	Governing Statute	Year In Which Aid Program Established	Aid Source	Aid Recipient(s)	Recent Total Aid Amounts
1. Fire State Aid	Minnesota Statutes, Sections 69.011 to 69.051	1885	State General Fund (Dedicated proceeds of equivalent to two percent insurance premium tax)	Municipalities and nonprofit firefighting corporations with fire department with at least 10 firefighters	2000: \$16,055,136 2001: \$16,899,053 2002: \$18,066,489
2. Minimum Volunteer Firefighter Fire State Aid	Minnesota Statutes, Sections 69.021, Subdivision 7, Paragraph (d), and 423A.02, Subdivision 3, Paragraph (e)	1996	30 percent of excess amortization and supplemental amortization state aid freed up by fully funded relief associations or consolidation accounts	Municipalities and nonprofit firefighting corporations eligible to receive fire state aid	2000: \$1,210,366 2001: \$1,065,323 2002: \$1,846,119

Public Pension Plan State Aid

State Aid Program	Governing Statute	Year In Which Aid Program Established	Aid Source	Aid Recipient(s)	Recent Total Aid Amounts
3. First Class City Fire Insurance Premium Tax Surcharge	Minnesota Statutes, Section 2971.10	1934	State General Fund (Dedicated proceeds of two percent of fire insurance premium amount in Duluth, Minneapolis, and St. Paul)	Duluth (approx. 13%) Mpls. (approx. 55%) St. Paul (approx. 32%)	2000: \$1,092,207 2001: \$1,321,161 2002: \$1,382,374
4. Police State Aid	Minnesota Statutes, Sections 69.011 to 69.051	1971	State General Fund (Dedicated proceeds of equivalent to two percent insurance premium tax)	Counties, cities, townships, the Metropolitan Airports Commission, Indian tribal governments, the Dept. of Public Safety, and the Dept. of Natural Resources.	2000: \$45,915,460 2001: \$44,843,783 2002: \$47,384,086
5. Local Police and Paid Fire Relief Association Amortization State Aid	Minnesota Statutes, Section 423A.02, Subdivision 1	1980	State General Fund	Cities with local police or paid firefighter relief associations	2000: \$1,639,219 2001: \$1,616,837 2002: \$3,451,988
6. Supplemental Police and Paid Fire Amortization State Aid	Minnesota Statutes, Section 423A.02, Subdivision 1a	1984	State General Fund	Cities with local police or paid firefighter relief associations	2000: \$529,703 2001: \$279,229 2002: \$749,526
7. Additional Amortization State Aid	Minnesota Statutes, Section 423A.02, Subdivision 1b	1995	State General Fund (one-half of excess police state aid after ambulance longevity award program deduction)	Cities with local police or paid firefighter relief associations	2000: \$4,164,411 2001: \$8,665,401 2002: \$5,161,643
8. Volunteer Fire Lump Sum Supplemental Benefit State Reimbursement	Minnesota Statutes, Section 424A.10	1988	State General Fund (line item appropriation to the Dept. of Revenue)	Volunteer firefighter relief associations paying lump sum service pensions in prior year which apply for reimbursement	2000: \$378,000 2001: \$420,000 2002: \$420,000
9. State Contribution to MERF	Minnesota Statutes, Section 422A.101, Subdivision 3	1979	State General Fund	Minneapolis Employees Retirement Fund (MERF)	2000: \$7,032,750 2001: \$3,085,000 2002: \$3,224,000
10. Pre-1974 MERF Retiree Special Post Retirement Adjustment Aid	Minnesota Statutes, Section 356.43	1991	State General Fund	MERF	2000: \$510,647 2001: \$483,729 2002: Incorporated into State contribution to MERF

Public Pension Plan State Aid

State Aid Program	Governing Statute	Year In Which Aid Program Established	Aid Source	Aid Recipient(s)	Recent Total Aid Amounts
11. State Funding of Teacher Retirement	Minnesota Statutes, Sections 126C.10 to 126C.23	1915/1931/1967/1985/1987	State General Fund	School districts and other educational employers	2000 TRA: \$134,418,833 TRFA's: \$44,929,291 2001 TRA: \$139,799,408 TRFA's: \$46,580,142 2002 TRA: \$142,221,589 TRFA's: \$44,970,000
12. 1993 State Supplemental MTRFA/SPTRF A Contributions	Minnesota Statutes, Section 354A.12, Subdivision 3b	1993	State General Fund	Minneapolis Teachers Retirement Fund Association (MTRFA) and St. Paul Teachers Retirement Fund Association (SPTRFA)	2000: \$3,000,000 2001: \$3,000,000 2002: \$3,000,000
3. 1996 State Supplementary MTRFA/SPTRF A Contributions	Minnesota Statutes, Section 423A.02, Subdivision 3	1996	State General Fund	MTRFA and SPTRFA	2000: \$4,480,000 2001: \$5,040,000 2002: \$4,715,000
14. 1997 State Supplemental First Class City Teacher Retirement Fund Associations Funding	Minnesota Statutes, Section 354A.12, Subdivision 3a	1997	State General Fund	Duluth Teachers Retirement Fund Association (DTRFA), MTRFA, and SPTRFA	2000: \$15,767,000 2001: \$15,767,000 2002: \$15,767,000
15. 1997 State Aid for PERA-General	Minnesota Statutes, Sections 124.2141 and 273.1385	1997	State General Fund	General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General)	2000: \$14,586,176 2001: \$14,585,456 2002: \$14,585,074
16. Ambulance Service Personnel Longevity Award and Incentive Program State Aid	Minnesota Statutes, Sections 69.021, Subdivision 11, Paragraph (c), and 144E.42	1993	State General Fund (deduction from excess police state aid)	Ambulance service personnel longevity award and incentive program	2000: \$1,000,000 2001: \$1,000,000 2002: \$1,000,000

**Various Minnesota Public Pension Funds:
Total Portfolio Time-Weighted Rates of Return**

Year	SBI Combined Fund	SBI Basic Fund	SBI Post Fund	MTRFA	DTRFA	SPTRFA	MERF
1990		-0.7%	5.0%	-2.5%	3.2%	4.6%	-5.9%
1991		26.3%	19.6%	25.0%	22.0%	19.8%	13.3%
1992		6.8%	8.0%	8.2%	6.5%	7.2%	8.8%
1993		12.2%	11.6%	12.3%	12.8%	11.3%	13.7%
1994	-0.4%			0.1%	0.2%	0.3%	1.2%
1995	25.5%			25.0%	25.5%	26.2%	23.4%
1996	15.3%			13.6%	13.4%	12.6%	12.9%
1997	21.5%			15.5%	15.5%	19.6%	18.5%
1998	16.1%			14.2%	11.1%	12.0%	15.7%
1999	16.5%			21.5%	29.4%	13.6%	15.5%
2000	-2.8%			-6.0%	-1.6%	-0.2%	-1.3%
2001	-6.0%			-7.7%	-4.7%	-1.4%	-6.2%
2002	-11.6%			-16.2%	-12.8%	-9.6%	-11.3%
2003	23.1%			22.8%	28.1%	27.0%	25.2%
2004*	3.9%			1.8%	--	4.2%	3.4%

* The 2004 returns are partial year returns through September 30, 2004.

Approaches to Address Public Pension Plan Funding Problems

Minnesota

- Minnesota has had financially distressed pension plans in the past and has taken various actions to address those funding problems.
- Approaches to address public pension plan funding problems have included:
 1. Benefit reductions;
 2. Closing off benefit plans to new hirees;
 3. Employer contribution increases;
 4. State assistance; and
 5. Consolidations/mergers.
- An outright benefit reduction was part of the aftermath of the 1931 default of the 1915 Law Teacher Retirement Plan (predecessor to TRA), when retiree benefits were reduced by one-half and the reduction was not reversed until 1957.
- Benefit plans have been closed to new members in a number of instances (TRA-Basic in 1957; PERA-Basic in 1967; MTRFA-Basic in 1978; SPTRFA-Basic in 1978; MERF in 1979; DTRFA Old Law Plan in 1979; 46 local police and paid firefighter relief associations over the period 1969-1980).
- Employer contributions have been increased in a number of instances (PERA employer contribution increase in 1957; local police and paid firefighter relief associations financing Guidelines Act in 1969; additional school district and/or city funding for MTRFA in 1993 and 1996).
- State aid for public pension plans has been added or augmented on several occasions (State funding of TRA and first class city teacher plans from sales tax proceeds in 1967; Police State Aid in 1971; State aid to MERF in 1979; local police and paid fire relief association amortization aids in 1980, 1984, and 1996; volunteer fire lump sum supplement in 1987; MTRFA and SPTRFA State aids in 1993, 1996, and 1997; minimum volunteer fire state aid in 1996; PERA-General State aid in 1997).
- Public pension plans with problematic funding have been consolidated or merged on various occasions (St. Paul Bureau of Health Retirement Plan consolidation into PERA-General in 1967; State Police Retirement Plan and Game Wardens Retirement Plan consolidation into the State Patrol Retirement Plan in 1969; Supreme Court Justices Retirement Plan, District Court Judges Retirement Plan, and Probate and County Court Judges Retirement Plan consolidation into the Uniform Judicial Retirement Plan in 1973-1978; local police and paid firefighter relief associations consolidated into PERA-P&F 1973-1999).

Approaches to Address Public Pension Plan Funding Problems

Other States

Hawaii (2002): Amortization Requirement Change

Problem: Large increase in Hawaii Employees Retirement System employer contributions from increasing unfunded actuarial accrued liabilities.

Legislation: The amortization period for the plan was extended by 13 years.

Illinois (2003): Bonding for Employer Contributions

Problem: The State Employees Retirement System unfunded actuarial accrued liability increasing.

Legislation: \$10 billion in pension obligations bonds issued to pay the annual state contribution and to reduce the plan unfunded actuarial accrued liability.

Kansas (2003): Bonding to Reduce Unfunded Liabilities

Problem: Large unfunded actuarial accrued liabilities increased from the transfer of higher education employees to the Public Employees Retirement System and from a converted "13th check" benefit.

Legislation: \$540 million in revenue bonds issued to reduce unfunded actuarial accrued liabilities.

Maine (2001): Minimum Employer Contribution

Problem: Variable employer amortization contributions to the Maine State Retirement System.

Legislation: State contribution to amortize the unfunded actuarial accrued liability in the previous year is minimum amount for successive year.

New Jersey (2003): Bonding for Unfunded Liabilities

Problem: Unfunded actuarial accrued liabilities in the State Retirement System for 1991 and 1993 local government early retirement incentives causing large local government contributions.

Legislation: Local governments participating in the statewide retirement plan are allowed to refinance their unfunded actuarial accrued liabilities from early retirement incentives by issuing refunding bonds.

New York (2003): Bonding for Employer Contributions

Problem: State and Local Retirement Plan employer contributions were variable and growing in recent years.

Legislation: A minimum employer contribution rate was established, without ability to be suspended during good investment performance periods, and bonding for employer contributions in excess of 7 percent of pay was permitted.

Oregon (2003): Pension Plan Restructuring

Problem: Public Employee Retirement System unfunded actuarial accrued liability grew from \$1 billion to \$15 billion in three years due to outdated actuarial assumptions and Variable Annuity guaranteed investment return.

Legislation: Old plan was closed to new entrants, who were covered by a new benefit tier, the Variable Annuity program was closed to additional contributions, and more current actuarial assumptions implemented.

Approaches to Address Public Pension Plan Funding Problems

Pennsylvania (1984): Financially Distressed Municipal Pension System Recovery Program

Problem: Over 2,200 local government pension plans with various funding levels, including the Pittsburgh Public Pension Plan with a 0.09 percent funded ratio and the Pittsburgh Fire Pension Plan with a 0.16 percent funded ratio in 1982.

Legislation: For local government plans, comparable actuarial reporting was required, minimum funding requirements were based on the actuarial reporting, an existing state aid program was revised to allocate amounts more consistent with plan cost, and a recovery program was established for plans and municipalities determined to be financially distressed that involved an aggregation of pension trusts, increasing member contributions to a minimum level, exempting employers from statutory contribution limits, requiring the establishment of a new benefit plan for new employees, adding additional special taxing authority, phasing-in the implementation of the funding standards, extending the amortization period, requiring the formulation of a plan for administrative improvements, a \$35 million assistance account was established for allocation on the basis of relative distress, and providing emergency loans from the assistance account to avoid defaults.

Pennsylvania (2002): Variable Employer Contributions

Problem: State Employees Retirement System employer contributions became too variable.

Legislation: Employer contribution set based on system funding experience, but with a minimum contribution amount.

Virginia (2004 Proposal): Consolidated Contribution Rates

Problem: Virginia Retirement System employer contribution rates for teachers doubled after period of decrease.

Proposal: Permit local governments to consolidate higher teacher and lower general employee contribution rates.

West Virginia (1991): Teacher Retirement Coverage Restructuring

Problem: The unfunded actuarial accrued liability and the cost of the Teachers Retirement Plan were growing.

Legislation: The defined benefit plan was closed to new entrants and a defined contribution was created, with existing members allowed to transfer to the new plan, the amortization period was extended to 40 years, an additional state contribution was provided, and the issuance of pension obligation bonds were authorized.

West Virginia (2003): Retirement Liability Bonding

Problem: Unfunded actuarial accrued liabilities growing in teacher, state trooper, and judges retirement plans.

Legislation: \$3.9 billion in bonding authorized (not implemented pending the result of litigation over its constitutionality).

Sources: *Except for the information on the Pennsylvania 1984 legislation, the summaries presented were derived from information provided by Ron Snell of the National Conference of State Legislatures.*

Information on the Pennsylvania 1984 legislation was provided by the Pennsylvania Public Employee Retirement Commission.

Glossary of Minnesota Public Pension Plan Terms

This list provides definitions relevant for Minnesota public pension plans and funds. The first section identifies the systems which administer Minnesota's larger pension plans. The second section lists terms relevant for a basic understanding of the types of plans, the financing, and the operation of these plans. This is followed by a section with more general terms that one would encounter in a study of these systems.

Minnesota Major Pension Systems

DTRFA	Duluth Teachers Retirement Fund Association. DTRFA administers the pension plan and invests assets for Duluth public school teachers.
IRAP	Individual Retirement Account Plan. IRAP is a defined contribution plan primarily covering many recently hired Minnesota State Colleges and Universities System (MnSCU) state university, community college, and technical college personnel.
MERF	Minneapolis Employees Retirement Fund. The MERF administers the pension plan and invests assets for certain Minneapolis employees hired before July 1, 1978. The plan includes some non-teaching employees of the Minneapolis School District as well as some employees of various Metropolitan Council agencies and entities.
MPRIF	Minnesota Post Retirement Investment Fund. The MPRIF is the joint postretirement adjustment mechanism and retiree asset investment fund for the various statewide pension plans, administered by the SBI. The mechanism provides postretirement increases based in part on increases in the federal Consumer Price Index (CPI) and in part on investment performance in excess of 8.5 percent.
MSRS	Minnesota State Retirement System. MSRS administers the various pension plans that cover state employees. The MSRS General Plan covers most executive branch employees as well as employees of the State Historical Society, employees of the Metropolitan Council, and administrative and clerical employees of the University of Minnesota. The Unclassified Plan covers legislative staff employees and various unclassified employees in state service. The Legislators Plan and the Judges Plan cover legislators who took office before July 1, 1997, and judges, respectively, while the Elected State Officers Plan covers constitutional officers who took office before July 1, 1997. The Correctional Plan covers various employees in state correctional institutions who have sufficient inmate contact. The State Patrol Plan covers peace officers employed by the State Patrol, the Bureau of Criminal Apprehension, the Department of Natural Resources Enforcement Division, and the Department of Public Safety Gambling Enforcement Division.
MTRFA	Minneapolis Teachers Retirement Fund Association. The MTRFA administers the pension plan and invests assets for Minneapolis public school teachers.
PERA	Public Employees Retirement Association. PERA administers various plans covering local, county, and school district non-teaching employees. The PERA General Plan covers non-public safety employees in these districts. The PERA Police and Fire Plan provides coverage for many police officers and paid firefighters throughout the state. The PERA Defined Contribution Plan provides coverage to certain local elected officials, certain local government physicians, and to certain basic and advanced emergency medical service personnel.
SBI	State Board of Investment. The SBI is the constitutionally established board composed of the Governor, Secretary of State, State Auditor, State Treasurer, and Attorney General and is charged with investing state assets, including the pension fund assets of TRA, MSRS, and PERA.
SPTRFA	St. Paul Teachers Retirement Fund Association. The SPTRFA administers the pension plan and invests assets for St. Paul public school teachers.
TRA	Teachers Retirement Association. TRA provides coverage for public school teachers throughout the state, except for teachers in the first class cities, and for some teachers in community colleges, state universities, and technical colleges.

Glossary of Minnesota Public Pension Plan Terms

Essential Terms

Types of Plans. Primary pension plans can be categorized into two broad types, as follows:

Defined Benefit Plans	Under a defined benefit plan, the eventual pension benefit is defined, or determinable, by formulas. These formulas indicate that the benefit an individual will receive at retirement is a portion of the high-five average salary. The high-five average salary is generally the average salary in the highest five consecutive salary years. The portion of the high-five average salary that the individual will receive is determined by the benefit accrual rate (the percentage of the high-five the individual will receive per year of service provided to the employer) times years of service. Most Minnesota public pension plans are defined benefit plans.
Defined Contribution Plans	No specific benefit is specified. Rather, the contributions that must be paid to the fund are specified, with the eventual pension benefit being a function of the overall magnitude of contributions, pre-retirement investment earnings, the age at retirement, and the expected mortality of the recipient. MSRS Unclassified and IRAP are examples of defined contribution plans.

Common Funding Terms

Considerable attention is given to the funding of defined benefit plans to ensure that sufficient assets are being contributed and invested to meet the eventual plan obligations. Terms commonly encountered in studying plan funding are:

Actuarial Accrued Liability	The pension plan liability recognized to date, as determined by the actuarial method used, or alternatively, that portion of the actuarial present value of pension benefits and expenses which are not provided for by future normal costs.
Actuarial Report	A study performed periodically (annually in Minnesota) by an actuary to examine whether the contributions made to a defined benefit plan are likely to be adequate, given the benefits offered, the mortality and other demographic factors of the membership, member terminations and turnover, and pension fund investment performance.
Actuarial Value of Assets	The value of assets used for actuarial valuation purposes, defined for most Minnesota public pension plans as the value of assets at cost plus one third of the difference between the cost value and the market value. Also referred to as "current assets."
Amortization Requirement	The contribution, expressed as a percentage of payroll, which must be made to pay off the unfunded actuarial accrued liability by the full funding date.
Contribution Deficiency	A comparison of required contributions to statutory contributions indicating that current contribution rates are not sufficient to cover expenses, normal cost, and make necessary payments to retire the unfunded actuarial accrued liability by the full funding date.
Contribution Sufficiency	A comparison of required contributions to statutory contributions indicating that current contribution rates are more than sufficient to cover expenses, normal cost, and make necessary payments to retire the unfunded actuarial accrued liability by the full funding date.
Full Funding Date	The target date established for fully amortizing the pension plan unfunded actuarial accrued liability, usually June 30, 2020 for Minnesota public pension plans.

Glossary of Minnesota Public Pension Plan Terms

Common Funding Terms

Funding Ratio	Current assets expressed as a percentage of the actuarial accrued liability. A funding ratio of one hundred percent indicates current assets are equal to actuarial accrued liabilities. A funding ratio of less than one hundred percent indicates that the plan has unfunded actuarial accrued liabilities.
Normal Cost	The cost, or additional liability, incurred by covering employees for the current year's operations.
Required Contributions	The level of contributions, often expressed as a percentage of covered salary, determined by the actuary to be necessary to fully fund a pension plan by the full funding date.
Statutory Contributions	Contributions to be paid to a defined benefit plan, generally specified in statute in Minnesota.
Unfunded Actuarial Accrued Liability	Any amount of pension plan accrued liability in excess of the current assets (the actuarial value of assets) of the pension plan.

Plan and Member Definitions

Active Member	Current public employees with pension benefit coverage by the plan.
Deferred Retirees	Employees who terminated service, who are eligible based on the length of their public service for pension benefits other than a refund, but who are not yet receiving benefits, usually because they have not reached the pension plan retirement age.
Pension Fund	The vehicle that receives contributions, and accumulates the assets due to these contributions and the investment income from investing the assets, for purposes of paying the benefits specified by the pension plan.
Pension Plan	The collection of provisions, generally found in state law or nonprofit corporation bylaw which specify: (1) membership eligibility requirements; (2) the contributions required by law from covered employees and employing units; and (3) the level, conditions, and nature of benefits payable at termination, retirement, death, or date of disability.
Retirees	A former public employee and former active member who is currently receiving pension benefits.

General Terms

Active Fund; Active Employee Assets	The portion of TRA, PERA, or MSRS assets that has not been transferred to the Minnesota Post Retirement Investment Fund (MPRIF) and that represents the assets accumulated on behalf of active plan participants. Sometimes referred to as the Basic Retirement Funds.
Asset Allocation	The investment practice of determining what portion of an investment fund ought to be invested in various types of investment securities (e.g., stocks, bonds, cash equivalents, etc.).
Balanced Portfolio	An asset allocation practice emphasizing the investment of significant portions of a fund in the two major asset classes (e.g., debt (bonds) and equity (stocks)).

Glossary of Minnesota Public Pension Plan Terms

General Terms

Bonds	A debt-related investment security, representing a loan of money in return for an enforceable promise by the debtor to repay the principal amount of the loan and interest on the unpaid principal balance at a stated percentage rate on or before a stated date.
Consumer Price Index	A calculation of the apparent rate of inflation as derived from the comparative costs over time for a group of goods and services which is computed and published by the Bureau of Labor Standards of the U.S. Department of Labor.
Debt Securities	An investment security that represents a loan from the investment fund to some other entity, frequently a corporation, in order to obtain the interest payments on the loan principal balance, rather than to obtain an ownership interest in the entity.
Dedicated Bond Portfolio	An investment strategy where corporate and governmental bonds with various maturity lengths are purchased to match an actuarially determined future stream of retirement annuity payments, including any expected post-retirement increases.
Derivatives	Securities whose price is linked to, or derived from, other assets, such as stocks, bonds, currencies, or commodities.
Earnings Potential	The predictable pattern of likely future investment gain attributable to a particular investment security.
Equities	Investment securities that represent an ownership interest in the entity issuing the security, that are expected to produce income in the form of shared profits, typically referred to as dividends, and to produce appreciation in value, typically referred to as capital appreciation or capital gain.
Full Funding or Fully Funded Reserves	A practice in the Minnesota Post Retirement Investment Fund (MPRIF) whereby the entire actuarial present value of a retiree's future pension through death, at a five percent post-retirement interest rate, is transferred in cash from the active fund (Basic Fund) to the MPRIF.
Inflation	The economic impact of increases in the prices of goods and services on the purchasing power of money.
Interest Assumption or Actuarial Interest Assumption	The interest rate used by the actuarial valuation process to discount the amount of future pension or benefit payments in determining its present value.
Investment Performance	The measurement of the net gain or loss produced by an investment portfolio. The measurement can be restricted to realized investment results only (yield) or inclusive of unrealized changes in market value (total rate of return) and can ignore the impact of cash flow (dollar-weighted rate of return) or can attempt to correct for cash flow changes (time-weighted rate of return).
Investment Strategy	The plan of an investment fund for purchasing various types of investment securities, attempting to take advantage of the earnings potential of the various types of investment securities, to emphasize safety from risk through diversification, and to accommodate future liquidity and cash flow needs.
Minnesota Adjustable Fixed Benefit Fund	The predecessor to the current Minnesota Post Retirement Investment Fund (MPRIF), that was created in 1969, that functioned in some respects like a variable annuity program, but with a guaranteed benefit floor, and that emphasized stock investments.

Glossary of Minnesota Public Pension Plan Terms

General Terms

Minnesota Post Retirement Investment Fund	The fund which receives the fully funded actuarial reserves for a new retiree's pension benefit at the time of retirement from the Basic Fund, and which generates the funding for and pays post-retirement adjustments.
Mortality Gain or Loss	An actuarially calculated change in the required reserves in the Minnesota Post Retirement Investment Fund (MPRIF) or the Basic Retirement Funds resulting from a greater number or a fewer number of deaths when compared to the mortality actuarial assumptions.
Participation in the Minnesota Post Retirement Investment Fund	The share of the total assets of the Minnesota Post Retirement Investment Fund (MPRIF) attributable to each statewide Minnesota public pension plan (TRA, PERA, or MSRS) based on the amount of fully funded MPRIF reserves attributable to retirees of the respective plan.
Portfolio	The collection of investment securities owned by a pension fund.
Post Fund	The Minnesota Post Retirement Investment Fund (MPRIF).
Post-Retirement Increases or Adjustments	The practice of granting additional benefits for retired persons during the course of their retired lifetimes, generally intended to replace all or a portion of inflation.
Post-Retirement Interest Actuarial Assumption	The established rate of expected future investment earnings on invested assets attributable to retirees during the period of their retirement for use in actuarial determination.
Pre-Retirement Interest Actuarial Assumption	The established rate of expected future investment earnings on invested assets attributable to active members during their active working lifetime for use in actuarial determinations.
Realized Investment Income	The proceeds obtained from investment securities of the pension plan, derived from interest paid on bonds, dividends paid on stocks, and net realized gains or losses on the sale of investments.
Realized Gains or Losses	The positive or negative difference between the cost (purchase price) of an investment security and the sale price of that security.
Required Reserves	The actuarially determined present value of a stream of future benefit payments that is transferred from the active fund of a statewide Minnesota public pension plan to the Minnesota Post Retirement Investment Fund (MPRIF) upon retirement.
Stocks	The equity or ownership interest in a corporation, issued by the corporation in the form of shares, and traded on an exchange or otherwise.
Unrealized Gain or Loss	The positive or negative difference between the cost (purchase price) of an investment security and the current fair market value of that security, which would be obtainable in the event of sale, but without actually selling the security.
Volatility	The tendency for the fair market value of investment securities, especially equity investments, to vary positively or negatively over a short period of time and within a considerable range.
Yield	The investment income obtained or obtainable from an investment security in the form of interest on bonds, dividends on equities, and any net realized gain upon security sale.

2005 PERA Legislative Initiative

3

Coordinated Plan Contribution Rate Increases

Increase contributions to the Coordinated Plan incrementally until projected required contributions are met.

Effective Date	Employee Rate	Employer Rate
Current	5.10 %	5.53 %
January 1, 2006	5.50 %	6.00 % (\$19.8M)
January 1, 2007	5.75 %	6.25 % (\$10.5M)
January 1, 2008	6.00 %	6.50 % (\$10.5M)
January 1, 2009	6.00 %	6.75 % (\$10.5M)
January 1, 2010	6.00 %	7.00 % (\$10.5M)
Total Change	0.9	1.47 (\$61.8M)

Study by consulting actuaries shows incrementally adjusting rates to 13 percent of covered salaries by 2010 is what is needed to fully fund the plan by 2031.

Cost to employees:

The chart below shows the annual cost to an employee at various salary levels as a result of the proposed contribution rate increases. The reduction in take-home pay will be less than shown since the contribution is tax-deferred. For example, an employee earning \$30,000, with a total contribution increase after three years of 0.9 percent of pay, will see about a \$181 reduction in take home pay, assuming the person has a federal and state tax liability of 33 percent ($\$270 \times 67\% = \181 net pay reduction).

Annual Salary	Annual Cost To Employee				
	Based on proposed contribution rate increases				
	0.40 01/01/06	0.25 01/01/07	0.25 01/01/08	Total after fully implemented	Total net pay reduction after tax-deferral
\$20,000	\$80	\$50	\$50	\$180	\$120.60
\$30,000	\$120	\$75	\$75	\$270	\$180.90
\$40,000	\$160	\$100	\$100	\$360	\$241.20
\$50,000	\$200	\$125	\$125	\$450	\$301.50
\$60,000	\$240	\$150	\$150	\$540	\$361.80

Why is this increase needed?

- Coordinated Plan contribution deficiency has persisted for 12 out of last 14 years.
- Funded ratio has declined from 90 percent as of 7/1/99 to about 77 percent on 7/1/04.
- Market declines between fiscal years 2000 – 2003 worsened funded percentage and compounded contribution shortfalls.
- The Board considered lower benefits for future PERA members, but found no measurable contribution relief from this approach.

Police and Fire Fund Contribution Rate Increases

For over a decade, the contributions to the Police and Fire Plan have been less than what was needed to cover the ongoing cost of the benefits being earned by the members (Normal Cost). The ongoing cost of the Police and Fire Plan benefits, plus administrative expenses, is about 22.5 percent of the salaries of the covered members. We have been collecting only 15.5 percent of salaries since 1999. Normal cost has risen from about 20 percent of pay to over 22 percent pay as a result of earlier retirements, more disability benefits awarded and longer life expectancies. (Police and Fire members do not contribute to Social Security.)

The Police and Fire Fund was over 100 percent funded for many years, so collecting contributions at a lower rate did not harm the fund. We could draw on the assets over 100 percent funding to make up the difference between what we had been collecting and what the benefits cost. The Police and Fire Fund has now dropped to about 101 percent funding and is expected to drop below 100 percent next year.

	Employee	Employer
Current Rates	6.2	9.3
Proposed Rates	9.0	13.5

The increased rates will result in additional cost to the employers of about \$25 million annually.

Cost to employees = 2.8 percent of salary

Salary	Increased contribution before taxes	Savings from tax-deferred status of contributions*	Net reduction in pay
\$30,000	\$840	\$277.20	\$562.80
\$40,000	\$1,120	\$369.60	\$750.40
\$50,000	\$1,400	\$462.00	\$938.00
\$60,000	\$1,680	\$554.40	\$1,125.60
\$70,000	\$1,960	\$646.80	\$1,313.20

* Assumes combined federal and state tax rate of 33 percent.

Benefit Change – reduced augmentation – all plans

The Board is considering a proposal to **modify augmentation** (interest) paid on the benefits of those who terminate public employment after the effective date of the change (proposed to be 01/01/06). The proposed augmentation rate will be equal to 2.5 percent per year from date of termination to age 55. The current augmentation feature provides 3 percent per year to age 55 and 5 percent thereafter until the person chooses to start drawing a retirement benefit. **Projected cost savings for Coordinated Plan is 0.35 percent of pay (equals about \$14.8 million per year).**

Mary Vanek, Executive Director
(651) 296-8358