ELECTIVE STATE OFFICERS RETIREMENT PLAN

ACTUARIAL VALUATION REPORT

JULY 1, 1990

THE Wyatt COMPANY

ACTUARIAL SERVICES
COMPENSATION PROGRAMS
ADMINISTRATIVE SYSTEMS
INTERNATIONAL SERVICES
ORGANIZATION SURVEYS

15TH FLOOR
8400 NORMANDALE LAKE BOULEVARD
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EMPLOYEE BENEFITS
EMPLOYEE COMMUNICATIONS
RISK MANAGEMENT
INSURANCE CONSULTING
HEALTH CARE CONSULTING

November 12, 1990

Legislative Commission on
Pensions and Retirement
55 State Office Building
St. Paul, Minnesota 55155

RE: ELECTIVE STATE OFFICERS RETIREMENT PLAN

Commission Members:

We have prepared an actuarial valuation of the Plan as of July 1, 1990 based on membership and financial data supplied by the Plan.

We certify that to the best of our knowledge and belief this actuarial valuation was performed in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work, adopted by the Commission on September 20, 1989.

Respectfully submitted,

THE WYATT COMPANY

Robert E. Perkins

Robert E. Perkins, FSA
Consulting Actuary

Michael C. Gunvalson

Michael C. Gunvalson, FSA
Actuary

ELECTIVE STATE OFFICERS RETIREMENT PLAN

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ELECTIVE STATE OFFICERS RETIREMENT PLAN

REPORT HIGHLIGHTS
(DOLLARS IN THOUSANDS)

	07/01/89 VALUATION	07/01/90 VALUATION
A. CONTRIBUTIONS (TABLE 11)		
1. Statutory Contributions - Chapter 352C % of Payroll	35.35%	47.79%
2. Required Contributions - Chapter 356 % of Payroll	33.75%	34.84%
3. Sufficiency (Deficiency) (A1-A2)	1.60%	12.95%
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	$315	$351
b. Current Benefit Obligations (Table 8)	$1,938	$2,108
c. Funding Ratio (a/b)	16.25%	16.65%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	$315	$351
b. Actuarial Accrued Liability (Table 9)	$2,101	$2,271
c. Funding Ratio (a/b)	14.99%	15.46%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	$2,577	$3,804
b. Current and Expected Future Benefit Obligations	$2,430	$2,575
c. Funding Ratio (a/b)	106.05%	147.73%
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	6	6
b. Projected Annual Earnings	$406	$428
c. Average Annual Earnings (Actual $)	$67,618	$71,270
d. Average Age	51.1	52.1
e. Average Service	9.2	10.2
2. Others		
a. Service Retirements (Table 4)	3	3
b. Disability Retirements (Table 5)	NA	NA
c. Survivors (Table 6)	5	5
d. Deferred Retirements (Table 7)	6	6
e. Terminated Other Non-vested (Table 7)	0	0
f. Total	14	14

ELECTIVE STATE OFFICERS RETIREMENT PLAN

COMMENTARY

Purpose

The purpose of this valuation is to determine the financial status of the Plan. In order to achieve this purpose, an actuarial valuation is made at the beginning of each fiscal year as required by Section 356.215 of Minnesota Statutes.

Report Highlights

The statutory contributions, representing member contributions and an estimate of employer contributions, for the Elective State Officers Retirement Plan are 47.79%. Thus, the statutory contributions exceed the required contribution level of 34.84% by 12.95%. The section discussing contribution sufficiency describes the process of estimating the statutory employer contributions.

There was one change in plan provisions since the prior valuation. The interest rate credited on refund of member contributions was increased from 5% to 6%. This change did not have a significant impact on the calculation of the required contribution. All actuarial assumptions are the same as in the prior valuation.

The financial status of the Plan can be measured by three different funding ratios.

- o The Accrued Benefit Funding Ratio is a measure of current funding status, and when viewed over a period of years, presents a view of the funding progress. This year's ratio is 16.65%. The corresponding ratio for the prior year was 16.25%.

- The Accrued Liability Funding Ratio is also a measure of funding status and funding progress. It is based on the actuarial cost method that has historically been used by the State. For 1990 the ratio is 15.46%, which is an increase from the 1989 value of 14.99%.

- The Projected Benefit Funding Ratio is a measure of the adequacy or deficiency in the contribution level. This year's ratio of 147.73% verifies that the current statutory contributions are sufficient. Since the State will make only the necessary contributions to pay benefits as they come due, this Funding Ratio may be considered to be 100% over the lifetime of the Plan.

Asset Information (Tables 1 and 2)

Minnesota Statutes require that the asset value used for actuarial purposes recognize only a third of the unrealized gains and losses. This requirement exists because market values (which include all unrealized gains and losses) are typically volatile and can produce erratic changes in the contribution requirements from year to year.

The calculation of the Actuarial Value of Assets is shown in Table 1 on lines F1 to F6. It combines the cost value of the Assets Available for Benefits and one-third of the difference between the market value and cost value of those assets.

The term "Actuarial Value of Assets" is used to indicate that the value was determined for use in this actuarial valuation. Since Minnesota Statutes refer to this value as "Current Assets", the latter phrase will be used in the remainder of this report.

The term MPRIF appears on some of the tables with a corresponding value of zero. MPRIF stands for Minnesota Post Retirement Investment Fund, which is used by many of the public funds. For purposes of consistency all of the actuarial reports follow the same format.

Membership Data (Tables 3, 4, 6 and 7)

Tables 3 through 6 summarize statistical information about members by category. Active members are grouped by age and completed years of service in Table 3. The earnings shown for these members are for the prior fiscal year.

The service retirements in Table 4 include not only those retiring from active status but also members with deferred benefits who have attained retirement age and started receiving benefits. The survivors category (Table 6) includes spouses and children of deceased members.

The reconciliation of members in Table 7 provides a method for tracking what happened to members during the past year.

Actuarial Balance Sheet (Table 8)

An actuarial balance sheet provides a method for evaluating current and future levels of funding.

Current funding levels are evaluated by comparing Current Assets on line A to Current Benefit Obligations on line D5. Current and future funding levels are evaluated by comparing the Total Current and Expected Future Assets on line C to the Total Current and Expected Future Benefit Obligations on line F.

The Current Benefit Obligation used to measure current funding levels is calculated in accordance with Statement No. 5 of the Governmental Accounting Standards Board (GASB). Those requirements are:

- For active members - salary and service are projected to retirement to determine benefits for each member and the ratio of credited service to total service establishes the portion of the projected benefit to be used in calculating the current funding level.

- For non-active members - the discounted value of benefits, including augmentation in cases where benefits have not commenced.

GASB Disclosure

The Current Benefit Obligation amounts in Table 8 are required to be disclosed by Statement No. 5 of the Governmental Accounting Standards Board (GASB). However, Statement No. 5 uses the terms "Actuarial Present Value of Credited Projected Benefits" and "Pension Benefit Obligation" rather than "Current Benefit Obligation".

The July 1, 1990 Pension Benefit Obligation reported in Table 8 is reformatted for GASB reporting purposes in the table on the following page.

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$1,099,000
Current Employees -	
Accumulated employee contributions including allocated investment income	366,000 *
Employer-financed vested	513,000
Employer-financed nonvested	130,000
Total Pension Benefit Obligation	$2,108,000

* Estimated

The net assets available for benefits at cost is $351,000. The total Pension Benefit Obligation exceeds the assets by $1,757,000 to produce a funded ratio of 16.65%.

Actuarial Cost Method (Table 9)

The approach used by the State of Minnesota to determine contribution sufficiency is the Entry Age Normal Actuarial Cost Method. The primary characteristic of this method is that it allocates costs as a level percentage of payroll.

A comparison of this actuarial method (Table 9) to the actuarial balance sheet (Table 8) illustrates the two techniques for allocating liabilities of active members to past and future. As noted in the prior section, the balance sheet allocates benefits and the corresponding liabilities, on the basis of service. The method used in Table 9 allocates liabilities so that the cost each year will be a constant percentage of payroll. Both approaches, however, calculate the value of all future benefits the same way (see line F of Table 8 and line A6, column 1, of Table 9).

An Unfunded Actuarial Accrued Liability is computed under the Entry Age Normal Actuarial Cost Method by comparing the liabilities allocated to past service (Actuarial Accrued Liability) to the Current Assets. This amount, line B3, is funded over the remaining years to the amortization date by a series of payments that remain a constant percentage of payroll each year.

The payments will increase 6.5% each year because that is the assumed rate of increase in payroll. Although the payment schedule will be adequate to amortize the existing unfunded, the lower payments in the earlier years will not be sufficient to cover the interest on the unfunded liability. After a few years the annual payment will cover the interest and also repay a portion of the unfunded.

Sources of Actuarial Gains and Losses (Table 10)

The assumptions used in making the calculations using the Entry Age Normal Actuarial Cost Method are based on long-term expectations. Each year the actual experience will deviate from the long-term expectation. The major sources of gain and loss, which have been identified, are:

- A loss from salaries due to salaries increasing more than the expected increase.

- A loss from Current Assets because no interest or investment return is credited.

Contribution Sufficiency (Table 11)

This report answers the question of "How adequate are the Statutory Contributions?" by comparing the Statutory Contributions to the Required Contributions.

Each year the State pays the amounts required to make benefit payments during the year. (No benefits are paid from MPRIF.) Since these payments are considered employer contributions, they are included in the statutory contributions.

This report estimates the employer contributions based on the projected cash flows found in Table 12. One hundred percent of the other disbursements for next year are assumed to represent employer contributions needed to make benefit payments and cover expenses. No refunds are assumed for fiscal year 1991.

The Required Contributions, set forth in Chapter 356, consist of:

- o Normal Costs based on the Entry Age Normal Actuarial Cost Method
- o A Supplemental Contribution for amortizing any Unfunded Actuarial Accrued Liability
- o An Allowance for Expenses

Table 11 shows the Plan has a contribution sufficiency since the Statutory Contribution Rate is 47.49% compared to the Required Contribution Rate of 34.84%.

The argument can be made that there should be no contribution sufficiency or deficiency because the State will pay whatever is required to provide benefits. However, the pay-as-you-go method of payment is not one of the acceptable actuarial methods and does not provide for advance funding. Therefore, this report continues the tradition of measuring statutory contributions (now increased to acknowledge the employer portion) against an acceptable actuarial calculation (the entry age normal method) as the standard benchmark used by all major funds in the State of Minnesota for purposes of evaluating contribution sufficiency (deficiency).

Projected Cash Flow (Table 12)

Table 12 illustrates the anticipated cash flow over the amortization period. The cash flow begins with the Current Assets. Contributions are then added based on the present statutory rate for employees and our estimate of the employer contributions. As members become eligible for payments, disbursements are made from the Plan.

This projected cash flow assumes that future payrolls increase by 6.5%. This is the only table in the report where new members are assumed to be hired in order to replace those who terminate from the active group. This open group method provides a more realistic picture of future cash flow. The interest return is $0 because member contributions are retained in the State general fund and amounts contributed by the State are paid out in the form of benefits.

Changes in Actuarial Assumptions

The actuarial assumptions are the same as those used in the prior valuation.

Changes in Plan Provisions

This valuation reflects one change in plan provisions since the prior valuation. The interest rate credited on return of member contributions has been increased from 5% to 6%.

TABLE 1

ELECTIVE STATE OFFICERS RETIREMENT PLAN

ACCOUNTING BALANCE SHEET
(DOLLARS IN THOUSANDS)

July 1, 1990

	MARKET VALUE	COST VALUE
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	$0	$0
2. Investments		
a. Fixed Income	0	0
b. Equity	0	0
c. Real Estate	0	0
3. Equity in Minnesota Post-Retirement Investment Fund (MPRIF)	0	0
4. Other	352	352
B. TOTAL ASSETS	$352	$352
C. AMOUNTS CURRENTLY PAYABLE	$1	$1
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	$349	$349
2. State Reserves	(707)	(707)
3. MPRIF Reserves	0	0
4. Non-MPRIF Reserves	709	709
5. Total Assets Available for Benefits	$351	$351
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	$352	$352

F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS

1. Cost Value of Assets Available for Benefits (D5)		$351
2. Market Value (D5)	$351	
3. Cost Value (D5)	351	
4. Market Over Cost (F2-F3)	$0	
5. 1/3 of Market Over Cost(F4)/3		0
6. Actuarial Value of Assets (F1+F5) (Same as "Current Assets")		$351

TABLE 2

ELECTIVE STATE OFFICERS RETIREMENT PLAN

CHANGES IN ASSETS AVAILABLE FOR BENEFITS
(DOLLARS IN THOUSANDS)

YEAR ENDING JUNE 30, 1990

	MARKET VALUE	COST VALUE
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	$315	$315
B. OPERATING REVENUES		
1. Member Contributions	$36	$36
2. Employer Contributions	112	112
3. Investment Income	0	0
4. MPRIF Income	0	0
5. Net Realized Gain (Loss)	0	0
6. Other	0	0
7. Net Change in Unrealized Gain (Loss)	0	0
8. Total Revenue	$148	$148
C. OPERATING EXPENSES		
1. Service Retirements	$62	$62
2. Disability Benefits	0	0
3. Survivor Benefits	48	48
4. Refunds	0	0
5. Expenses	2	2
6. Other	0	0
7. Total Disbursements	$112	$112
D. OTHER CHANGES IN RESERVES	0	0
E. ASSETS AVAILABLE AT END OF PERIOD	$351	$351

TABLE 3

ELECTIVE STATE OFFICERS RETIREMENT PLAN

ACTIVE MEMBERS AS OF JUNE 30, 1990

	YEARS OF SERVICE								
AGE	≤1	1-4	5-9	10-14	15-19	20-24	25-29	30+	TOTAL
<25									0
25-29									0
30-34									0
35-39									0
40-44			1						1
45-49		1	1						2
50-54					1				1
55-59				1					1
60-64					1				1
65+									0
TOTAL	0	1	2	1	2	0	0	0	6

AVERAGE ANNUAL EARNINGS

	YEARS OF SERVICE								
AGE	≤1	1-4	5-9	10-14	15-19	20-24	25-29	30+	ALL
<25									0
25-29									0
30-34									0
35-39									0
40-44			55,474						55,474
45-49		52,472	79,082						65,777
50-54					55,474				55,474
55-59				60,520					60,520
60-64					100,843				100,843
65+									0
ALL	0	52,472	67,278	60,520	78,159	0	0	0	67,311

PRIOR FISCAL YEAR EARNINGS (IN THOUSANDS) BY YEARS OF SERVICE								
≤1	1-4	5-9	10-14	15-19	20-24	25-29	30+	TOTAL
0	52	135	61	156	0	0	0	404

TABLE 4

ELECTIVE STATE OFFICERS RETIREMENT PLAN

SERVICE RETIREMENTS AS OF JUNE 30, 1990

	YEARS RETIRED							
AGE	≤1	1-4	5-9	10-14	15-19	20-24	25+	TOTAL
<50								0
50-54								0
55-59								0
60-64								0
65-69								0
70-74								0
75-79				3				3
80-84								0
85+								0
TOTAL	0	0	0	3	0	0	0	3

AVERAGE ANNUAL ANNUITY

	YEARS RETIRED							
AGE	≤1	1-4	5-9	10-14	15-19	20-24	25+	ALL
<50								0
50-54								0
55-59								0
60-64								0
65-69								0
70-74								0
75-79				21,009				21,009
80-84								0
85+								0
ALL	0	0	0	21,009	0	0	0	21,009

TOTAL ANNUAL ANNUITY (IN THOUSANDS) BY YEARS OF RETIREMENT							
≤1	1-4	5-9	10-14	15-19	20-24	25+	TOTAL
0	0	0	63	0	0	0	63

TABLE 6

ELECTIVE STATE OFFICERS RETIREMENT PLAN

SURVIVORS AS OF JUNE 30, 1990

	YEARS SINCE DEATH							
AGE	≤1	1-4	5-9	10-14	15-19	20-24	25+	TOTAL
<50								0
50-54								0
55-59								0
60-64								0
65-69								0
70-74		1						1
75-79		1						1
80-84								0
85+						3		3
TOTAL	0	2	0	0	0	3	0	5

AVERAGE ANNUAL BENEFIT

	YEARS SINCE DEATH							
AGE	≤1	1-4	5-9	10-14	15-19	20-24	25+	ALL
<50								0
50-54								0
55-59								0
60-64								0
65-69								0
70-74		13,549						13,549
75-79		3,995						3,995
80-84								0
85+						10,608		10,608
ALL	0	8,772	0	0	0	10,608	0	9,874

TOTAL ANNUAL BENEFIT (IN THOUSANDS) BY YEARS SINCE DEATH							
≤1	1-4	5-9	10-14	15-19	20-24	25+	TOTAL
0	18	0	0	0	31	0	49

TABLE 7

ELECTIVE STATE OFFICERS RETIREMENT PLAN

RECONCILIATION OF MEMBERS

	ACTIVES	TERMINATED: DEFERRED RETIREMENT	TERMINATED: OTHER NON-VESTED
A. On June 30, 1989	6	6	0
B. Additions	0	0	0
C. Deletions:			
1. Service Retirement	0	0	0
2. Disability	0	0	0
3. Death	0	0	0
4. Terminated-Deferred	0	-	0
5. Terminated-Refund	0	0	0
6. Terminated-Other Non-vested	0	0	-
7. Returned as Active	-	0	0
D. Data Adjustments	0	0	0
Vested	3		
Non-Vested	3		
E. Total on June 30, 1990	6	6	0

	RECIPIENTS: RETIREMENT ANNUITANTS	RECIPIENTS: DISABLED	RECIPIENTS: SURVIVORS
A. On June 30, 1989	3	NA	5
B. Additions	0		0
C. Deletions:			
1. Service Retirement	-		-
2. Death	0		0
3. Annuity Expired	0		0
4. Returned as Active	0		-
D. Data Adjustments	0		0
E. Total on June 30, 1990	3	NA	5

TABLE 8

ELECTIVE STATE OFFICERS RETIREMENT PLAN

ACTUARIAL BALANCE SHEET
(DOLLARS IN THOUSANDS)

JULY 1, 1990

A. CURRENT ASSETS (TABLE 1, F6)			$351
B. EXPECTED FUTURE ASSETS			
1. Present Value of Expected Future Statutory Supplemental Contributions			3,149
2. Present Value of Future Normal Costs			304
3. Total Expected Future Assets			$3,453
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS			$3,804
D. CURRENT BENEFIT OBLIGATIONS	Non-Vested	Vested	Total
1. Benefit Recipients			
a. Retirement Annuities		$407	$407
b. Disability Benefits		0	0
c. Surviving Spouse and Child Benefits		302	302
2. Deferred Retirements with Future Augmentation		390	390
3. Former Members without Vested Rights		0	0
4. Active Members			
a. Retirement Annuities	106	815	921
b. Disability Benefits	0	0	0
c. Survivors' Benefits	24	0	24
d. Deferred Retirements	0	0	0
e. Refund Liability Due to Death or Withdrawal	0	64	64
5. Total Current Benefit Obligations	$130	$1,978	$2,108
E. EXPECTED FUTURE BENEFIT OBLIGATIONS			$467
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS			$2,575
G. CURRENT UNFUNDED ACTUARIAL LIABILITY (D5-A)			$1,757
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F-C)			($1,229)

TABLE 9

ELECTIVE STATE OFFICERS RETIREMENT PLAN

DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) AND SUPPLEMENTAL CONTRIBUTION RATE (DOLLARS IN THOUSANDS)

JULY 1, 1990

	ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS (1)	ACTUARIAL PRESENT VALUE OF FUTURE NORMAL COSTS (2)	ACTUARIAL ACCRUED LIABILITY (3)=(1)-(2)
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)			
1. Active Members			
a. Retirement Annuities	$1,370	$217	$1,153
b. Disability Benefits	0	0	0
c. Survivors Benefits	35	15	20
d. Deferred Retirements	0	0	0
e. Refunds Due to Death or Withdrawal	71	72	(1)
f. Total	$1,476	$304	$1,172
2. Deferred Retirements with Future Augmentation	$390		$390
3. Former Members Without Vested Rights	0		0
4. Annuitants in MPRIF	0		0
5. Recipients Not in MPRIF	709		709
6. Total	$2,575	$304	$2,271

B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	
1. AAL (A6)	$2,271
2. Current Assets (Table 1,F6)	351
3. UAAL (B1-B2)	$1,920
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE	
1. Present Value of Future Payrolls through the Amortization Date of July 1, 2020	$9,494
2. Supplemental Contribution Rate (B3/C1)	20.22%

TABLE 10

ELECTIVE STATE OFFICERS RETIREMENT PLAN

CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)
(DOLLARS IN THOUSANDS)

YEAR ENDING JUNE 30, 1990

A. UAAL AT BEGINNING OF YEAR	$1,786
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING	
1. Normal Cost and Expenses	$58
2. Contribution	(148)
3. Interest on A, B1, and B2	148
4. Total (B1+B2+B3)	$58
C. EXPECTED UAAL AT END OF YEAR (A+B4)	$1,844
D. INCREASE (DECREASE) DUE TO ACTUARIAL LOSSES (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED	
1. Salary Increases	$8
2. Investment Return	28
3. MPRIF Mortality	0
4. Mortality of Other Benefit Recipients	47
5. Other Items	(7)
6. Total	$76
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C+D7)	$1,920
F. CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO PLAN AMENDMENTS	$0
G. CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS	$0
H. UAAL AT END OF YEAR (E+F+G)	$1,920

TABLE 11

ELECTIVE STATE OFFICERS RETIREMENT PLAN

DETERMINATION OF CONTRIBUTION SUFFICIENCY
(DOLLARS IN THOUSANDS)

JULY 1, 1990

	% OF PAYROLL	$ AMOUNT
A. STATUTORY CONTRIBUTIONS - CHAPTER 352C		
1. Employee Contributions	9.00%	$38
2. Employer Contributions	38.79%	166
3. Total	47.79%	$204
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	10.05%	$43
b. Disability Benefits	0.00%	0
c. Survivors	0.93%	4
d. Deferred Retirement Benefits	0.00%	0
e. Refunds Due to Death or Withdrawal	3.27%	14
f. Total	14.25%	$61
2. Supplemental Contribution Amortization by July 1, 2020 of UAAL of $1,920	20.22%	$86
3. Allowance for Expenses	0.37%	$2
4. Total	34.84%	$149
C. CONTRIBUTION SUFFICIENCY (DEFICIENCY) (A3-B4)	12.95%	$55

Note: Projected Annual Payroll for Fiscal Year Beginning on July 1, 1990 is $428.

TABLE 12

ELECTIVE STATE OFFICERS RETIREMENT PLAN

PROJECTED CASH FLOW
(DOLLARS IN THOUSANDS)

FISCAL YEAR	STATUTORY CONTRIBUTIONS	TRANSFERS TO MPRIF	OTHER DISBURSEMENTS	INVESTMENT RETURN	CURRENT ASSETS YEAR END
1990					$351
1991	$204	$0	$166	$0	389
1992	184	0	143	0	430
1993	178	0	134	0	474
1994	200	0	154	0	520
1995	210	0	160	0	570
1996	219	0	166	0	623
1997	243	0	187	0	679
1998	276	0	216	0	739
1999	268	0	204	0	803
2000	268	0	200	0	871
2001	281	0	209	0	943
2002	284	0	207	0	1,020
2003	273	0	191	0	1,102
2004	266	0	179	0	1,189
2005	314	0	221	0	1,282
2006	317	0	218	0	1,381
2007	342	0	237	0	1,486
2008	352	0	240	0	1,598
2009	417	0	297	0	1,718
2010	412	0	285	0	1,845
2011	423	0	287	0	1,981
2012	457	0	313	0	2,125
2013	497	0	343	0	2,279
2014	515	0	351	0	2,443
2015	524	0	350	0	2,617
2016	531	0	345	0	2,803
2017	596	0	398	0	3,001
2018	649	0	438	0	3,212
2019	683	0	459	0	3,436
2020	719	0	480	0	3,675

TABLE 13

ELECTIVE STATE OFFICERS RETIREMENT PLAN

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Interest:

Pre-Retirement: 8.5% per annum

Post-Retirement: 5.0% per annum

Salary Increases:

Reported salary at January 1 increased to current fiscal year by one-half of the known 1990 salary increase, 5.0% for the next year, and 6.5% annually for each future year thereafter.

Mortality:

Pre-Retirement:
Male - 1971 Group Annuity Mortality Table
Female - 1971 Group Annuity Mortality Table male rates set back 8 years

Post-Retirement:
Male - Same as above
Female - Same as above

Post-Disability:
Male - NA
Female - NA

Retirement Age:

Age 62, or if over age 62, one year from the valuation date.

Separation:

Rates based on years of service:

Year	Rate
1	0%
2	0
3	0
4	50
5	0
6	0
7	0
8	50

Disability:

None

Expenses:

Prior year expenses expressed as percentage of prior year payroll. (0.37% of payroll)

Return of Contributions:

All employees withdrawing after 8 years of service were assumed to leave their contributions on deposit and receive a deferred annuitant benefit.

TABLE 13
(cont)

Family Composition:	85% of Members are married. Female is three years younger than male. Each Member may have up to two dependent children depending on the Member's age.
Social Security:	NA
Benefit Increases After Retirement:	Payment of earnings on retired reserves in excess of 5% accounted for by 5% post-retirement assumptions.
Special Considerations:	Statutory employer contributions were assumed to be 100% of the disbursements for the following fiscal year found in Table 12.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method based on earnings and the date the employee entered the plan is applied to all plan benefits. Under this method Actuarial Gains(Losses) reduce(increase) the Unfunded Actuarial Accrued Liability.
Asset Valuation Method:	Cost Value plus one-third Unrealized Gains or Losses.
Payment on the Unfunded Actuarial Accrued Liability:	A level percentage of payroll each year to the statutory amortization date assuming payroll increases 6.5% per annum.
Projected Cash Flow Method:	Cash flows for the Plan were projected based on the current plan benefits, participant data, and actuarial assumptions. In addition new entrants were assumed so that the total payroll would increase by 6.5% per annum.

TABLE 14

ELECTIVE STATE OFFICERS RETIREMENT PLAN

SUMMARY OF PLAN PROVISIONS

Eligibility	Employment as a "Constitutional Officer".
Contributions	
Member	9% of Salary.
Employer	No statutory contributions.
Allowable Service	Service while in an eligible position.
Salary	Salary upon which Elective State Officers Retirement Plan contributions have been made.
Average Salary	Average of the 5 highest successive years of Salary.
RETIREMENT	
Normal Retirement Benefit	
Eligibility	Age 62 and 8 years of Allowable Service.
Amount	2.5% of Average Salary per year of Allowable Service.
Early Retirement Benefit	
Eligibility	Age 60 and 8 years of Allowable Service.
Amount	Normal Retirement Benefit based on Allowable Service and Average Salary at retirement date with reduction of 0.5% for each month the Member is under age 62 at time of retirement.
Form of Payment	Life annuity.
Benefit Increases	Adjusted by MSRS to provide same increase as MPRIF.
DISABILITY	None.
DEATH	
Surviving Spouse Benefit	
Eligibility	Death while active or after retirement or with at least 8 years of Allowable Service.
Amount	Survivor's payment of 50% of the retirement benefit of the Member assuming the Member had attained age 62 and had a minimum of 8 years of Allowable Service. Benefit is paid for life or until remarriage. A former Member's benefit is augmented the same as a Deferred Annuity to date of death before determining the portion payable to the spouse.

TABLE 14
(cont)

Surviving Dependent Children's Benefit	
Eligibility	Same as spouse's benefit.
Amount	Benefit for first child is 25% of the retirement benefit (computed as for surviving spouse) with 12.5% for each additional child. Maximum payable (including spouse) is 100% of the retirement benefit. Benefits cease when a child marries or attains age 18 (22 if a full time student).
Benefit Increases	Adjusted by MSRS to provide same increase as MPRIF.
TERMINATION	
Refund of Contributions	
Eligibility	Termination of Service.
Amount	Member's contributions with 5% interest compounded annually if termination occurred before May 16, 1989, and 6% interest compounded annually if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund.
Deferred Benefit	
Eligibility	8 years of Allowable Service.
Amount	Benefit computed under law in effect at termination and increased by the following annual percentage: 0% before 7/1/79, 5% from 7/1/79 to 1/1/81, and 3% thereafter until the annuity begins. Amount is payable as a normal or early retirement.