ACTUARIAL VALUATION REPORT

OF THE

RETIREMENT PLAN FOR MEMBERS OF THE

LEGISLATURE OF THE STATE OF MINNESOTA

AS OF

JULY 1, 1977

Prepared and Submitted by

Stennes & Associates, Inc.

Actuaries and Consultants

January 11, 1978

INTRODUCTION

Retirement Plan for Members of the Legislature of the State of Minnesota

In accordance with a directive from the Legislature Commission on Pensions and Retirement, an actuarial valuation of this Retirement Plan has been made as of July 1, 1977. The valuation covers the participants in the Plan as shown in the census included in this report. The details of the benefits under the Plan and the data on participants were furnished by the Administrator of this Plan.

The report covers the following items:

A. Benefits of Plan and Contributions

B. Assumptions in Actuarial Valuation

C. Results of Valuation

D. Discussion of Results

E. Census of Participants and Benefits

F. Certification by Actuary.

MINNESOTA LEGISLATORS' RETIREMENT PLAN

A. BENEFITS OF PLAN AND CONTRIBUTIONS

This plan provides the following major benefits:

1. Retirement Benefit

a. Requirements for benefit:

(1) 8 years of service or four regular sessions after January 1, 1965; credit may be purchased for service prior to that date.

(2) Attainment of age 60.

b. Monthly Annuity

Formula -- 5% per year for the first 8 years plus 2-1/2% for each year in excess of 8, except that 2-1/2% shall be the maximum accrued for any year served after January 1, 1979.

Effective January 1, 1981, no member shall accrue credit for more than 20 years of service or the number of years of service he has at that date, whichever is greater.

Salary -- The formula percentage is multiplied times the final month's salary.

The present salary of legislators is $8,400 per year. This will be increased to $16,500 effective January 1, 1979 and $18,500 effective January 1, 1980

2. Spouse's and Children's Benefit

a. Requirements for benefit:

Death of a legislator, death of a retired legislator, or death of a former legislator who had at least 8 years of service.

b. Amount of benefit:

Spouse: 50% of the amount of the legislator or former legislator would have received if he had been age 60 at the time of death, but if he has less than 8 years of service, 8 years is used.

Children: 25% of the legislator's or former legislator's benefit for the first child plus 12-1/2% for each additional child; payable to age 18 or 22 for a full time student.

(Maximum family benefit 100% of legislator's or former legislator's benefit.)

For a former legislator with at least 8 years of service, the benefit amount augments at the rate of 5% per year from the date of termination to the date of death.)

3. Termination Benefit

a. Refund of legislator's contributions without interest if service terminates with less than 8 years.

b. If termination occurs with at least 8 years of service, the participant is entitled to a benefit starting at age 60 in an amount equal to the benefit accrued to the termination date augmented by 5% a year until age 60; however, augmentation was not in effect prior to July 1, 1973.

4. Participant's Contributions

8% of salary except that for service rendered after January 1, 1981 no member shall be required to contribute after acquiring 20 years of service.

B. ASSUMPTIONS IN ACTUARIAL VALUATION

1.	Mortality:	1971 Group Annuity Table of Mortality
2.	Salary Scale:	Salaries were assumed to be $8,400 per year through 1979, then $16,500 in 1980, then $18,500 in 1981 increasing 3½% per year after 1980.
3.	Withdrawal:	Special legislators' table of termination rates.
4.	Interest:	5% compounded annually.

It is felt that these assumptions are appropriate for the valuation of this Plan on a realistic basis.

C. RESULTS OF VALUATION

1. Valuation

		% of Payroll
Normal Cost of Benefits	$ 302,222	
Accrued Liability	8,732,322*	

2. Annual Payment to Achieve Full Funding by 1997

Normal Cost	$ 302,222	16.28%**
Annual Deposit to Retire Deficit	332,667	17.92 **
	$ 634,889	34.20%

3. Annual Payroll

Current	$1,856,400
1980	3,646,500
1981	4,088,500

*This Plan has not been pre-funded except for the fact that at the time a participant retires, an amount equal to the reserve for his future retirement benefits is paid into the Minnesota Adjustable Fixed Benefit Fund. The reserves for these retirement benefits have not been included in the Accrued Liability. Therefore, the Deficit and the Accrued Liability are equal.

**The normal cost has been determined as a level percentage of the future payroll of present participants with the post 1980 salary scale assumption. The amortization contribution has been determined as a level percentage of the future payroll of 221 participants without the post 1980 salary scale assumption. Both percentages have been applied to current payroll to determine dollar figures.

D. DISCUSSION OF RESULTS

The valuation was made by a method known as the entry age normal cost method. Under this method, the normal cost is determined based on the age at hire of each participant. This normal cost is the annual deposit required (using the assumptions outlined in Section B above) to pay for the cost of each participant's prospective benefits over a period from his date of hire to his date of retirement. This normal cost is determined as a level percentage of payroll; therefore, future increases in payroll will produce increases in the number of dollars of normal cost.

The elements of normal cost for this Plan are:

Retirement Benefit	$263,477
Survivors' Benefit	38,745
	$302,222

Since the date of entry of each participant is used in determining normal cost, a fully-funded plan should have assets on hand equal to the accumulation of past normal costs. This accumulation is called the accrued liability.

The elements of accrued liability for this Plan are:

Type of Benefit	Accrued Liability	
1. Active Participants		
Retirement Benefit	$5,208,773	
Survivors' Benefit	745,299	
Total for Actives		$5,954,072
2. Inactive Participants		
Spouses and Children	$ 295,525	
Vested Benefits	1,851,072	
Survivors' Benefits	616,932	
Refunds Due	14,721	
Total for Inactives		2,778,250
Total Accrued Liability		$8,732,322

E. CENSUS OF PARTICIPANTS AND BENEFITS

	Number	Annual Payroll
Active Participants		
House Members	147	$1,234,800
Senators	74	621,600
	221	$1,856,400

	Number	Annual Benefit
Retired Participants	70	$ 266,874
Spouses	15	25,685
Children	6	2,817
Deferred Annuitants	56	$ 263,757

F. CERTIFICATION BY ACTUARY MINNESOTA LEGISLATORS' RETIREMENT PLAN

We hereby certify that this actuarial valuation of the above named plan was made as of July 1, 1977 on the basis of accepted actuarial methods and procedures.

Franklin C. Smith

Franklin C. Smith
Associate, Society of Actuaries
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Consulting Actuaries