# ACTUARIAL VALUATION

# OF

# MINNESOTA JUDGES' WIDOWS BENEFIT PLAN

(1) DISTRICT AND SUPREME COURT JUDGES

(2) COUNTY AND PROBATE JUDGES

AS OF

JUNE 30, 1974

## A. INTRODUCTION

As requested by the Legislative Retirement Study Commission, we have made a valuation of each of the two Widows Benefit Plans set forth in the title to this report.

Each of the plans provides that upon the death of a retired judge, his widow will receive a monthly benefit in an amount equal to one-half the retirement benefit which had been paid to the deceased judge.

The new Judges' Plan which was set up in 1973 provides a pre-retirement widows' benefit, but a widows' benefit is provided after retirement only if the retiring judge elects an optional form of pension.

With the advent of the new plan, the pre-retirement benefits were eliminated from the plans covered by this report except for 4 former probate judges who are now judicial officers for a limited period and except for the Judges of the Supreme Court. As a result, many judges terminated their participation in these plans and look entirely to the new plan for widows' benefits.

Each of the judges who continues to participate contributes 4% of his salary.

The previous valuations of these widows' plans were based upon the salaries in effect at the time of each valuation and did not take into account possible increases in prospective benefits as a result of future increases in salaries. In the current valuation, this same procedure was used first and then the effect of introducing an assumed 3 1/2% increase in salaries was estimated. The salary scale has the effect of increasing the potential widow's benefit 3 1/2% per year until the time the benefit actually begins.

The summary shows the 1974 results both without and with the assumed salary scale.

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Commission Actuaries

## B. DISTRICT AND SUPREME COURT JUDGES

| | June 30, 1973 | | June 30, 1974 | | | |
|---|---|---|---|---|---|---|
| | | | No Salary Scale | | 3.5% Salary Scale | |
| Active Judges | 70 | | 15 | | | |
| Payroll | $2,240,000 | | $515,000 | | | |
| Retired Judges | 25 | | 29 | | | |
| Widows | 28 | | 27 | | | |
| Annual Benefits | $ 115,816 | | $157,559* | | | |
| Normal Cost | $111,362 | 4.97% | $22,050 | 4.28% | $ 35,559 | 6.90% |
| Accrued Liability | $2,611,092 | | $2,598,643* | | $3,246,721* | |
| Assets | 149,211 | | 111,639 | | 111,639 | |
| Unfunded Liability | $2,461,881 | | $2,487,004* | | $3,135,082* | |
| Amortization by 1997 | $169,919 | 7.59% | $175,607* | 34.10%* | $221,368* | 42.98%* |
| Required Support | 281,281 | 12.56% | 197,657* | 38.38%* | 256,927* | 49.89%* |

* If the Sylvestre Decision is overruled, the above figures will be reduced to the following:

| | | | | |
|---|---|---|---|---|
| Annual Benefits | $115,566 | | | |
| Unfunded Liability | $2,115,066 | | $2,763,144 | |
| Amortization by 1997 | $149,345 | 29.00% | $195,106 | 37.88% |
| Required Support | 171,395 | 33.28% | 230,665 | 44.79% |

## C. COUNTY AND PROBATE JUDGES

| | June 30, 1973 | | June 30, 1974 | | | |
|---|---|---|---|---|---|---|
| | | | No Salary Scale | | 3.5% Salary Scale | |
| Active Judges | 84 | | 16 | | | |
| Judicial Officers | 5 | | 4 | | | |
| Payroll | $2,157,000 | | $470,950 | | | |
| Retired Judges | 12 | | 13 | | | |
| Widows | 6 | | 6 | | | |
| Annual Benefit | $ 16,625 | | $ 16,625 | | | |
| Normal Cost | $125,597 | 5.82% | $ 13,112 | 2.78% | $ 21,112 | 4.48% |
| Accrued Liability | $1,041,459 | | $821,376 | | $1,243,590 | |
| Assets | 260,743 | | 309,812 | | 309,812 | |
| Unfunded Liability | $ 780,716 | | $511,564 | | $ 933,778 | |
| Amortization by 1997 | $ 53,885 | 2.50% | $ 36,122 | 7.67% | $ 65,634 | 13.94% |
| Required Support | $179,482 | 8.32% | 49,234 | 10.45% | 86,746 | 18.42% |

## D. ACTUARIAL ASSUMPTIONS

| | |
|---|---|
| Mortality: | The 1951 Group Annuity Table for Males with the ages set back one year for males and six years for females. |
| Interest: | 5% per year, compounded annually. |
| Terminations: | None. |
| Average Retirement Age: | 70 |