

ACTUARIAL VALUATION OF THE
MINNESOTA STATE JUDGES' RETIREMENT FUND

JUNE 30, 1977

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TOWERS, PERRIN, FORSTER & CROSBY
ONE CENTURY PLAZA
LOS ANGELES, CALIFORNIA 90067
(213)553-3470

January 13, 1978

Board of Directors
Minnesota State Retirement System
529 Jackson Street
St. Paul, Minnesota 55101

Gentlemen:

We are pleased to transmit herewith our report on the actuarial valuation of the Judges' Retirement Fund made as of June 30, 1977.

Pursuant to the Contract under which this valuation was authorized, the actuarial valuation was carried out on the basis of a 5% interest rate assumption, a 3-1/2% salary scale, and on the basis of certain other specified actuarial assumptions. Also, in accordance with the above noted contract, we utilized the entry age normal cost method of funding to determine the unfunded supplemental present value of the Fund.

We hereby certify that the actuarial valuation of the Minnesota State Judges' Retirement Fund made as of June 30, 1977 was carried out on the basis of accepted actuarial methods and procedures and in accordance with the provisions of Minnesota Statutes, Chapter 356.

We look forward to the opportunity of discussing this report with you at your convenience.

Respectfully submitted,

TOWERS, PERRIN, FORSTER & CROSBY



Harry M. Church

ACTUARIAL VALUATION
OF THE
MINNESOTA STATE JUDGES'
RETIREMENT FUND
JUNE 30, 1977

SECTION I
INTRODUCTION

In accordance with the Contract between the State of Minnesota and this firm, we have completed the actuarial valuation of the Minnesota State Judges' Retirement Fund as of June 30, 1977.

The Executive Director of the System furnished us with detailed employee information on all active members and retired members of the Fund as of June 30, 1977. The Executive Director and his staff are to be complimented on the accuracy and completeness of the aforementioned data.

The Statement of Assets on hand was accepted and used by us without audit.

The Judges' Plan is somewhat unique and it is necessary to make certain assumptions to reflect its unique provisions. The current valuation is based on the following assumptions:

- | | |
|---|--|
| 1. Rate of separation from active service | - Schedules attached (Same as MSRS) |
| 2. Interest | - 5% (Same as MSRS) |
| 3. Salary Scale | - 3-1/2% per annum, compounded annually (Same as MSRS) |
| 4. Mortality After Retirement | - 1951 G.A. Mortality Table set back one year for males and two years for females (Same as MSRS) |

- | | | | |
|----|--|---|---------------------------------------|
| 5. | Social Security Monthly Primary Amount | - | \$399.20 increasing with salary scale |
| 6. | Level Social Security Contribution Rate | - | 6.26% |
| 7. | Social Security Covered Monthly Wages | - | \$1,375 increasing with salary scale |
| 8. | Escalation after Retirement (for those entitled to escalation) | - | 3-1/2% per annum, compounded annually |

The following Section II sets forth the results of the actuarial valuation and Section III contains the exhibits required by Chapter 356 of the Statutes.

SECTION II
RESULTS OF ACTUARIAL VALUATION

The entry age normal cost method of funding, required under the Law, requires the determination of the level contribution rate which, if contributed on behalf of all employees from the dates of employment to the dates of separation from service, will be adequate to provide all of their benefits. Under this funding method, the unfunded supplemental present value (unfunded accrued liability) is taken as the total liability of the Fund for benefits earned in the past as well as those earnable in the future, less the assets on hand, less the present value of future employee contributions and less the present value of future State entry age normal cost contributions.

On the basis of individual entry age calculations, we calculated the total entry age normal cost rate for Judges to be 13.13% of salary. We calculated the presently active Judges' share to be equivalent to 4.63% of total salary and the State's share to be 8.50% of total salary.

The law requires:

"The balance of all money necessary for administering this act and the judges' retirement fund, including payment of retirement compensation and other benefits under this act, shall be contributed to the fund by the state. The amount required therefore is hereby annually appropriated from the general fund to the judges retirement fund."

The Actuarial Balance Sheet shown on the following page summarizes the results of the valuation.

MINNESOTA STATE JUDGES' RETIREMENT FUND

ACTUARIAL BALANCE SHEET
AS OF JUNE 30, 1977

ASSETS

1.	Assets on Hand (Including \$1,974,651 MAFB Fund)		\$ 3,765,542
2.	Receivable from MAFB Fund for 1975, 1976, and 1977 Mortality Adjustment		101,066
3.	Present Value of Judges' Future Contributions		3,083,177
4.	Present Value of State Future Contributions Applicable to:		
	(a) Entry Age Normal Cost	\$ 5,660,259	
	(b) Unfunded Supplemental Present Value (Unfunded Accrued Liability)	<u>15,285,129</u>	<u>20,945,388</u>
5.	TOTAL ASSETS		<u>\$27,895,173</u>

LIABILITIES

6.	Present Value of Earned and Earnable Benefits Payable to Presently Active Members:		
	(a) Retirement Benefits	\$23,062,166	
	(b) Disability Benefits	428,702	
	(c) Refundments due to death or withdrawal	564,513	
	(d) Surviving Spouse Benefits	<u>676,037</u>	\$24,731,418
7.	Present Value of Benefits Payable to Presently Retired Persons Including 4% Increase Effective 1/1/78:		
	(a) From Judges' Fund	\$ 1,119,621	
	(b) From MAFB Fund	<u>2,067,868</u>	3,187,489
8.	Present Value of Benefits Payable to Deferred Annuitants		56,394
9.	Accounts Payable from Accounting Balance Sheet		13,089
10.	MAFBF Annuity Stabilization Account		<u>(93,217)</u>
11.	TOTAL LIABILITIES		<u>\$27,895,173</u>

The Actuarial Balance Sheet is a convenient device to present the results of an actuarial valuation. The following comments are intended to assist you in your understanding of the items contained in the Actuarial Balance Sheet.

Item 1 shows the assets on hand from the Accounting Balance Sheet.

Item 2 shows the amount receivable from the MAFB Fund to correct the 1975 and 1976 previously incorrect mortality adjustments.

Item 3 shows the present value of Judges' future contributions required by law.

Item 4 shows the present value of the State's future contributions to the Fund. We have divided the present value applicable to the State's contributions as follows:

Item 4(a). The portion attributable to the State's share of the total entry age normal cost contribution of 8.50% of Judges' salaries.

Item 4(b). The portion attributable to the State's unfunded supplemental present value (unfunded accrued liability). It will require an initial annual contribution of \$883,682, increasing in accordance with the salary scale, to amortize this liability over the 20 year period ending June 30, 1997. \$883,682 amounts to 10.34% of current annual salary.

Items 6 through 8 show the actuarially computed present value of all benefits earned to June 30, 1977 and earnable after that date that will

be paid from the Fund to presently active members, retired members, and deferred annuitants. The 4% increase that will become effective January 1, 1978 for certain retirees as of June 30, 1977 is included in item 7.

Item 9 was taken from the Accounting Balance Sheet.

Item 10 shows the difference between the MAFB Fund participation and the present value of benefits payable from the MAFB Fund after adjustments for the January 1, 1978 increase in benefits and after adjustment for the 1977 mortality gain. The following schedule shows the determination of this figure:

1.	MAFB Participation June 30, 1977		\$2,075,717
2.	Transfer from MAFB Fund to Judges Fund for:		
	(a) 1975 and 1976 mortality adjustment	\$81,094	
	(b) 1977 mortality gain	<u>19,972</u>	
	(c) Total		101,066
3.	MAFB Participation after transfers (Item 1 - Item 2)		1,974,651
4.	Present Value of benefits payable from MAFB Fund:		
	(a) June 30, 1977 benefits	\$2,029,855	
	(b) Increase effective January 1, 1978	<u>38,013</u>	
	(c) Total		2,067,868
5.	MAFB Annuity Stabilization Account (Item 3 - Item 4)		(93,217)

CONCLUSIONS

The results of the current valuation show that the benefits to be provided under the Fund can be financed by the Judges' contributions and the following State contributions:

	<u>Recommended State Contributions 1977-78</u>
(a) Entry Age Normal Cost	8.50%
(b) Unfunded Supplemental Present Value (Unfunded Accrued Liability)	10.34%
(c) Expenses	<u>.14%</u>
(d) Total	18.98%

Based on the actuarial assumptions utilized for the current valuation, we estimate the present value of benefits earned to June 30, 1977 by presently active and retired members, to be \$15,887,101. Applicable assets, including \$194,283 due from the MAFB Fund, amount to \$3,946,736. Thus, as of June 30, 1977, 24.8% of the liability for benefits earned to date have been funded.

SECTION III
REQUIRED EXHIBITS

Minnesota Statutes, Chapter 356, requires, in Section 356.20, Subdivision 4(1), that the actuary of the Fund prepare an exhibit setting forth certain specified information with regard to the Fund as of the valuation date, including "Reserves Required" under the Fund. In an earlier conference with representatives of the State's Employee Retirement System's Interim Commission, we were advised that "Reserve Required," as contemplated in the aforementioned statute, may be defined as the actuarially computed present value applicable to a specified benefit reduced by the actuarially computed present value of any portion of the total entry age normal cost contribution under the Fund which is applicable to the specified benefit.

The exhibit required by Section 356.20, Subdivision 4(1) of Minnesota Statutes, Chapter 356, is presented on the following pages of this Section III and we hereby certify that the reserves required set forth therein have been computed in accordance with the Entry Age Normal Cost (level Normal Cost) basis in the manner outlined in the definition referred to above.

MINNESOTA STATE JUDGES' RETIREMENT FUND

EXHIBIT REQUIRED BY MINNESOTA STATUTES, CHAPTER 356,
SECTION 356.20, SUBDIVISION 4(1)
AS OF JUNE 30, 1977

ASSETS AND UNFUNDED SUPPLEMENTAL PRESENT VALUE

Assets

1. Cash	31,408.33
2. Short term investments (at cost)	136,000.00
3. Accounts receivable	8,385.50
4. Participation in the MAFB Fund	1,974,651.22
5. Accrued Interest on Investments	34,611.10
6. Investment in equities at cost	247,978.79
7. Investment in debt securities at amortized cost	1,339,578.08
8. Deferred Yield Adjustment Account	(7,071.00)
9. Receivable from MAFB for 1975, 1976 and 1977 Mortality Adjustment	<u>101,066.00</u>
10. Total Assets	\$ 3,866,608.02
11. Unfunded Supplemental Present Value (Unfunded Accrued Liability)	<u>15,285,129.26</u>
12. TOTAL ASSETS AND UNFUNDED SUPPLEMENTAL PRESENT VALUE	<u><u>\$19,151,737.28</u></u>

CURRENT LIABILITIES AND RESERVES REQUIRED

Current Liabilities

13. Accounts payable:	
(a) Accrued Expenses	\$ 12,318.36
(b) Benefits	770.92
14. MAFBF Annuity Stabilization Account	<u>(93,217.00)</u>
15. Total Current Liabilities	\$ (80,127.72)

Reserves Required

16. Total Reserves Required per attached schedule	<u>\$19,231,865.00</u>
17. TOTAL CURRENT LIABILITIES AND RESERVES REQUIRED	<u><u>\$19,151,737.28</u></u>

NOTE: Accumulated contributions, without interest, of Judges not yet retired amounted to \$920,246.46 as of June 30, 1977.

MINNESOTA STATE JUDGES' RETIREMENT FUND

DETERMINATION OF RESERVES REQUIRED
AS OF JUNE 30, 1977

<u>Benefits For:</u>	(1) <u>Present Value of Benefits</u>	(2) <u>Present Value of Applicable Portion of Normal Cost Contribution</u>	(3) <u>Reserves Required (1) - (2)</u>
1. Active Members:			
(a) Retirement Benefits	\$23,062,166	\$7,331,701	\$15,730,465
(b) Disability Benefits	428,702	259,706	168,996
(c) Refundments due to death or withdrawal	564,513	872,346	(307,833)
(d) Surviving Spouse Benefits	676,037	279,683	396,354
2. Deferred Annuitants	56,394	--	56,394
3. Former Members Without Vested Rights	-0-	--	-0-
4. Retired Persons	<u>3,187,489</u>	<u>--</u>	<u>3,187,489</u>
5. Total	\$27,975,301	\$8,743,436	\$19,231,865

Minnesota Statutes, Chapter 356, requires, in Section 356.20, Subdivision 4(2) and (3), that there be submitted annually an analysis of the System's income and deductions from income with increases in total reserves required being specifically referred to as a deduction from income. The exhibit required by Section 356.20, Subdivision 4(2) and (3) is presented on the following page of this Section III. Items of income and deductions from income with the exception of increases in total reserves required were taken directly from statements prepared by the Executive Director.

Inasmuch as any excess of "income" over "deductions from income" must be equal to the reduction in the Unfunded Supplemental Present Value (Unfunded Accrued Liability) of the System over the period covered by the analysis, we have confirmed that fact in Item 18 of the exhibit.

MINNESOTA STATE JUDGES' RETIREMENT FUND

EXHIBIT REQUIRED BY MINNESOTA STATUTES, CHAPTER 356,
SECTION 356.20, SUBDIVISION 4(2) AND (3)
FISCAL YEAR ENDING JUNE 30, 1977

ANALYSIS OF INCOME AND DEDUCTIONS FROM INCOME

INCOME

1. Judges' Contributions	\$ 279,827.97
2. Judges' Contributions Receivable	8,385.50
3. Employer Contributions	1,198,077.63
4. Interest and Dividends on Investments	129,876.35
5. Income from MAFB Fund	175,787.43
6. Miscellaneous Income	25,000.00
7. MAFB Fund Prior Year Adjustments	<u>78,396.40</u>
8. TOTAL INCOME	<u>\$ 1,895,351.28</u>

DEDUCTIONS FROM INCOME

9. Increase in MAFBF Annuity Stabilization Account	\$ (49,601.00)
10. Retirement Annuities	314,069.85
11. Surviving Spouse Benefits	42,729.79
12. Refundments	2,827.20
13. Prior Year Adjustment	1,228.11
14. Administrative Expenses	13,176.36
15. Increase in Total Reserve Required:	
(a) Reserves Required 6-30-76	\$15,146,560.00
(b) Reserves Required 6-30-77	<u>19,231,865.00</u>
	<u>4,085,305.00</u>
16. TOTAL DEDUCTIONS FROM INCOME	\$ 4,409,735.31
17. EXCESS OF INCOME OVER DEDUCTIONS FROM INCOME	(2,514,384.03)
18. REDUCTION IN UNFUNDED SUPPLEMENTAL PRESENT VALUE:	
(a) Unfunded Supplemental Present Value 6-30-76	\$12,770,745.23
(b) Unfunded Supplemental Present Value 6-30-77	<u>15,285,129.26</u>
	<u>\$(2,514,384.03)</u>

Minnesota Statutes, Chapter 356, requires, in Section 356.20, Subdivision 4(4), that there be submitted annually an analysis of changes in the membership of the Fund. Section 356.215, Subdivisions 4 and 5, requires information with respect to the annual payroll and annual annuities of the members of the Fund as well as certain information with respect to average ages. The exhibit required by Section 356.20, Subdivision 4 and Section 356.215, Subdivisions 4 and 5 is presented on the following page of this Section III.

MINNESOTA STATE JUDGES' RETIREMENT FUND

JUNE 30, 1977

<u>ACTIVE MEMBERS</u>	<u>NUMBER</u>	<u>ANNUAL SALARY</u>
As of 6/30/76	208	\$ 6,058,740
New Entrants	23	966,000
Total	231	

Less Separations from Active Service

Refunds	1	27,500
Deferred Annuities	1	27,500
Inactive	0	---
Disability	1	27,500
Death-Spouses Receiving Benefits	1	27,500
Service Annuity	11	302,500
Total Separations	15	\$ 9,041,000
As of 6/30/77	216	

Average Entry Age

All active members at 6/30/77	41 years, 4 months
New Members 7/1/76 - 6/30/77	
7/1/75 - 6/30/77	42 years, 1 month
7/1/74 - 6/30/75	47 years, 8 months

<u>ANNUITANTS</u>	<u>NUMBER</u>	<u>ANNUAL SALARY</u>
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Service Annuitants

As of 6/30/76	17	\$209,070.24
New	11	122,607.48
Deaths	2	12,130.20
As of 6/30/77	26	\$319,547.52

Disabled Annuitants

As of 6/30/76	0	---
New	1	\$ 6,477.12
As of 6/20/77	1	\$ 6,477.12

Widows

As of 6/30/76	7	\$ 40,176.00
New	1	3,214.56
Deaths	0	.00
Adjustment	-	.00
As of 6/30/77	8	\$ 43,390.56

Orphans

None

Deferred Annuitants

As of 6/30/76	2	\$ 12,699.12
New	1	7,272.00
Deaths	0	.00
As of 6/30/77	3	\$ 19,971.12

Average Age at Retirement - Service Annuitants

All service annuitants at 6/30/77	70 years, 5 months
New service annuitants 7/1/76 - 6/30/77	69 years, 4 months
7/1/75 - 6/30/76	71 years, 5 months
7/1/74 - 6/30/75	71 years, 5 months

Section 356.215, Subdivision 4 of the Minnesota Statutes, requires an analysis of the increase or decrease in the unfunded liability that occurred since the last valuation. This schedule is shown on the following page.

MINNESOTA STATE JUDGES' RETIREMENT FUND

EXHIBIT REQUIRED BY MINNESOTA STATUTES, CHAPTER 356,
SECTION 356.215, SUBDIVISION 4
FISCAL YEAR ENDING JUNE 30, 1977

1.	Unfunded Supplemental Present Value (Unfunded Accrued Liability) June 30, 1976			\$12,770,745
2.	Change due to current rate of funding and interest requirement:			
	(a) 1976-77 Contribution for Unfunded- Supplemental Present Value	-	\$708,146	
	(b) 5% interest requirement	+	<u>638,537</u>	- 69,609
3.	Change due to actuarial gains or losses because of 1976-77 active member experience deviations from expected (balancing item)			- 584,869
4.	Change due to MAFB mortality gains			- 101,066
5.	Change due to salary increases			+ 5,144,583
6.	Change due to increase in EANC			- 632,617
7.	Change due to interest earnings			- 49,625
8.	Change due to new calculation method for survivor benefits			- 432,843
9.	Change due to elimination of most escalation benefits			- 759,570
10.	Unfunded Supplemental Present Value (Unfunded Accrued Liability) June 30, 1977			\$15,285,129

SCHEDULE 1

MALE JUDGES

PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE
(Number Separating at Each Age Per 10,000 Working at That Age)

<u>Age</u>	<u>Withdrawal</u>	<u>Death</u>	<u>Disability</u>	<u>Age and Service Retirement</u>
20	2,400	6		
21	2,250	6		
22	2,080	7		
23	1,920	7		
24	1,760	7		
25	1,600	7		
26	1,470	7		
27	1,340	7		
28	1,230	8		
29	1,130	8		
30	1,040	8	2	
31	950	9	2	
32	980	10	2	
33	830	11	2	
34	770	12	2	
35	720	13	2	
36	680	15	2	
37	640	16	2	
38	600	18	2	
39	560	20	2	
40	530	22	2	
41	500	25	2	
42	480	27	2	
43	460	29	2	
44	430	32	2	
45	410	35	2	
46	390	38	3	
47	370	41	4	
48	350	44	5	
49	340	48	6	

Schedule 1

Continued

<u>Age</u>	<u>Withdrawal</u>	<u>Death</u>	<u>Disability</u>	<u>Age and Service Retirement</u>
50	320	52	7	
51	300	57	8	
52	280	63	10	
53	260	70	12	
54	240	77	14	
55	210	85	17	
56	170	93	20	
57	140	102	23	
58	90	111	28	30
59	40	120	33	30
60		130	38	40
61		140	45	150
62		150	55	150
63		160	68	250
64		170	87	1,350
65				10,000

SCHEDULE 2FEMALE JUDGES

PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE
(Number Separating at Each Age Per 10,000 Working at That Age)

<u>Age</u>	<u>Withdrawal</u>	<u>Death</u>	<u>Disability</u>	<u>Age and Service Retirement</u>
20	3,700	1		
21	3,550	2		
22	3,390	2		
23	3,230	2		
24	3,070	3		
25	2,910	3		
26	2,750	4		
27	2,600	4		
28	2,430	4		
29	2,270	4		
30	2,120	4		
31	1,970	4		
32	1,820	4		
33	1,680	4		
34	1,540	4		
35	1,410	4	1	
36	1,300	5	1	
37	1,190	5	1	
38	1,090	6	1	
39	1,000	7	2	
40	920	8	2	
41	850	8	2	
42	780	9	3	
43	720	11	3	
44	680	13	3	
45	630	15	3	
46	590	17	4	
47	560	19	4	
48	530	21	4	
49	500	23	5	
50	470	25	5	
51	440	27	6	
52	410	30	7	
53	390	33	8	
54	360	36	10	

Schedule 2

Continued

<u>Age</u>	<u>Withdrawal</u>	<u>Death</u>	<u>Disability</u>	<u>Age and Service Retirement</u>
55	330	39	12	
56	290	43	15	
57	230	47	18	
58	170	51	22	50
59	90	56	26	50
60		61	31	150
61		66	37	150
62		72	44	200
63		78	52	350
64		83	61	1,100
65				10,000

MINNESOTA STATE JUDGES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JUNE 30, 1977

The purpose of this memorandum is to discuss the report of the valuation of the Minnesota State Judges' Retirement Fund as of June 30, 1977. This valuation was submitted to the Commission in accordance with Chapter 356 of Minnesota Laws 1974. The entry age normal cost method was used with a 5% interest assumption. The report was prepared by Harry M. Church of Towers, Perrin, Forster and Crosby.

This memorandum contains the following:

1. Statistical and Valuation Data
2. Discussion of Valuation Results
3. Conclusion

1. Statistical and Valuation Data

(1) <u>Membership</u>	<u>June 30, 1976</u>	<u>June 30, 1977</u>
Active Members	208	216
Retired Members	17	26
Disabled	0	1
Survivors	7	8
Deferred Annuitants	2	3

(2) Payroll and Annuities Payable

Total Annual Payroll	\$6,058,740	\$9,041,000
Annuities (annual)	249,246	369,415

(3) Valuation Balance Sheet

Actuarial Liabilities		
Annuities in Force	\$1,635,315	\$3,187,489
Deferred Annuities	54,052	56,394
Active Members	<u>13,457,193</u>	<u>15,987,982</u>
Total	\$15,146,560	\$19,231,865
Assets	<u>2,375,815</u>	<u>3,946,736</u>
Unfunded Accrued Liability	\$12,770,745	\$15,285,129
Funding Ratio	15.69%	20.52%

(4) <u>Normal Cost and Funding Costs</u>	<u>June 30, 1976</u>	<u>June 30, 1977</u>
Normal Cost	12.18%	13.13%
Expenses	0.14	0.14
Interest on Deficit	<u>10.54</u>	<u>8.45</u>
Minimum Contribution	22.86%	21.72%
Normal Cost plus Expenses	12.32%	13.27%
Amortization by 1997	<u>11.69*</u>	<u>10.34*</u>
Required Contribution	24.01%	23.61%

*Based on assumption that payroll will increase 3½% each year.

2. Discussion of Valuation Results

As indicated above, the normal cost turned out to be 13.13% of payroll. Since the benefit in this plan in most cases involves a Social Security offset, the judges' share of the normal cost is determined by the Actuary using a formula which takes into account the employee Social Security tax. This resulted in the following division of the normal cost:

	<u>June 30, 1976</u>	<u>June 30, 1977</u>
Judges' Share	4.20%	4.63%
State's Share	<u>7.98</u>	<u>8.50</u>
Total	12.18%	13.13%

With this division of the normal cost, the State's share of the 23.61% required contribution becomes 18.98%. This compares with 19.81% in 1977. The reduction comes from the fact that the increase in the payroll outweighed the increase in the deficit.

It should be noted that the amortization contribution shown above is a level percentage of a total payroll which is assumed to increase 3½% per year. Since this is a group in which almost all participants receive the same salary, an increase in the salary rate produces the same percentage increase in the total payroll. Therefore, we feel that it is reasonable to base the amortization contribution on the assumption that total payroll will increase. However, for purposes of comparison, we point out that the amortization contribution based on a level payroll would be 12.72%.

As shown above, the unfunded accrued liability increased by \$2,514,384. The MSRS Actuary gave the following analysis of this increase:

Increases:

Salary Scale Loss	\$5,144,583	
Total Increase		\$5,144,583

Decreases:

Amortization Payment	\$ 69,609	
Mortality Gains and Adjustments--		
Retired Lives	101,066	
Excess Interest	49,625	
Elimination of Escalation	759,570	
Change in Normal Cost	632,617	
Change in Cost Method for		
Survivor Benefits*	432,843	
Other Actuarial Gains	584,869	
Total Decreases		\$2,630,199

Net Increase \$2,514,384

*Now based on each survivor's actual benefit; previously based on an average benefit.

We point out again that the valuation of this plan during the first few years has to be based upon numerous untested assumptions. For the most part, the assumptions used for valuations of MSRS have been followed. We feel that the termination rates may prove to be too high and that judges will probably retire at later ages than other State employees.

We also point out that it is necessary to make assumptions about the future level of Social Security benefits and contributions, and these are rather unpredictable items.

3. Conclusion

The report complies with the requirements of the statutes. The State's contribution each year is now based on the results of this valuation report.

Franklin C. Smith
Associate, Society of Actuaries
Stennes & Associates, Inc.
Commission Actuaries

DATE : March 14, 1977

MINNESOTA STATE RETIREMENT SYSTEM

529 Jackson Street
Saint Paul, Minnesota 55101

FROM : Paul L. Groschen
Executive Director

Tel. 296-2761

SUBJECT:

Office Memorandum


John Mandeville, Exec. Secy.
Legislative Commission on
Pensions & Retirement
Room 148 State Office Bldg.

Please add the following amendment to the Judges' Bill:

Section 490.126, Subdivision 4, is amended to read:

Subd. 4 [MANNER OF PAYMENT.] Unless otherwise specifically provided by statute or agreed upon by the annuitant and the governing body of the state retirement system, annuities payable under sections 490.121 to 490.132 shall be paid in the manner and at the intervals as prescribed by the executive director of the state retirement system. The annuity shall cease with the last payment received by the annuitant in his or her lifetime, except that the surviving spouse or the designated beneficiary of a joint and survivor annuity shall be entitled to the judge's annuity for the month of death and the survivor's annuity, if any payable, shall commence for the month following the month of death.

The present law seems to require that the judge's annuity cease with the last payment received and the survivor's annuity commence at date of death, or at best both amounts are pro-rated for the month of death. This would clarify the situation.


Paul L. Groschen,
Executive Director

PLG:cf