Background Information on
Appropriate Amortization Period

The theory underlying good actuarial funding suggests that an unfunded actuarial accrued liability should be amortized over a period that does not exceed the average remaining working lifetime of the active membership. The unfunded actuarial accrued liability basically represents a portion of past normal cost contributions that were not made in a timely manner because of a contribution deficiency, because mortality assumptions or other actuarial assumptions were later found to be incorrect, or because of changes in the benefit plan. Since normal costs should be funded over the working lifetimes of active members, the amortization of the unfunded actuarial accrued liability derived from unpaid normal costs should similarly be funded over the remaining active working lifetime.

The following sets forth the current full funding target dates for statewide and major local retirement plans as indicated in the July 1, 2011, plan actuarial valuations:

Retirement Plan	Amortization Target Date
MSRS-Correctional	2038
PERA-P&F	2038
State Patrol Retirement Plan	2036
Local Government Correctional Retirement Plan (PERA-Correctional)	2023
MSRS General State Employees Retirement Plan (MSRS-General)	2040
PERA General Employees Retirement Plan (PERA-General)	2031
Teachers Retirement Association (TRA)	2037
Duluth Teachers Retirement Fund Association (DTRFA)	2035
St. Paul Teachers Retirement Fund Association (SPTRFA)	Rolling 25-year amortization
MSRS-Judges	2038

The variation in the full funding target dates used for the various retirement plans for the calculation of the amortization contribution rate is in part a function of Minnesota Statutes, Section 356.215, Subdivision 11. This provision provides for an automatic extension of the amortization period upon a change in the benefit plan, a change in plan actuarial assumptions, or a change in plan actuarial methods. If any of these occur, a procedure in the provision computes a new full funding date based on a weighted averaging of the prior unfunded actuarial accrued liability portion and the prior amortization period and of the added unfunded actuarial accrued liability portion and a new 30-year amortization period.

However, pension fund administrations sought legislation which removed most of their pension plan funds from the automatic amortization date resetting procedure, and instead a fixed amortization date is specified in the provision, not to be changed unless the date is revised through a legislative change. These plans are the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), the Judges Retirement Plan, the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), the Public Employees Police and Fire Retirement Plan (PERA-P&F), and the Teachers Retirement Association (TRA).