



Retirement Systems of Minnesota

Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

Overview and Financial Status Update MSRS, PERA, TRA

Legislative Commission on Pensions and Retirement
September 21, 2011

Presented by

Dave Bergstrom, Executive Director, MSRS
Mary Most Vanek, Executive Director, PERA
Laurie Fiori Hacking, Executive Director, TRA



Pension funds serve 1/2 million

TRA

- Public teachers/admin. (except Duluth/St. Paul)
- State universities
- Community colleges
- Charter schools

MEMBERSHIP

- 77,356 active members
- 12,756 deferred, vested members
- 53,529 benefit recipients

MSRS

- State employees
- U of Minnesota
- Metropolitan Council
- Legislators and staff
- State Patrol
- Correctional

MEMBERSHIP

- 54,522 active DB members
- 16,000 deferred, vested DB members
- 29,582 DB benefit recipients

EMPLOYEE OPTIONS

- 80,000 deferred compensation
- 65,000 health care savings

PERA

- City
- County
- Non-teaching school district employees
- Police & Fire
- Correctional
- Minneapolis Employees (MERF)

MEMBERSHIP

- 154,506 active members
- 48,747 deferred, vested members
- 84,280 benefit recipients



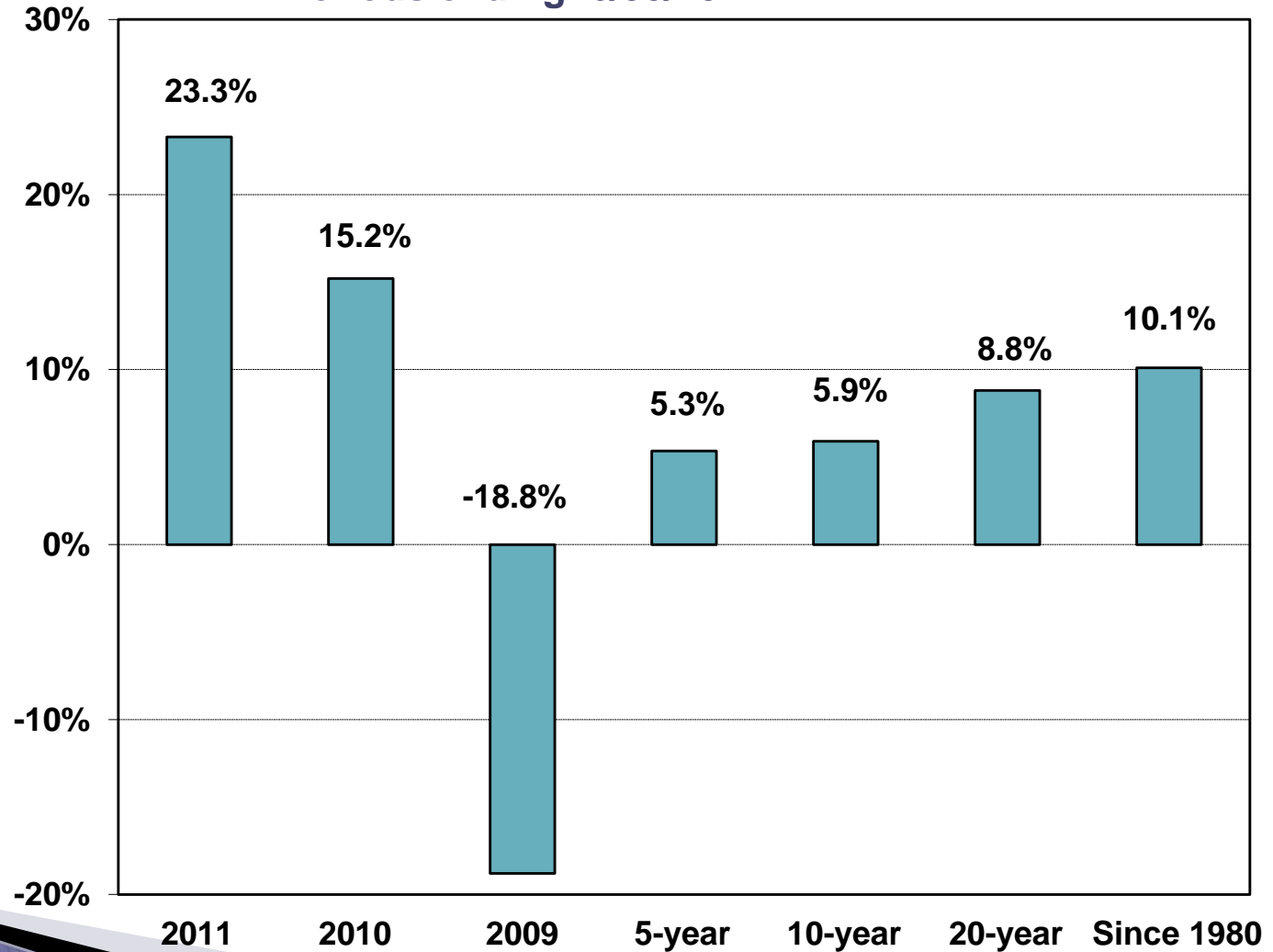
Retirement Systems of Minnesota

Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

SBI investment returns

Periods ending 6/30/2011

NOTE: SBI returns exceeded 8.5% in 20 of past 31 years. Returns fell below 8.5% in 11 years, five of which were in most recent decade.





2010 pension bill cut costs by \$5.9 billion

Plan	Cost reduction
MSRS General	\$ 0.650 billion
MSRS Correctional	\$ 0.045 billion
MSRS State Patrol	\$ 0.062 billion
PERA General	\$ 2.800 billion
PERA P&F	\$ 0.625 billion
PERA Correctional	\$ 0.015 billion
TRA	\$ 1.750 billion
TOTAL	\$ 5.947 billion

Source: Mercer Consulting FY 2010 actuarial reports



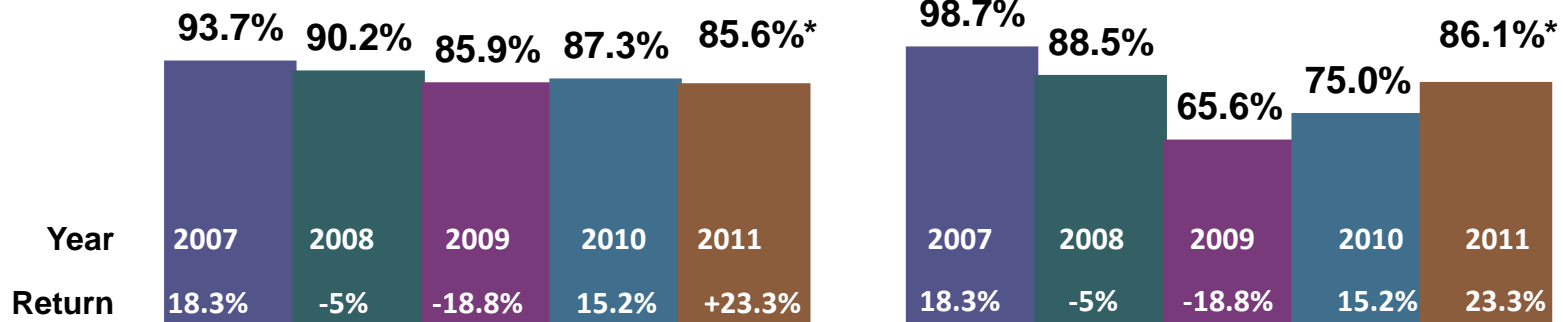
Retirement Systems of Minnesota

Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

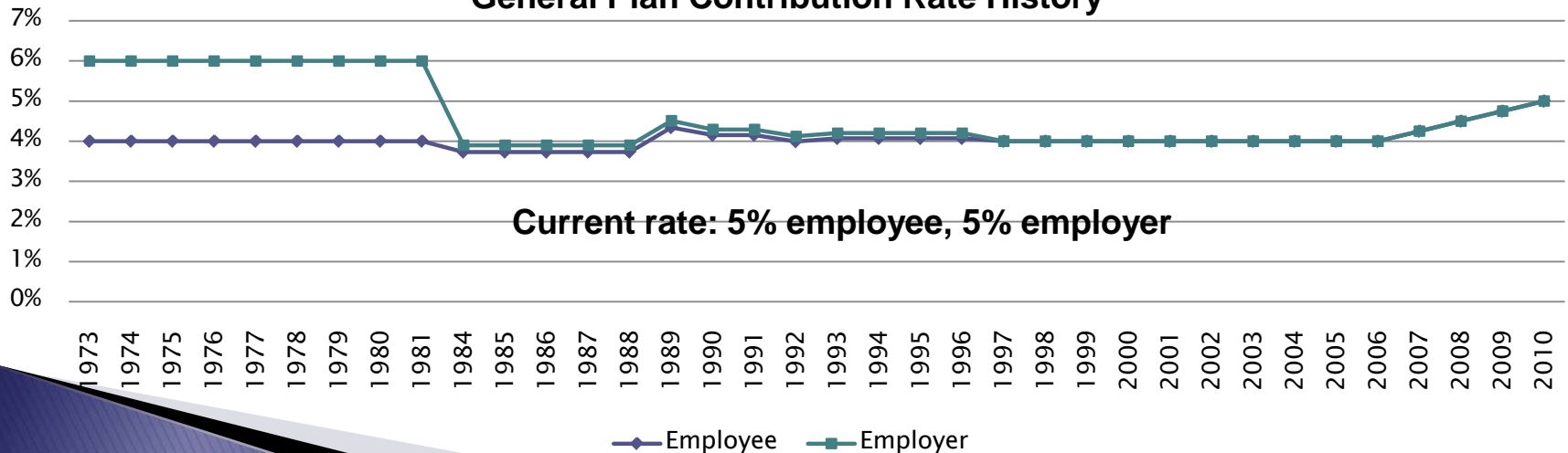
MSRS General Plan funding history

Actuarial Value

Market Value



General Plan Contribution Rate History



*2011 funding ratios are estimated



Retirement Systems of Minnesota

Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

MSRS General Plan financial status

MSRS	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011*	
	ACTUARIAL	MARKET	ACTUARIAL	MARKET	ACTUARIAL	MARKET
Value						
Liabilities	\$10.5 billion	\$10.5 billion	\$10.3 billion	\$10.3 billion	\$10.6 billion	\$10.6 billion
Assets	\$9 billion	\$6.9 billion	\$9 billion	\$7.6 billion	\$9.1 billion	\$9.2 billion
Unfunded Liabilities	\$1.5 billion	\$3.9 billion	\$1.3 billion	\$2.7 billion	\$1.5 billion	\$1.4 billion
Funded Ratio	85.9%	65.6%	87.3%	75.0%	85.6%	86.1%
Sufficiency/ (Deficiency)	(1.5%) of pay	(6.38%) of pay	(.99%) of pay	(3.9%) of pay	(1.2%) of pay	(1.1%) of pay

*2011 are preliminary estimates

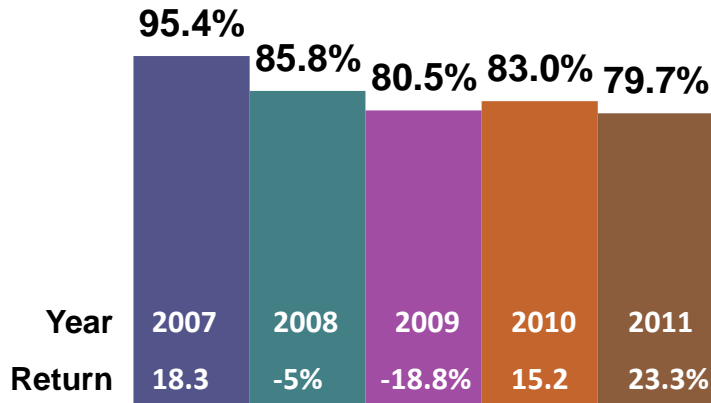


Retirement Systems of Minnesota

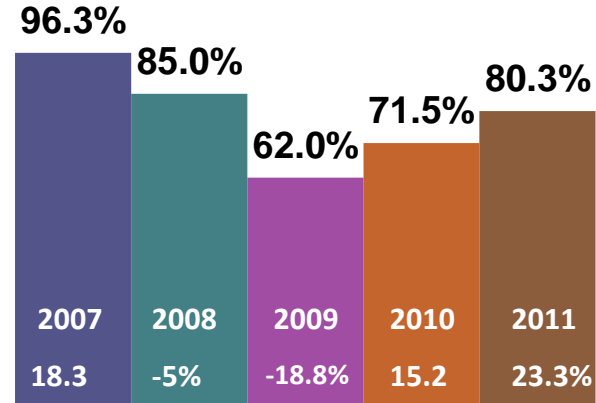
Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

MSRS State Patrol Plan funding history

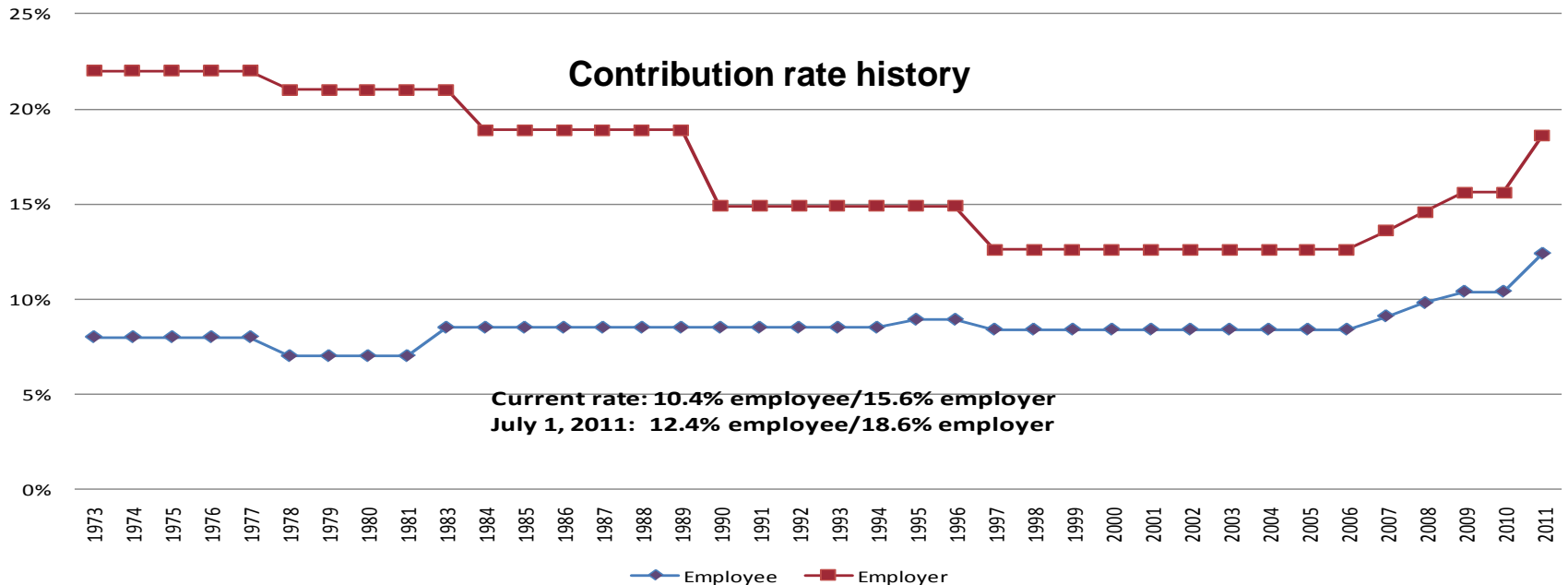
Actuarial Value



Market Value



Contribution rate history





MSRS State Patrol Plan financial status

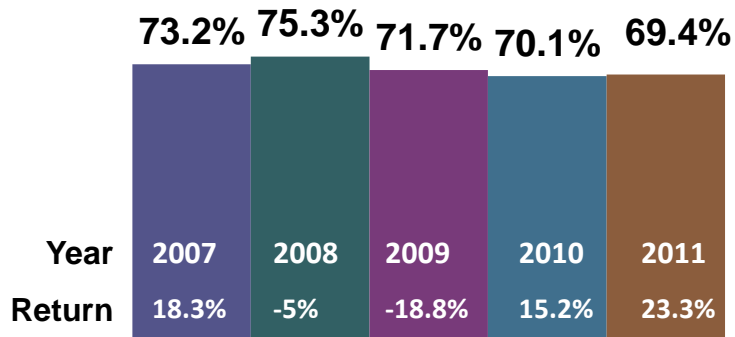
MSRS	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011*	
	ACTUARIAL	MARKET	ACTUARIAL	MARKET	ACTUARIAL	MARKET
Value						
Liabilities	\$725 million	\$725 million	\$683 million	\$683 million	\$707 million	\$707 million
Assets	\$584 million	\$450 million	\$567 million	\$489 million	\$563 million	\$568 million
Unfunded Liabilities	\$141 million	\$275 million	\$116 million	\$194 million	\$144 million	\$139 million
Funded Ratio	80.6%	62%	53%	71.5%	79.7%	80.3%
Sufficiency/ (Deficiency)	(12.2%) of pay	(24.2%) of pay	(7.8%) of pay	(15.1%) of pay	(5.1%) of pay	(4.7%) of pay

*2011 are preliminary estimates

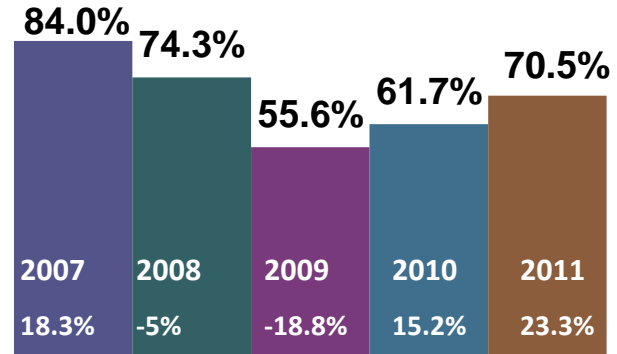


MSRS Correctional Plan funding history

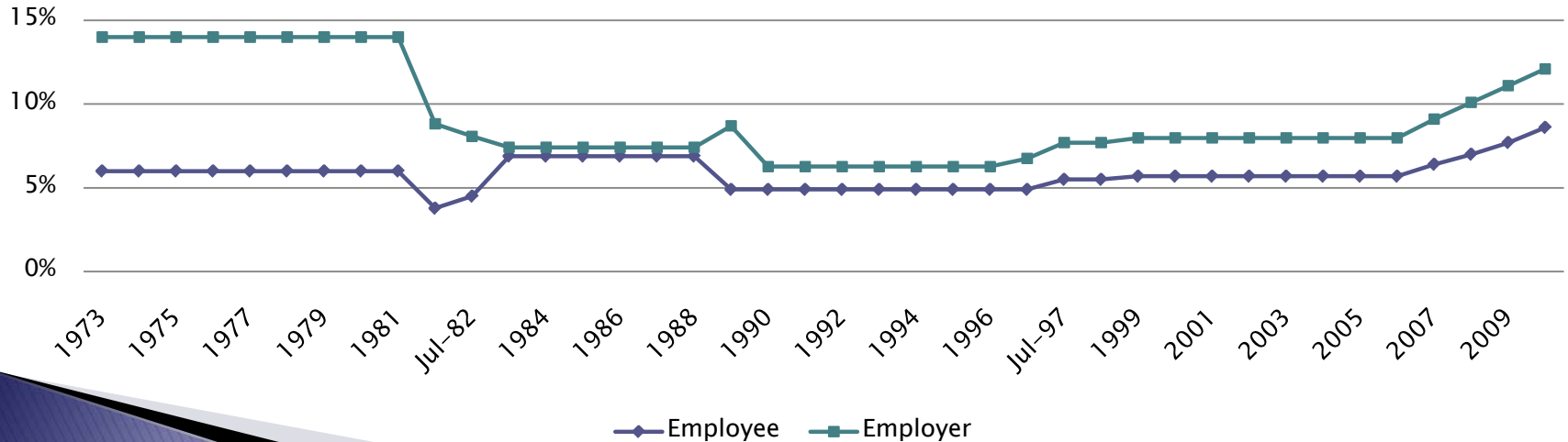
Actuarial Value



Market Value



Correctional Plan Contribution Rate History





MSRS Correctional Plan financial status

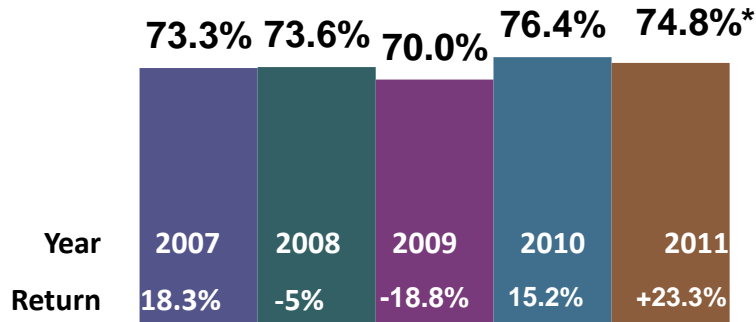
MSRS	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011*	
	ACTUARIAL	MARKET	ACTUARIAL	MARKET	ACTUARIAL	MARKET
Value						
Liabilities	\$821 million	\$821 million	\$851 million	\$851 million	\$919 million	\$919 million
Assets	\$590 million	\$457 million	\$604 million	\$525 million	\$638 million	\$648 million
Unfunded Liabilities	\$232 million	\$364 million	\$247 million	\$326 million	\$281 million	\$271 million
Funded Ratio	71.9%	55.6%	71.0%	61.7%	69.4%	70.5%
Sufficiency/ (Deficiency)	(6.05%) of pay	(9.77%) of pay	(4.7%) of pay	(7.0%) of pay	(5.5%) of pay	(5.2%) of pay

*2011 are preliminary estimates

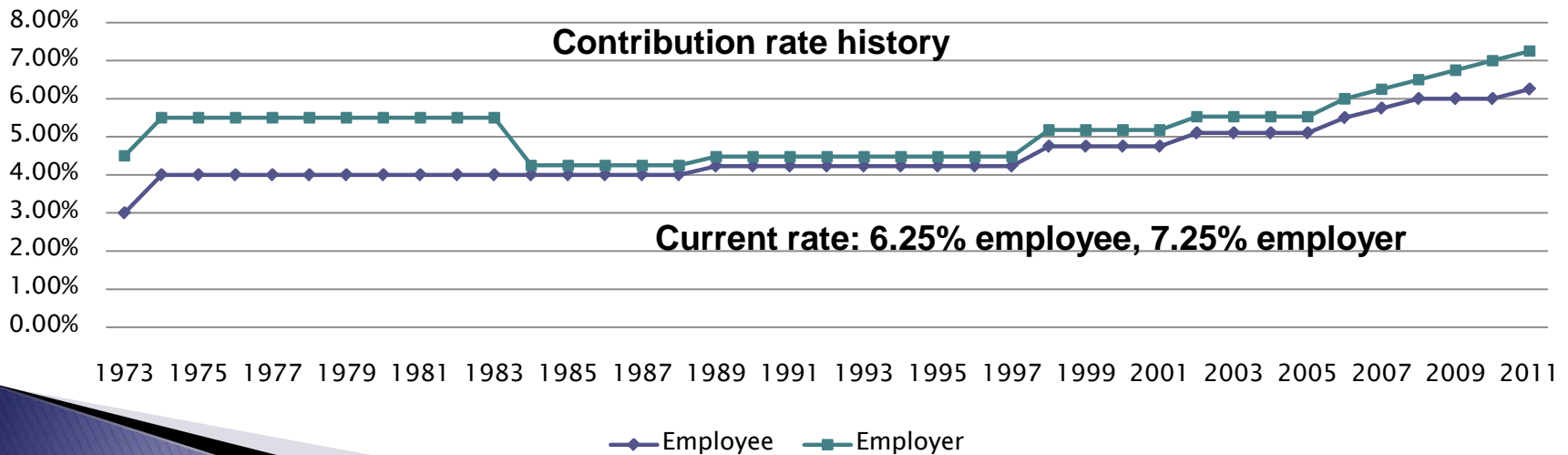
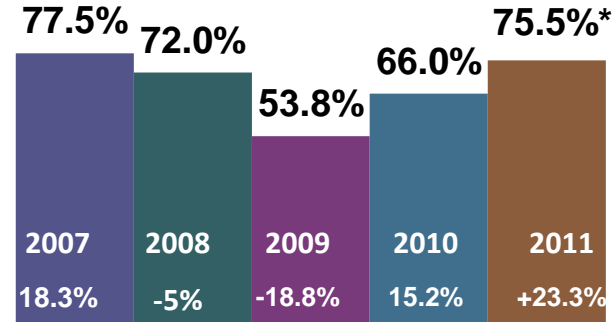


PERA General Plan funding history

Actuarial Value



Market Value



*2011 funding ratios are estimated



Retirement Systems of Minnesota

Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

PERA General Plan financial status

PERA	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011*	
	ACTUARIAL	MARKET	ACTUARIAL	MARKET	ACTUARIAL	MARKET
Value						
Liabilities	\$18.8 billion	\$18.8 billion	\$17.2 billion	\$17.2 billion	\$18.1 billion	\$18.1 billion
Assets	\$13.2 billion	\$10.0 billion	\$13.1 billion	\$11.3 billion	\$13.5 billion	\$13.7 billion
Unfunded Liabilities	\$5.6 billion	\$8.8 billion	\$4.1 billion	\$5.9 billion	\$4.6 billion	\$4.4 billion
Funded Ratio	70.0%	53.8%	76.4%	66.0%	74.8%	75.5%
Sufficiency/ (Deficiency)	(2.67%) of pay	(6.73%) of pay	0.8% of pay	(1.7%) of pay	0.1% of pay	0.3% of pay

*2011 are preliminary estimates

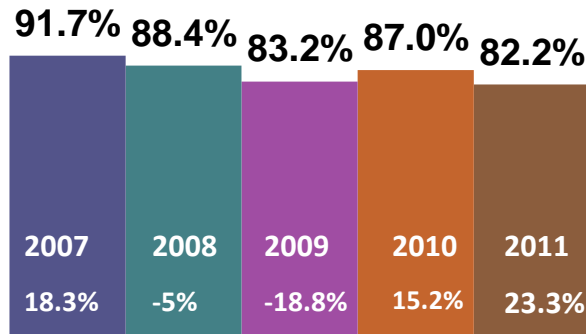


Retirement Systems of Minnesota

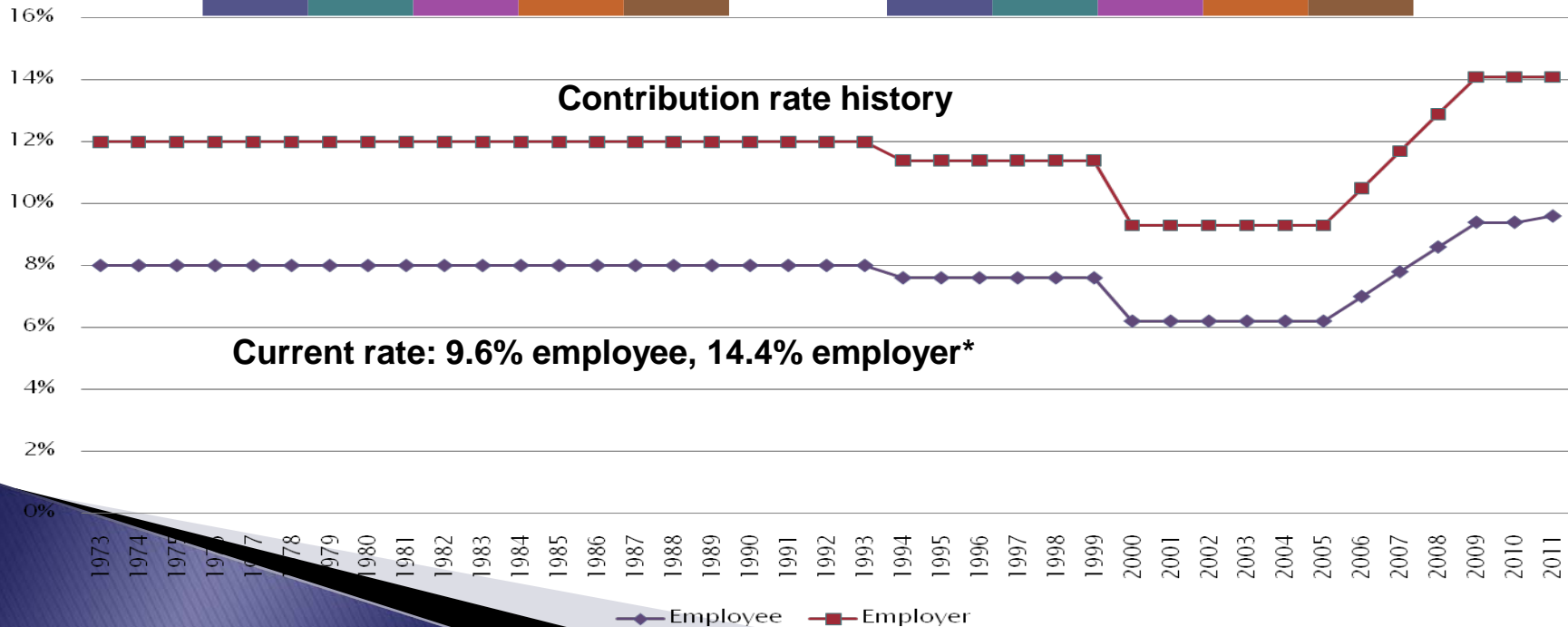
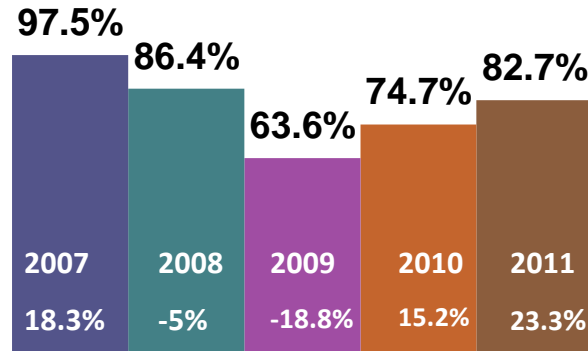
Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

PERA Police + Fire Plan funding history

Actuarial Value



Market Value





PERA Police & Fire Plan financial status

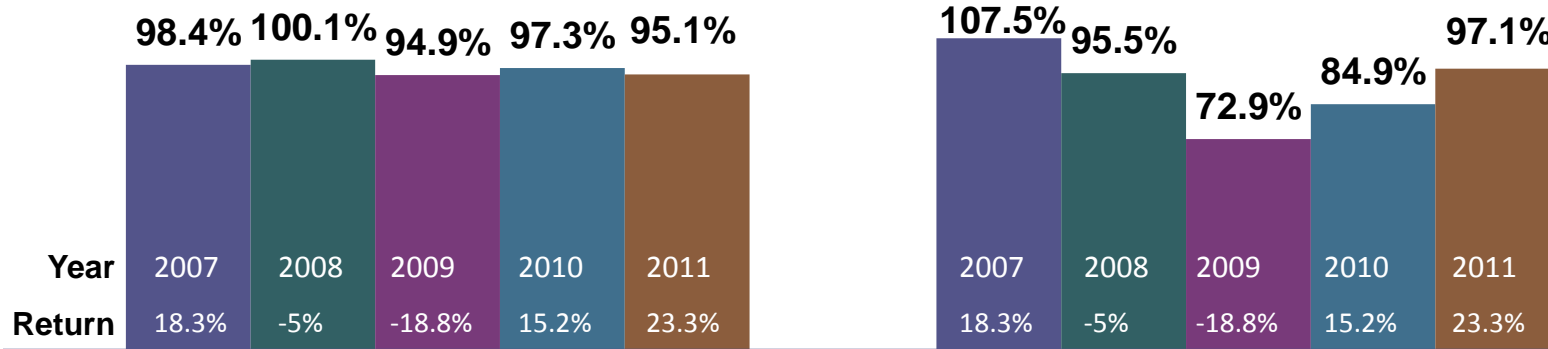
PERA	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011*	
	ACTUARIAL	MARKET	ACTUARIAL	MARKET	ACTUARIAL	MARKET
Value						
Liabilities	\$6.3 billion	\$6.3 billion	\$6 billion	\$6 billion	\$6.4 billion	\$6.4 billion
Assets	\$5.2 billion	\$4.0 billion	\$5.2 billion	\$4.5 billion	\$5.3 billion	\$5.3 billion
Unfunded Liabilities	\$1.1 billion	\$2.3 billion	\$0.8 billion	\$1.5 billion	\$1.1 billion	\$1.1 billion
Funded Ratio	83.2%	63.6%	87%	74.7%	82.2%	82.7%
Sufficiency/ (Deficiency)	(6.5%)	(15.6%)	(1.8%) of pay	(7.3%) of pay	(4.9%) of pay	(4.7%) of pay



PERA Correctional Plan funding history

Actuarial Value

Market Value



Correctional Plan Contribution Rate History

Established in 1999, the Correctional Plan has maintained a level contribution rate; 5.83% employee & 8.75% employer



PERA Correctional Plan financial status

PERA	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011*	
	ACTUARIAL	MARKET	ACTUARIAL	MARKET	ACTUARIAL	MARKET
Value						
Liabilities	\$229 million	\$229 million	\$250 million	\$250 million	\$290 million	\$290 million
Assets	\$217 million	\$167 million	\$240 million	\$210 million	\$280 million	\$280 million
Unfunded Liabilities	\$12 million	\$62 million	\$1 million	\$4 million	\$1 million	\$1 million
Funded Ratio	94.85%	72.93%	97.25%	84.93%	95.1%	97.1%
Sufficiency/ (Deficiency)	0.55% of pay	(2.19%) of pay	1.37% of pay	(0.42%) of pay	0.78% of pay	1.18% of pay

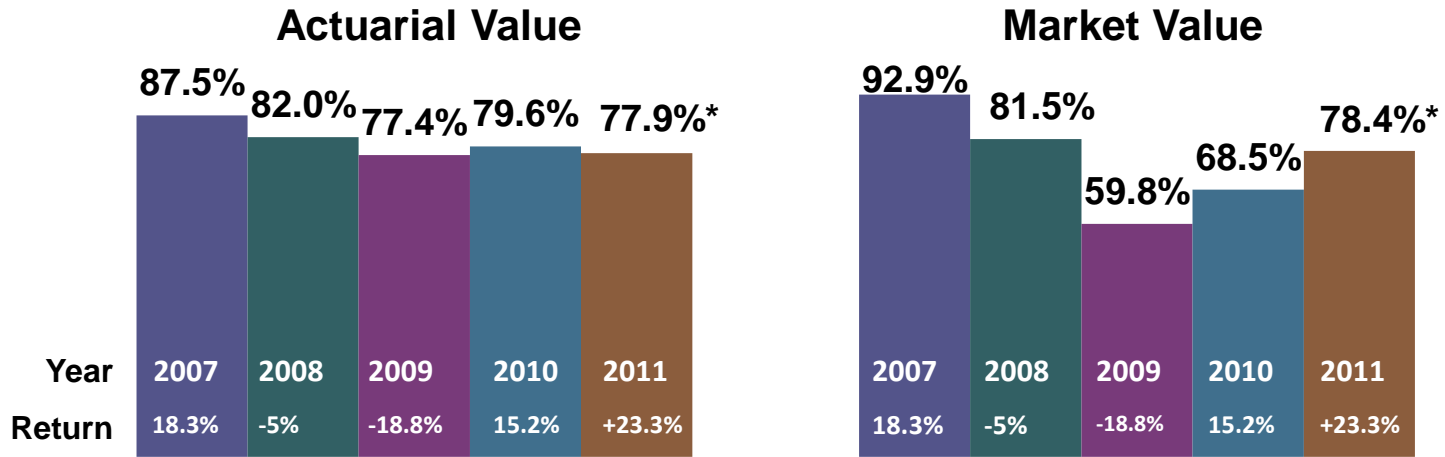
*2011 are preliminary estimates



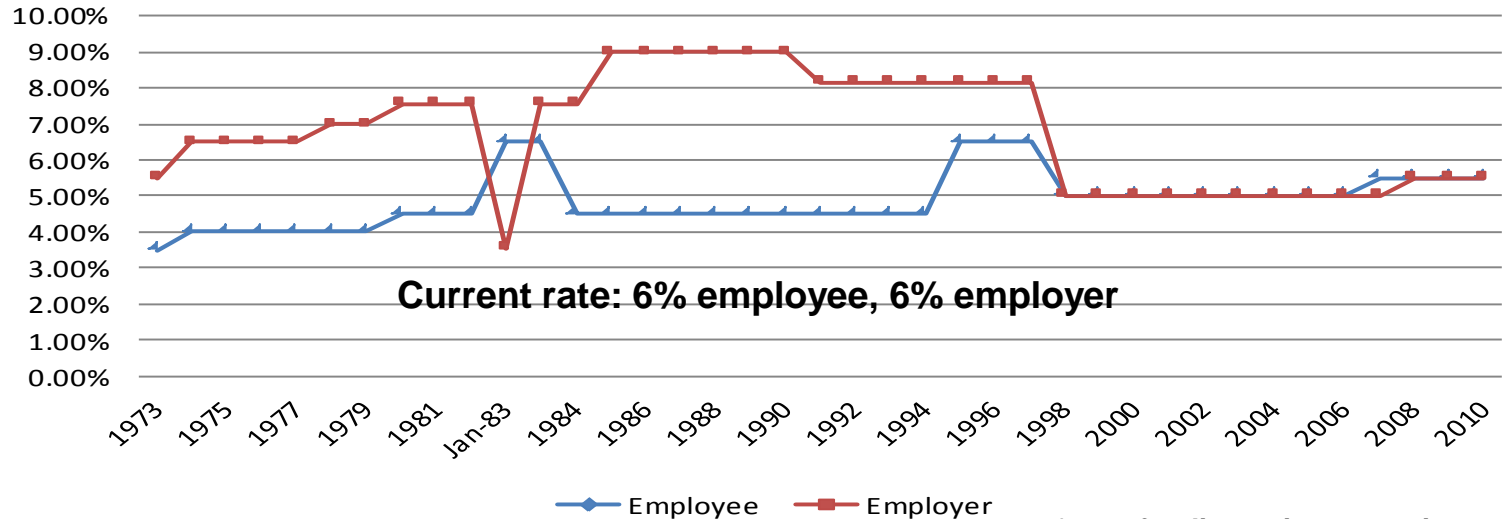
Retirement Systems of Minnesota

Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

TRA funding history



Teachers Retirement Contribution Rate History



*2011 funding ratios are estimated



TRA financial status

TRA	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011**	
	ACTUARIAL	MARKET	ACTUARIAL	MARKET	ACTUARIAL	MARKET
Value						
Liabilities	\$23.1 billion	\$23.1 billion	\$21.7 billion	\$21.7 billion	\$22.0 billion	\$22.0 billion
Assets	\$17.9 billion	\$13.8 billion	\$17.3 billion	\$14.9 billion	\$17.1 billion	\$17.2 billion
Unfunded Liabilities	\$5.2 billion	\$9.3 billion	\$4.4 billion	\$6.8 billion	\$4.8 billion	\$4.7 billion
Funded Ratio	77.4%	59.8%	79.6%	68.5%	77.9%	78.4%
Sufficiency/ (Deficiency)	(5.1%) of pay	(11.1%) of pay	0.1% of pay*	(3.8%) of pay*	(0.4%) of pay*	(0.2%) of pay*

* Incorporates contribution increases scheduled in statute for 2011-2014

**2011 are preliminary estimates



Minnesota: Prudent and proactive

Unlike many other states, Minnesota's public pensions have...

Disciplined funding

- Minnesota has been proactive about correcting problems, with positive effect on state's bond rating.

Lower costs

- Minnesota public employer contributions are 1.6 percent of total state and local government spending, compared to 2.9 percent in other states. (Census Bureau)
- Average public employer contribution in other states: 9.4 percent

Substantial employee contributions

- Employees contribute roughly half the cost in Minnesota. Many states have low or no employee contributions.
- Average employee contribution in other states: 5 percent (NASRA)

Proactive benefit reforms

- Post Fund reformed. Large increases no longer possible.
- Later retirement required. Age 66 is normal retirement age, Rule of 90 eliminated. Three-fourths of current employees subject to more stringent retirement rules. Changes made in 1989, decades ahead of other states.



Minnesota: Prudent and proactive

- 2010 pension reform legislation: Bipartisan at the legislative level, shared sacrifice at the stakeholder level.
- Minnesota is a model for other states in taking **bold, corrective action that is working.**
- **Making our state pension plans strong for the future.**



Retirement Systems of Minnesota

Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

APPENDIX



Pension system statistics

	MSRS	PERA	TRA
Average salary	\$48,000	\$34,000	\$49,000
Average length of service	12.7 years	11 years	11.9 years
Average monthly pension	\$1,600	\$1,300	\$2,300
Average retirement age	63	63	61
Average years of service at retirement	22	19	24
Average monthly pension – career employee with 30 years service, age 66 retirement, \$50,000 salary, post-1989 hire)	\$2,005	\$2,005	\$2,217

NOTE: Based on 2008 Benefit Adequacy Study



Investment returns: Main funding source



Sources of MN public pension fund revenue, 1991-2010



Retirement Systems of Minnesota

Minnesota State Retirement System • Public Employees Retirement Association • Teachers Retirement Association

2010 reforms: Shared sacrifice

	MSRS	PERA	TRA
Post-retirement adjustments	Lower COLA to 2% until 90% funded	Lower COLA to 1% until 90% funded	Two-year suspension, then lower COLA to 2% until 90% funded
Vesting	Increase from 3 to 5 years (Correctional: increase from 5 to 10 years)	Increase from 3 to 5 years (Police & Fire: increase from 5 to 10 years)	Remain at 3 years
Deferred interest, inactive members	2% for all plans	1% for all plans for current inactive; no interest for future terminating members	2% for all plans
Contribution rate changes	None (State Patrol: 2% for employee and 3% for employer)	.25% employee, employer (Police & Fire: 0.2% for employee and 0.3% for employer)	2% increase for employee and employer, phased in 2011-2014
Refund interest	Lower to 4%	Lower to 4%	Lower to 4%



Public pensions help drive Minnesota's economy

- Our public retirement systems serve a half-million people.
- In FY 2011, the three Minnesota retirement plans paid 153,210 benefit recipients more than \$3 billion.
- About 90 percent of retirees live and pay taxes in Minnesota. Retiree spending generates \$738.3 million in federal, state and local tax revenue here, according to the National Institute on Retirement Security's (NIRS) state-by-state "Pensionomics" survey.
- Public retiree spending ripples through the economy as one person's spending becomes another person's income. Such spending supports \$4.5 billion in total economic output in Minnesota. (NIRS)
- Expenditures stemming from state and local pensions support 31,274 jobs in Minnesota that paid \$1.8 billion in wages and salaries. Each dollar paid out in benefits supports \$1.43 in economic activity in Minnesota. (NIRS)