

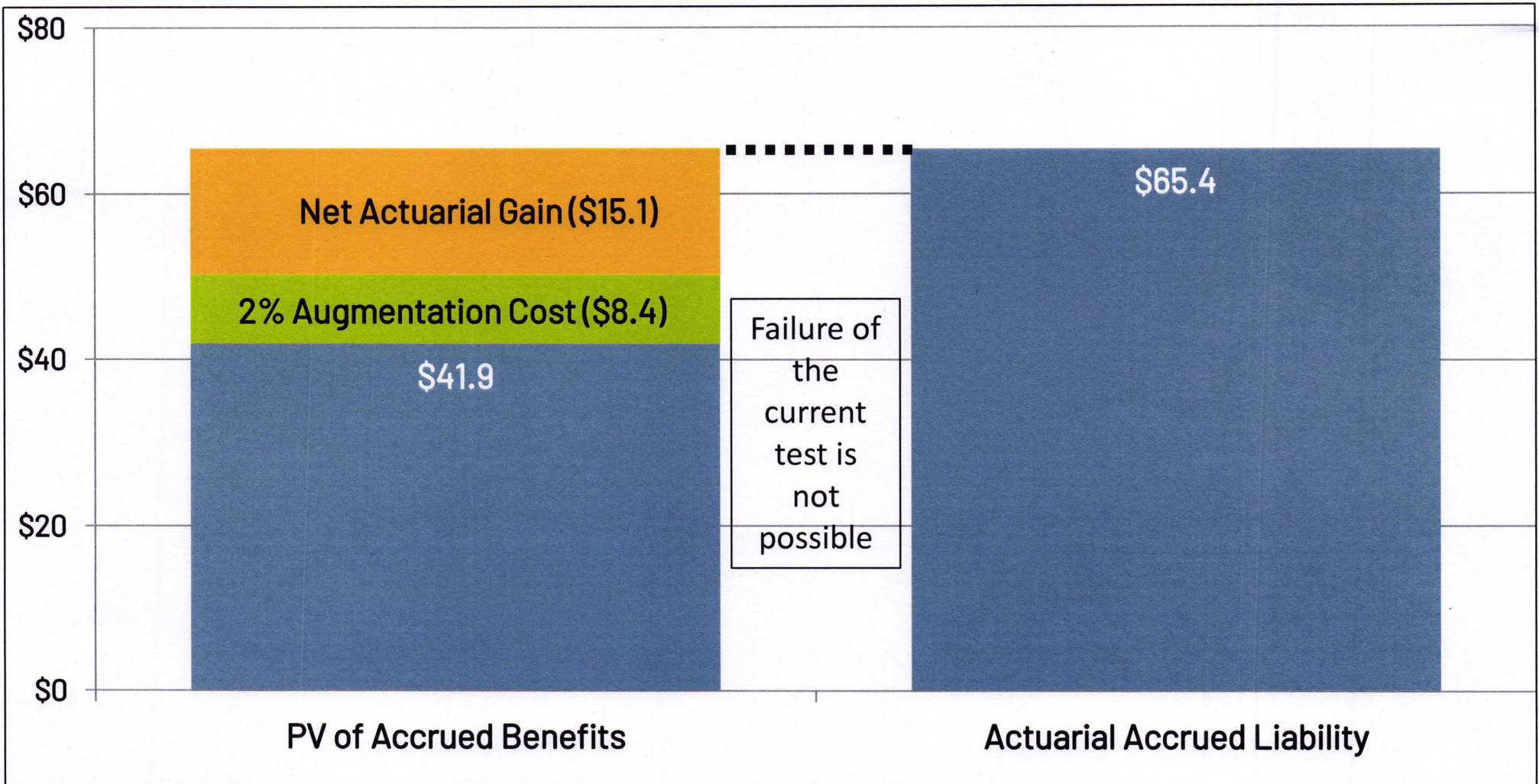


**Legislative Commission on Pensions and Retirement
Thursday, March 10, 2020**

HF4300/SF4201: PERA Privatizations; Amending augmentation for privatized employees; amending the calculation of liability for privatizing medical facilities; administrative provisions.



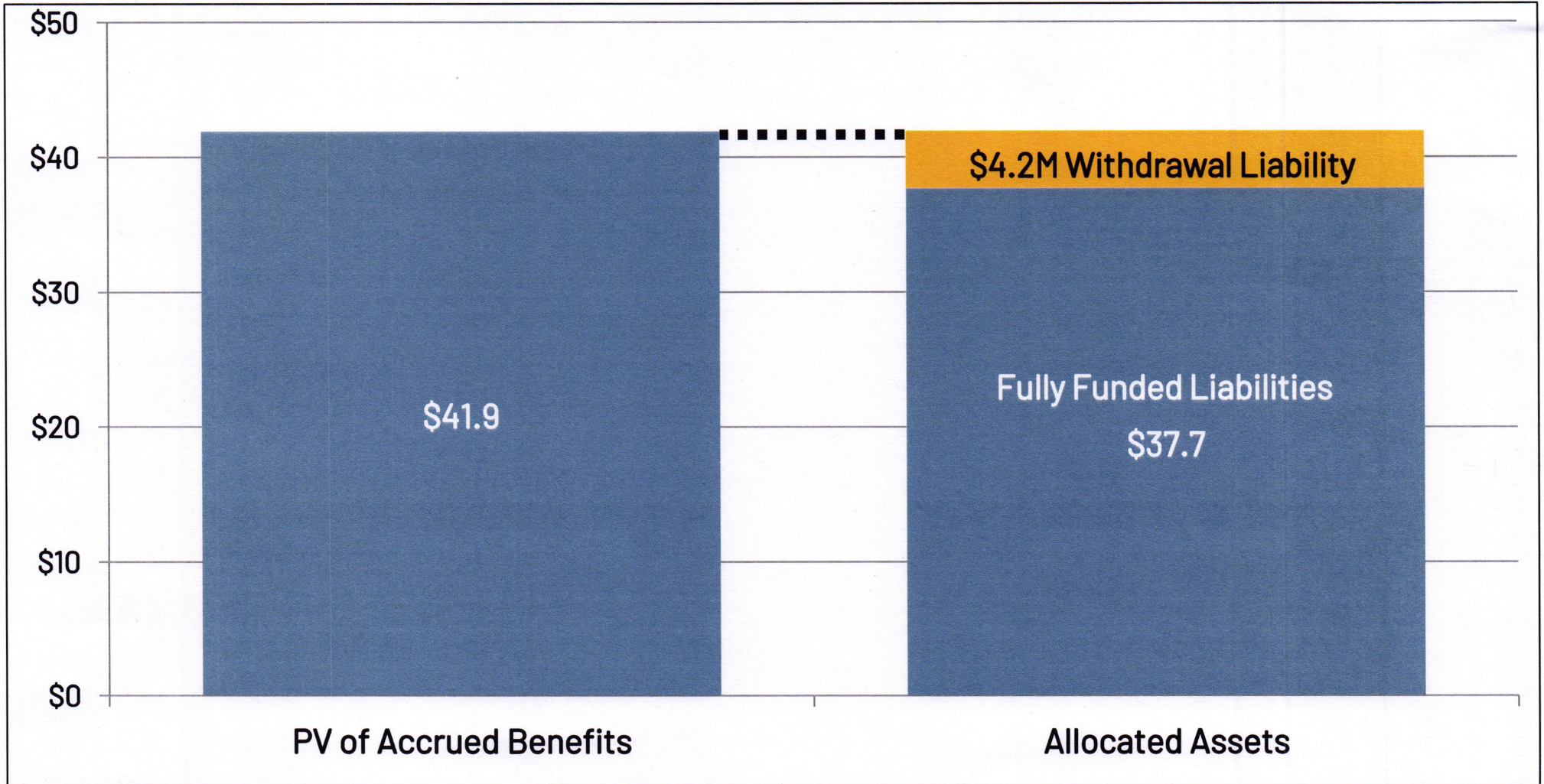
Exhibit 1: Current Actuarial Test (Actual Example \$M)



If the PV of Accrued Benefits (\$41.9) plus the 2% augmentation cost (\$8.4) is less than the Actuarial Accrued Liability (\$65.4), the Plan is said to have a net actuarial gain and the 2% augmentation will be granted. However, this test does not consider the Plan's funding status, retiree liabilities, or the impact of no future contributions. Under current assumptions, the test is nearly impossible to fail.



Exhibit 2: Suggested Actuarial Test/Withdrawal Liability Calculation (\$M)



The Plan is currently 90% funded on a Market Value of Assets and PVAB basis. The assets allocated to this entity to fund active member benefits would be \$37.7M (90% of \$41.9M). Assets allocated to this entity are insufficient to fully fund the entity's active member accrued benefits. The entity's withdrawal liability is \$4.2M. Annual payments over 10 years would be \$570,000 per year (which is approximately 1.4% of this group's covered payroll).



Exhibit 3: Privatization Example & Rate History

Augmentation Example (2% Augmentation Rate)

- \$1,000 benefit based upon age, service, final average salary
- Member is privatized at age 46, retirees at age 66
- $\$1,000 \times (1.02)^{20} = \$1,486$ payable at age 66

\$52M savings to end augmentation

Non-Privatized Member Rates

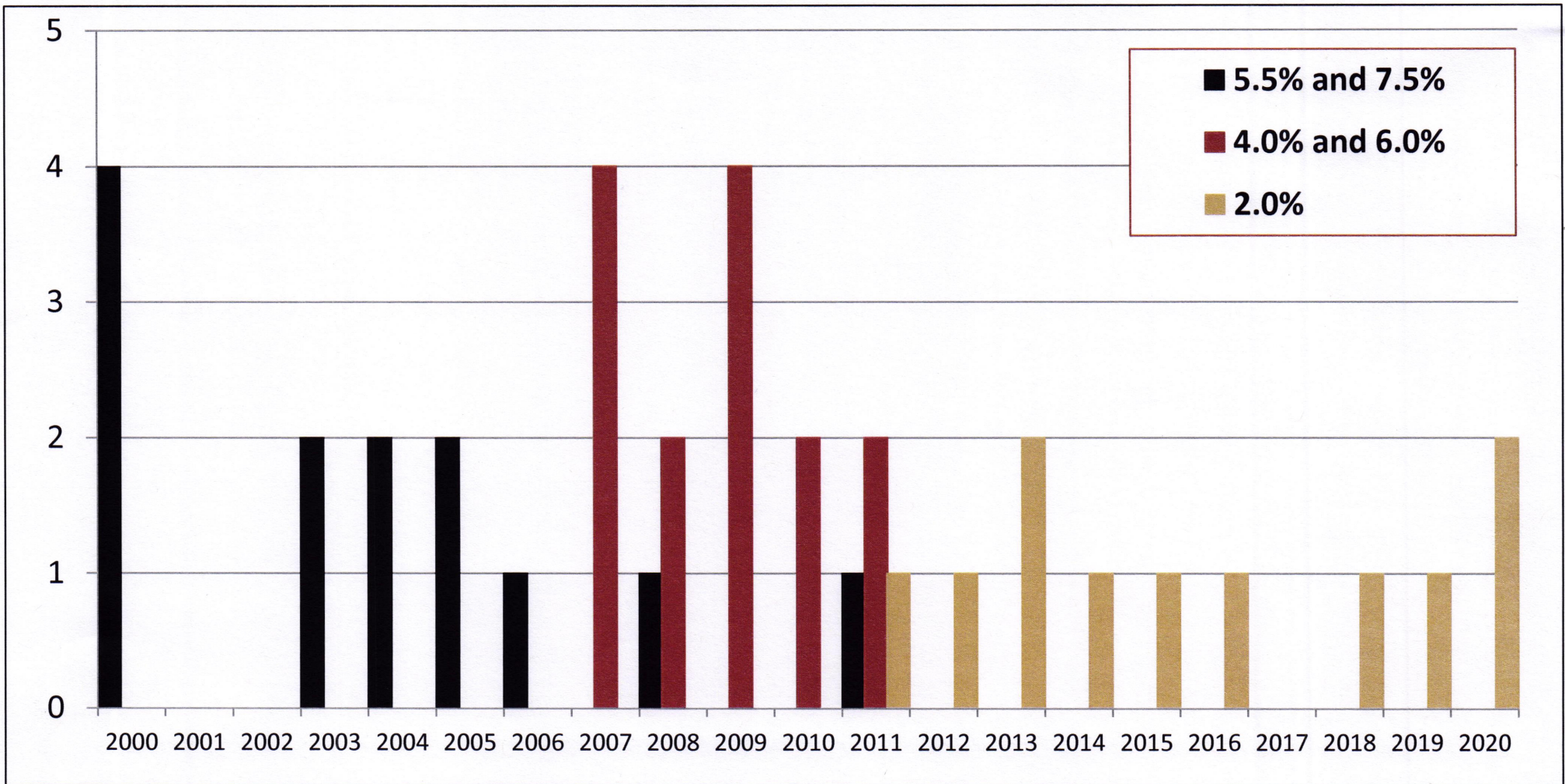
	7/1/71 through 1980	1981 through 2011	2012 through 6/30/2018	After 7/1/2018
Pre-2006 Hire	5%	3% until age 55 5 after age 55	1% if terminate < 2012	0%
Post-2006 Hire	N/A	2.5%	0% if terminate > 2011	

Chapter 353F Privatized Member Rates

Privatization Date	Before 2007 (or Hutchinson)	2007 through 2010 (or Sanford Wheaton)	2011 or Later
Augmentation Rates	5.5% until age 55 7.5% after age 55	4% until age 55 6% after age 55	2%



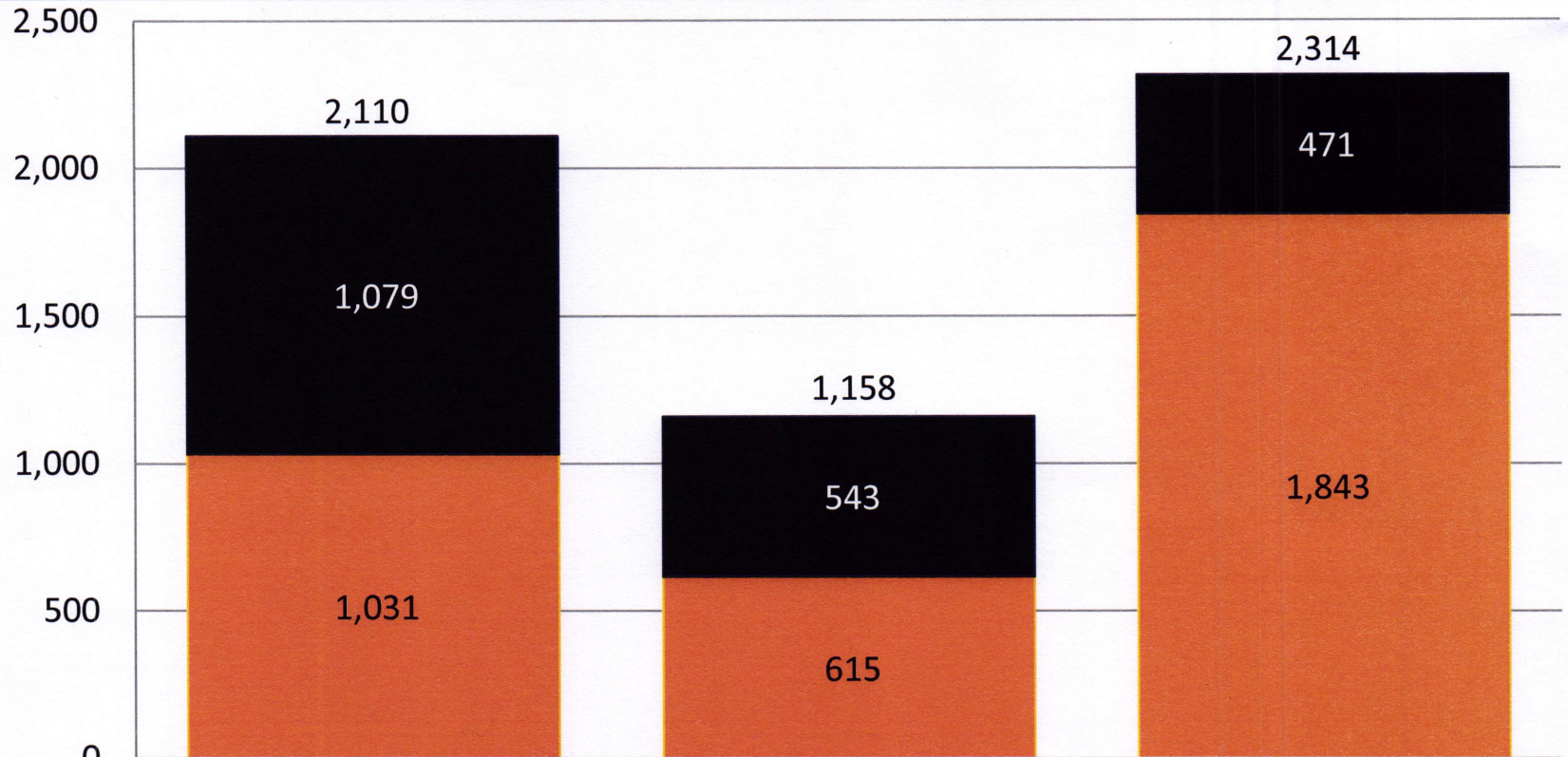
Exhibit 4: Number of Privatized Entities by Year & Augmentation Rate



The purpose of Chapter 353F was to ensure privatized employees receive future retirement benefits under the Plan commensurate with the prior contributions made by them or made on their behalf. However, at no time since 2000 has the Plan been fully funded, nor have augmentation rates been adjusted for pre-2011 privatizations, nor have privatized members participated in the shared sacrifice efforts needed to improve plan sustainability.



Exhibit 5: Privatized Member Summary by Augmentation Rate Group

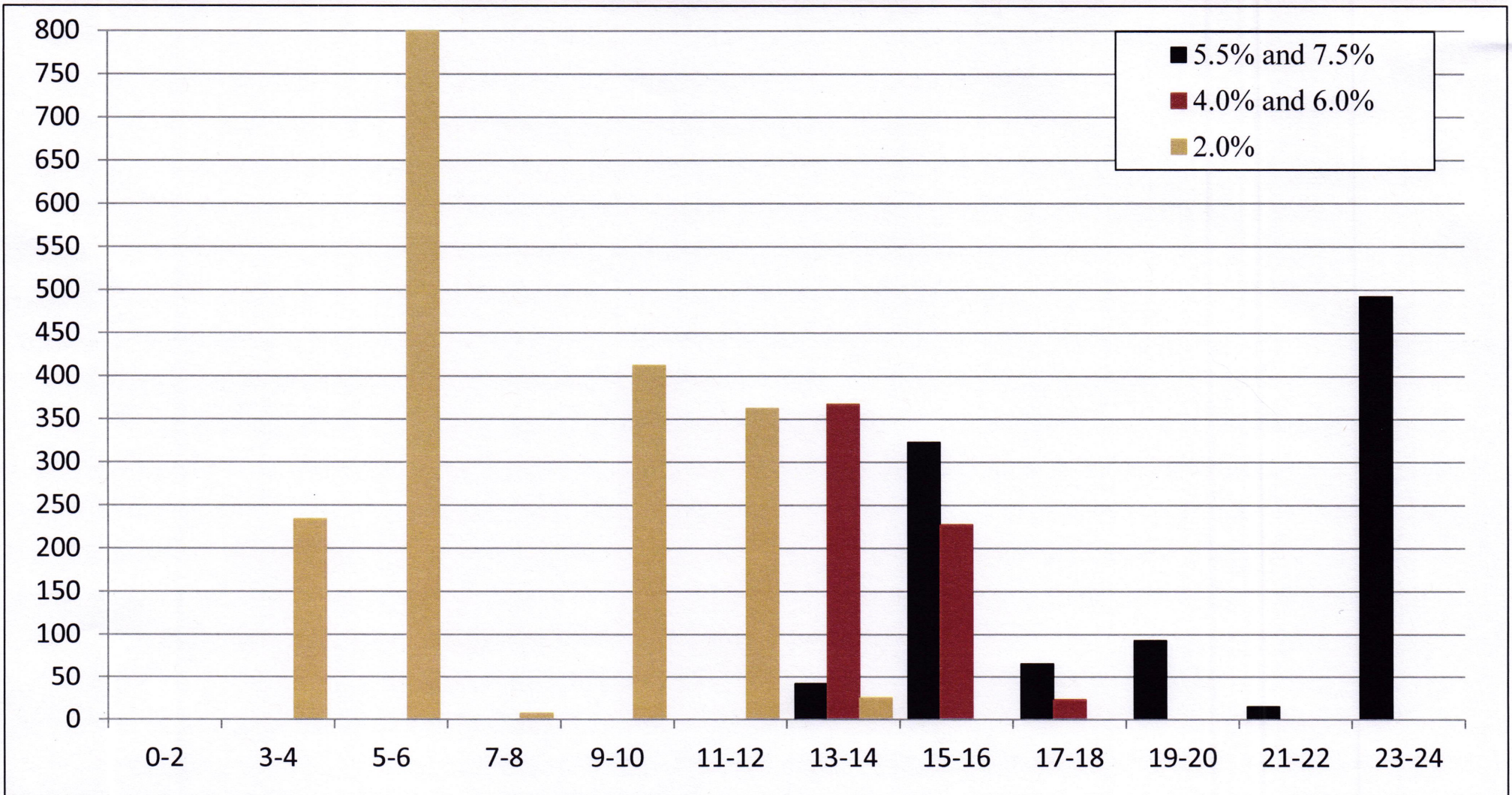


	5.5% and 7.5%	4.0% and 6.0%	2.0%
■ No Longer Receiving	1,079	543	471
■ Currently Receiving	1,031	615	1,843
% Receiving	49%	53%	80%

As of June 30, 2019, the General Employees Retirement Plan had 63,311 vested deferred members. Those currently covered under Chapter 353F represent about 5.5 percent of the total inactive vested members. Augmentation has also been removed from early retirement factors that may be applicable to any of the over 154,000 active members.



Exhibit 6: Years of Augmentation Received through 2023



The proposed changes would reduce augmentation for all members to 2% effective July 1, 2020 and then eliminate further augmentation after 2023. Previously granted augmentation increases would not be impacted. Some members will have received augmentation for as many as 24 years.