Minnesota Corrections Association
MSRS State Employees Retirement Fund
Calculation as of June 30, 2023
Unreduced benefits after 2027 at the earlier of age 60 or 35 years of service
(Amortization Date of June 30, 2048)

Actuarial Statement

The financial effect of the proposal is shown below:

Change in		**Scenario 2**
Actuarial Accrued Liability, 000s	$	9,982.2
Present Value of Future Normal Cost, 000s		1,704.5
Present Value of Future Benefits, 000s	$	11,686.7
Normal Cost		
$*, 000s	$	457.6
% of Probation Officer Payroll		1.83%
Supplemental Contribution (based on an amortization date of June 30, 2048)		
$*, 000s	$	630.1
% of Probation Officer Payroll		2.52%
Total Contribution		
$*, 000s	$	1,087.7
% of Probation Officer Payroll		4.35%

* *Based on a projected payroll of $25,005,000 for SERF probation officers.*

Data, assumptions, methods and plan provisions are the same as our letter dated March 29, 2024 (updated November 19, 2024 to reflect amortization date of June 30, 2048), with the exception of the following:

- July 1, 2024 changes in assumptions are reflected; and
- The effective date of the benefit improvement was delayed to retirements after December 31, 2027

Note we have not made any changes to assumed retirements prior to the effective date of the benefit improvement.

Minnesota Corrections Association
MSRS State Employees Retirement Fund
Calculation as of June 30, 2023
Unreduced benefits after 2027 at the earlier of age 60 or 35 years of service
(15-Year Amortization)

Actuarial Statement

The financial effect of the proposal is shown below:

Change in	**Scenario 2**
Actuarial Accrued Liability, 000s	$ 9,982.2
Present Value of Future Normal Cost, 000s	1,704.5
Present Value of Future Benefits, 000s	$ 11,686.7
Normal Cost	
$*, 000s	$ 457.6
% of Probation Officer Payroll	1.83%
Supplemental Contribution (based on a 15-year amortization of the increase in liability)	
$*, 000s	$ 890.2
% of Probation Officer Payroll	3.56%
Total Contribution	
$*, 000s	$ 1,347.8
% of Probation Officer Payroll	5.39%

* *Based on a projected payroll of $25,005,000 for SERF probation officers.*

Data, assumptions, methods and plan provisions are the same as our letter dated March 29, 2024 (updated November 19, 2024 to reflect amortization date of June 30, 2048), with the exception of the following:

- July 1, 2024 changes in assumptions are reflected;
- The effective date of the benefit improvement was delayed to retirements after December 31, 2027; and
- The increase in accrued liability due to the benefit improvement was amortized over 15 years

Note we have not made any changes to assumed retirements prior to the effective date of the benefit improvement.

Minnesota Corrections Association
PERA General Employees Retirement Plan
Calculation as of June 30, 2023
Unreduced benefits after 2027 at the earlier of age 60 or 35 years of service
(Amortization Date of June 30, 2048)

Actuarial Statement

The financial effect of the proposal is shown below:

Change in		**Scenario 2**
Actuarial Accrued Liability, 000s	$	49,685.5
Present Value of Future Normal Cost, 000s		5,597.8
Present Value of Future Benefits, 000s	$	55,283.3
Normal Cost		
$*, 000s	$	1,538.9
% of Probation Officer Payroll		1.41%
Supplemental Contribution (based on an amortization date of June 30, 2048)		
$*, 000s	$	3,143.2
% of Probation Officer Payroll		2.88%
Total Contribution		
$*, 000s	$	4,682.1
% of Probation Officer Payroll		4.29%

** Based on a projected payroll of $109,139,000 for GERP probation officers.*

Data, assumptions, methods and plan provisions are the same as our letter dated March 29, 2024 with the exception of the following:

- July 1, 2024 changes in assumptions are reflected; and
- The effective date of the benefit improvement was delayed to retirements after December 31, 2027

Note we have not made any changes to assumed retirements prior to the effective date of the benefit improvement.

Minnesota Corrections Association
PERA General Employees Retirement Plan
Calculation as of June 30, 2023
Unreduced benefits after 2027 at the earlier of age 60 or 35 years of service
(15-Year Amortization)

Actuarial Statement

The financial effect of the proposal is shown below:

Change in		**Scenario 2**
Actuarial Accrued Liability, 000s	$	49,685.5
Present Value of Future Normal Cost, 000s		5,597.8
Present Value of Future Benefits, 000s	$	55,283.3
Normal Cost		
$*, 000s	$	1,538.9
% of Probation Officer Payroll		1.41%
Supplemental Contribution (based on an amortization period of 15 years)		
$*, 000s	$	4,431.0
% of Probation Officer Payroll		4.06%
Total Contribution		
$*, 000s	$	5,969.9
% of Probation Officer Payroll		5.47%

* *Based on a projected payroll of $109,139,000 for GERP probation officers.*

Data, assumptions, methods and plan provisions are the same as our letter dated March 29, 2024 with the exception of the following:

- July 1, 2024 changes in assumptions are reflected;
- The effective date of the benefit improvement was delayed to retirements after December 31, 2027; and
- The increase in accrued liability due to the benefit improvement was amortized over 15 years

Note we have not made any changes to assumed retirements prior to the effective date of the benefit improvement.

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March 29, 2024

Mr. Carter Diers, President
Minnesota Corrections Association
St. Paul, Minnesota

Re: Minnesota Corrections Association – Retirement Benefit Changes

Dear Mr. Diers:

Enclosed is a supplemental actuarial valuation showing the estimated impact of changing certain provisions of the General Employees Retirement Plan of the Public Employees Retirement Association (PERA GERP) for members of the Minnesota Corrections Association (MCA). Unless noted otherwise and to the best of our knowledge and belief, the calculations were completed in accordance with the requirements of Minnesota Statutes, Section 356.215, and the requirements of the Standards for Actuarial Work established by the Legislative Commission on Pensions and Retirement (LCPR).

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

The purpose of this report is to show the impact of the proposed changes on the July 1, 2023 valuation results. This report should not be relied on for any purpose other than the purpose described herein. Determinations of the financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

This report was prepared at the request of the MCA and is intended for use by the MCA and those designated or approved by the MCA. This report may be provided to parties other than the MCA only in its entirety and only with the permission of the MCA. GRS is not responsible for the unauthorized use of this report.

The valuation was based upon information furnished by PERA, concerning Retirement System benefits, financial transactions, plan provisions and active members.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

277 Coon Rapids Boulevard | Suite 212 | Coon Rapids, Minnesota 55433-2629

The signing actuaries are independent of the plan sponsor.

Please call if you have any questions regarding the calculations enclosed.

Sincerely,
Gabriel, Roeder, Smith & Company

Bonita J. Wurst

Bonita J. Wurst, ASA, EA, FCA, MAAA

Sheryl Christensen

Sheryl L. Christensen, FSA, EA, FCA, MAAA

BJW/SLC:sc
Enclosure

Minnesota Corrections Association
Public Employees Retirement Association

Requested By:	Mr. Carter Diers, President
Date:	March 29, 2024
Submitted By:	Bonita J. Wurst, ASA, EA, FCA, MAAA and Sheryl L. Christensen, FSA, EA, FCA, MAAA Gabriel, Roeder, Smith & Company

This report contains an actuarial valuation of proposed changes in plan provisions for the PERA General Employees Retirement Plan (GERP).

Bonita J. Wurst and Sheryl L. Christensen are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The date of the valuation was June 30, 2023. This means that the results of the supplemental valuations indicate what the June 30, 2023 valuation would have shown if the proposed changes had been in effect on that date. In addition, the proposed change is applied to all years of PERA service. Different results would be realized if the proposed change was applied to future service only.

Supplemental valuations do not predict the result of future actuarial valuations. Rather, supplemental valuations give an indication of the probable long-term cost of the **plan changes only** without comment on the complete end result of the future valuations.

Unless noted otherwise, actuarial assumptions and methods were consistent with those used in the regular actuarial valuation of the PERA GERP on the valuation date as prescribed by Minnesota Statutes Section 356.215, the requirements of the Standards for Actuarial Work established by the Legislative Commission on Pensions and Retirement (LCPR) and the Board of Trustees for the June 30, 2023 PERA GERP Valuation.

Also, please note that increasing future benefits ultimately increases the ratio of both assets and liabilities to payroll, which in turn increases the volatility of contribution rates and magnifies the effect of potential underperformance of the assets.

The results in this letter are based on the current amortization date of June 30, 2048.

Minnesota Corrections Association
PERA General Employees Retirement Plan
Calculation as of June 30, 2023

Members affected by this proposed plan provision change were identified by the MCA and PERA. A brief summary of the data for the affected members, as of June 30, 2023, used in this valuation is presented below.

	Active Members
Number	1,314
Average Age, in years	44.0
Average Service, in years	14.1
Average Salary	$ 79,705

PERA provided data for 1,499 members identified by MCA as eligible for this proposed benefit improvement. Of the 1,499 members, 18 had duplicate entries and 59 weren't found in the 2023 valuation data file. In addition, 108 members were active in either the PERA Police and Fire or PERA Local Government Correctional Plan. The remaining 1,314 were matched to members active in the PERA General Employees Retirement Plan as of July 1, 2023 and are included in the enclosed benefit analysis.

Minnesota Corrections Association
PERA General Employees Retirement Plan
Calculation as of June 30, 2023

	Years of Service as of June 30, 2023									
Age	**<3***	**3 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30 - 34**	**35+**	**Total**
< 25	19	1								**20**
Avg. Earnings	$ 33,173	$ 52,916								**$ 34,160**
25 - 29	50	31	19							**100**
Avg. Earnings	$ 54,785	$ 59,940	$ 66,842							**$ 58,674**
30 - 34	49	31	93	2						**175**
Avg. Earnings	$ 56,741	$ 64,358	$ 67,919	$ 68,940						**$ 64,170**
35 - 39	29	19	77	34	7	1				**167**
Avg. Earnings	$ 52,427	$ 65,955	$ 70,570	$ 79,798	$ 87,870	$ 69,618				**$ 69,492**
40 - 44	16	9	50	48	61	12				**196**
Avg. Earnings	$ 67,344	$ 67,379	$ 74,721	$ 82,925	$ 90,669	$ 95,075				**$ 82,001**
45 - 49	12	9	26	25	61	65	5			**203**
Avg. Earnings	$ 63,414	$ 57,143	$ 78,373	$ 83,650	$ 90,440	$ 99,127	$ 94,520			**$ 87,866**
50 - 54	7	5	15	17	30	53	89	12	1	**229**
Avg. Earnings	$ 63,923	$ 78,431	$ 77,390	$ 87,996	$ 89,471	$ 93,069	$ 95,652	$ 92,167	$ 67,297	**$ 90,828**
55 - 59	3	4	10	4	16	22	53	54	3	**169**
Avg. Earnings	$ 71,533	$ 68,039	$ 67,762	$ 96,320	$ 83,595	$ 91,309	$ 96,203	$ 97,804	$ 105,933	**$ 92,272**
60 - 64			1	2	4	6	13	6	7	**39**
Avg. Earnings			$ 89,023	$ 85,676	$ 91,557	$ 94,848	$ 95,863	$ 100,544	$ 97,875	**$ 95,649**
65 - 69			2		2	1	4	1	3	**13**
Avg. Earnings			$ 90,682		$ 98,652	$ 93,788	$ 72,326	$ 101,491	$ 95,681	**$ 88,484**
70+			1			1	1			**3**
Avg. Earnings			$ 12,647			$ 92,054	$ 59,307			**$ 54,669**
Total	**185**	**109**	**294**	**132**	**181**	**161**	**165**	**73**	**14**	**1,314**
Avg. Earnings	**$ 54,977**	**$ 63,709**	**$ 71,142**	**$ 83,145**	**$ 89,768**	**$ 95,343**	**$ 95,026**	**$ 97,153**	**$ 96,947**	**$ 79,705**

In each cell, the top number is the count of active participants for the age/service combination and the bottom number is average valuation earnings for the fiscal year ending on the valuation date.

Present Plan Provision: Unreduced benefits are available at age 66 (age 65 if hired before July 1, 1989) with three years of service, or at Rule of 90 if hired before July 1, 1989. Rule of 90 is achieved when age plus service totals 90 years.

Example 1 – Member hired at age 40 and retires at age 60 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 20 years of service x $100,000 = $34,000
Annual Benefit payable at Age 60 = $34,000 x 57.00% = $19,380

Example 2 – Member hired at age 25 and retires at age 60 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 35 years of service x $100,000 = $59,500
Annual Benefit payable at Age 60 = $59,500 x 57.00% = $33,915

Example 3 – Member hired at age 25 and retires at age 55 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 30 years of service x $100,000 = $51,000
Annual Benefit payable at Age 55 = $51,000 x 36.75% = $18,743

Example 4 – Member hired at age 35 and retires at age 55 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 20 years of service x 100.00% x $100,000 = $34,000
Annual Benefit payable at Age 55 = $34,000 x 36.75% = $12,495

Note all examples detailed above and on the next page assume a Normal Retirement Age of 66 and that members are hired after June 30, 1989. These examples are intended to illustrate the impact of the proposed plan changes but should not be relied upon. Please contact PERA for benefit estimates.

Proposed Plan Provision – Unreduced Benefits at age 60 or 30 years of service: Unreduced benefits are available at age 66 (age 65 if hired before July 1, 1989) with three years of service, or at Rule of 90 if hired before July 1, 1989. Rule of 90 is achieved when age plus service totals 90 years. **For eligible probation officers, benefits are not reduced if age is at least 60 years, or service is at least 30 years.**

Example 1 – Member hired at age 40 and retires at age 60 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 20 years of service x 100.00% x $100,000 = $34,000
Annual Benefit payable at Age 60 = $34,000 x 100.00% = $34,000

Example 2 – Member hired at age 25 and retires at age 60 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 35 years of service x 100.00% x $100,000 = $59,500
Annual Benefit payable at Age 60 = $59,500 x 100.00% = $59,500

Example 3 – Member hired at age 25 and retires at age 55 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 30 years of service x 100.00% x $100,000 = $51,000
Annual Benefit payable at Age 55 = $51,000 x 100.00% = $51,000

Example 4 – Member hired at age 35 and retires at age 55 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 20 years of service x 100.00% x $100,000 = $34,000
Annual Benefit payable at Age 55 = $34,000 x 36.75% = $12,495

Proposed Plan Provision – Unreduced Benefits at age 60 or 35 years of service: Unreduced benefits are available at age 66 (age 65 if hired before July 1, 1989) with three years of service, or at Rule of 90 if hired before July 1, 1989. Rule of 90 is achieved when age plus service totals 90 years. **For eligible probation officers, benefits are not reduced if age is at least 60 years, or service is at least 35 years.**

Example 1 – Member hired at age 40 and retires at age 60 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 20 years of service x 100.00% x $100,000 = $34,000
Annual Benefit payable at Age 60 = $34,000 x 100.00% = $34,000

Example 2 – Member hired at age 25 and retires at age 60 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 35 years of service x 100.00% x $100,000 = $59,500
Annual Benefit payable at Age 60 = $59,500 x 100.00% = $59,500

Example 3 – Member hired at age 25 and retires at age 55 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 30 years of service x $100,000 = $51,000
Annual Benefit payable at Age 55 = $51,000 x 36.75% = $18,743

Example 4 – Member hired at age 35 and retires at age 55 with $100,000 final average pay:
Annual Benefit payable at Age 66 = 1.7% x 20 years of service x 100.00% x $100,000 = $34,000
Annual Benefit payable at Age 55 = $34,000 x 36.75% = $12,495

Valuation Retirement Rates

	Percent Retiring Each Year		
Age	Rule of 90 Eligible	Hired prior to 7/1/1989	Hired after 6/30/1989
55	20.0%	4.0%	4.0%
56	15.0	4.0	4.0
57	15.0	5.0	4.0
58	15.0	5.0	5.0
59	15.0	6.0	5.0
60	15.0	8.0	6.0
61	15.0	10.0	8.0
62	30.0	20.0	15.0
63	25.0	20.0	15.0
64	25.0	20.0	15.0
65	40.0	40.0	25.0
66	35.0	35.0	35.0
67	25.0	25.0	25.0
68	25.0	25.0	25.0
69	25.0	25.0	25.0
70	25.0	25.0	25.0
71+	100.0	100.0	100.0

Scenario 1 Retirement Rates

Members eligible for unreduced retirement benefits are assumed to retire under the Rule of 90 Eligible retirement rates in the table above. If a member is eligible to retire prior to age 55, they are assumed to retire at a rate of 10% per year until the member attains age 55.

Scenario 2 Retirement Rates

50% of members eligible for unreduced retirement benefits are assumed to retire in year of first eligibility for unreduced benefits and 30% of members are assumed to retire in the second year of eligibility. After year two, members eligible for unreduced retirement benefits are assumed to retire under the Rule of 90 Eligible retirement rates in the table above. If a member is eligible to retire prior to age 53, they are assumed to retire at a rate of 10% per year after second year of eligibility until the member attains age 55.

Minnesota Corrections Association
PERA General Employees Retirement Plan
Calculation as of June 30, 2023
Unreduced benefits at the earlier of age 60 or 30 years of service

Actuarial Statement

The financial effect of the proposal is shown below:

Change in	**Scenario 1**	**Scenario 2**
Actuarial Accrued Liability, 000s	$ 70,233.2	$ 86,873.9
Present Value of Future Normal Cost, 000s	7,764.3	3,353.0
Present Value of Future Benefits, 000s	$ 77,997.5	$ 90,226.9
Normal Cost		
$*, 000s	$ 1,831.6	$ 2,278.6
% of Probation Officer Payroll	1.68%	2.09%
Supplemental Contribution (based on an amortization date of June 30, 2048)		
$*, 000s	$ 4,437.3	$ 5,483.9
% of Probation Officer Payroll	4.07%	5.03%
Total Contribution		
$*, 000s	$ 6,268.9	$ 7,762.5
% of Probation Officer Payroll	5.75%	7.12%

** Based on a projected payroll of $109,024,000 for GERP probation officers.*

Minnesota Corrections Association
PERA General Employees Retirement Plan
Calculation as of June 30, 2023
Unreduced benefits at the earlier of age 60 or 35 years of service

Actuarial Statement

The financial effect of the proposal is shown below:

Change in	Scenario 1	Scenario 2
Actuarial Accrued Liability, 000s	$ 45,990.4	$ 57,954.1
Present Value of Future Normal Cost, 000s	6,550.5	4,073.4
Present Value of Future Benefits, 000s	$ 52,540.9	$ 62,027.5
Normal Cost		
$*, 000s	$ 1,253.8	$ 1,569.9
% of Probation Officer Payroll	1.15%	1.44%
Supplemental Contribution (based on an amortization date of June 30, 2048)		
$*, 000s	$ 2,900.0	$ 3,663.2
% of Probation Officer Payroll	2.66%	3.36%
Total Contribution		
$*, 000s	$ 4,153.8	$ 5,233.1
% of Probation Officer Payroll	3.81%	4.80%

* *Based on a projected payroll of $109,024,000 for GERP probation officers.*

Comments

Comment 1 — The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon plan provisions that are outlined in this report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author(s) of this report prior to relying on information in the report.

Comment 2 — If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author(s) of this report prior to making such decision.

Comment 3 — The reader of this report should keep in mind that actuarial calculations are mathematical estimates based on current data and assumptions about future events (which may or may not materialize). Please note that actuarial calculations can and do vary from one valuation year to the next, sometimes significantly if the group valued is very small (less than 30 lives). As a result, the cost impact of a benefit change may fluctuate over time, as the demographics of the group changes.

Comment 4 — We have provided this analysis in the same format as that used when plan or assumption changes are considered by the PERA Board of Trustees. For any legislative proposals, it may be necessary to follow up with a more in-depth analysis to comply with the *Standards for Actuarial Work*. We will provide the additional information upon request.

Comment 5 — We have provided this analysis based on two retirement utilization scenarios. The actual cost of this benefit enhancement will be directly related to actual utilization and could be more or less than the costs shown in this analysis.