

2025 LCPR Actuarial Update

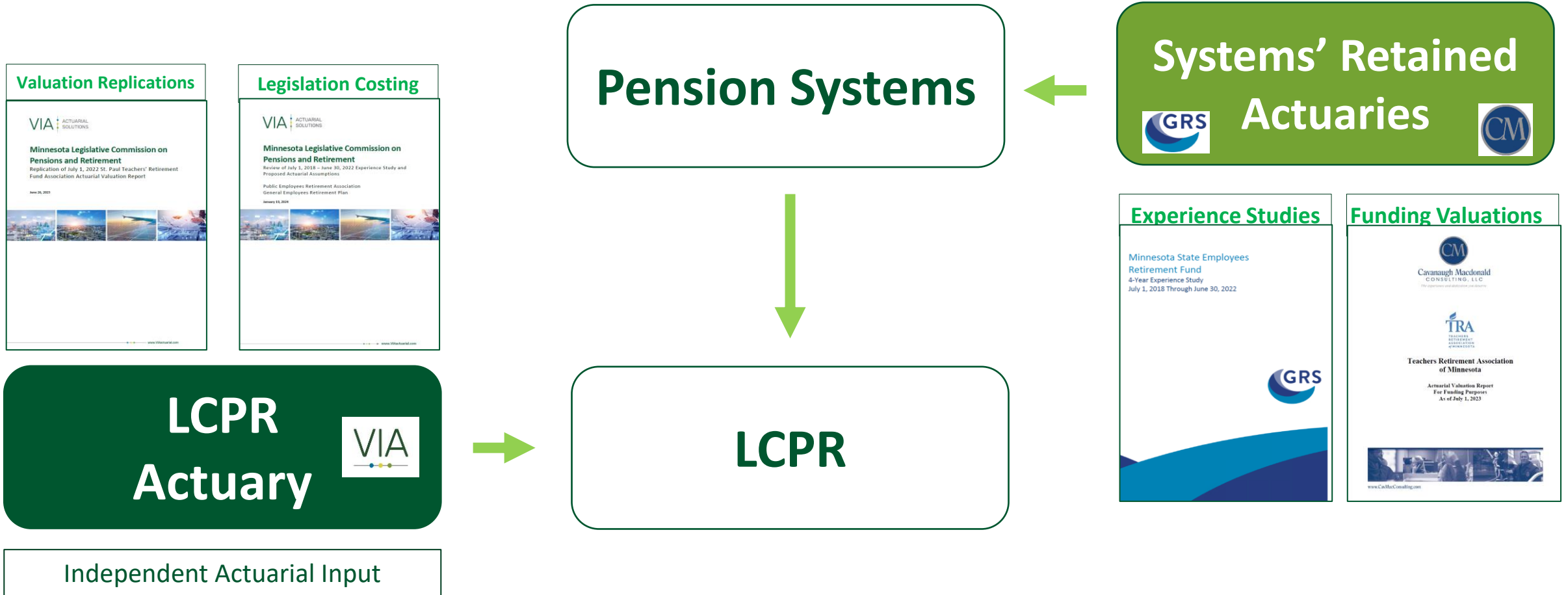


Presented to: Legislative Commission on Pensions and Retirement

Presented by: Emily Knutson, FSA, EA, MAAA
 Mark Schulte, FSA, EA, MAAA

2024 and 2025 Actuarial Projects

Actuarial Overview



2024 Completed Projects

Projects	Plans	Result
Replicate 7/1/2023 valuations	MSRS State Patrol PERA Police & Fire	Confirmed actuarial calculations with high degree of accuracy
Review actuarial experience studies	PERA General MSRS General TRA	We recommended the LCPR approve the requested assumption updates
Actuarial costs estimates of proposed legislation		TRA unreduced 62&30 proposals MSRS State Patrol post-retirement re-employment MSRS General deferred augmentation
Combined Service Annuity assumption project	All	Proposed new factors for actuarial valuations to reflect value of MN pension portability provisions
Amortization workgroup	All	Participated in discussions with systems to evaluate alternatives to current statutory amortization methods

2025 Upcoming Projects

Projects	Plans	Result
Replicate 7/1/2024 valuations	TRA SPTRFA	To be completed by end of 6/30 fiscal year
Review actuarial experience studies	MSRS State Patrol MSRS Correctional MSRS Judges PERA Police & Fire PERA Correctional	To be completed by end of 6/30 fiscal year
Actuarial cost estimates of proposed legislation	Various	Prepare as-needed
Expert testimony on actuarial topics	Various	Testify as-needed

Actuarial Topics

Combined Service Annuity Study

Background

- Pension benefits are generally equal to:
Multiplier x Average Salary x Allowable Service

Example: $1.7\% \times \$50,000 \times 30 \text{ years} = \$25,500/\text{year}$

- CSA provisions allow a member's benefit to be calculated using the same Average Salary in all Covered Plans where they have a vested benefit
- Also allows all MN public service to be considered when determining vesting and early retirement eligibility/subsidies
- **Allowable Service is NOT combined and used for calculating accrued benefit amounts**

CSA Study

- Estimated CSA value is reflected as a load applied to actuarial liabilities for deferred members in each system
- We collected data from all pension systems, cross-referenced, and estimated CSA effect on each plan's actuarial valuation results
- Updated loads are summarized in report issued earlier this year

Combined Service Annuity Study

- There are some large proposed CSA factor adjustments due to demographic and plan changes since 2016
- However, the expected overall effect on plan liabilities is relatively small

Plan	AAL with Current Load	Estimated AAL with Updated Load	Estimated \$ Change in AAL	Estimated % Change in AAL
MSRS General	17,597,063	17,653,683	56,620	0.3%
MSRS Correctional	2,134,092	2,123,747	(10,345)	-0.5%
MSRS State Patrol	1,170,196	1,169,810	(386)	0.0%
MSRS Judges	430,526	430,526	0	0.0%
MSRS Legislators	158,755	158,755	0	0.0%
PERA General	33,092,665	33,193,630	100,965	0.3%
PERA Correctional	1,112,405	1,062,645	(49,760)	-4.5%
PERA Police & Fire	12,765,798	12,696,778	(69,020)	-0.5%
SPTRFA	1,891,617	1,901,416	9,799	0.5%
TRA	35,008,293	35,003,358	(4,935)	0.0%

Combined Service Annuity Study

Recommendations:

- Systems adopt updated CSA loads
- Update CSA study every 4 years so there are more gradual changes in the factors
- Consider whether future benefit adjustments or assumption changes could substantially affect the CSA loads

Amortization Workgroup

- Last year, VIA testified to LCPR on actuarial best practices for amortizing unfunded liabilities
 - Amortization period: how long to pay down unfunded liabilities
 - Amortization type
 - Single amortization amount with fixed end period
 - “Layered” amortizations where each year’s liability changes have their own payment schedule
- VIA participated in workgroup meetings by providing input and presenting on different amortization methods and current actuarial best practices

This presentation has been prepared to provide the Minnesota Legislative Commission on Pensions and Retirement (LCPR) with an overview of certain actuarial topics. This presentation has been prepared solely for the LCPR for the purposes described above. This report may not be used for any other purpose, and VIA Actuarial Solutions is not responsible for the consequences of any unauthorized use. Its contents may not be modified, incorporated into, or used in other material, or otherwise provided, in whole or in part, to any other person or entity, without the LCPR's permission and without guidance from a qualified actuarial professional.

The preparing actuaries, Mark Schulte FSA EA MAAA and Emily Knutson FSA EA MAAA, are Members of the American Academy of Actuaries and meet the Qualification Standards of the Academy to render the actuarial opinions contained herein. We are available to answer questions on the material contained in the presentation or to provide explanations or further detail, as may be appropriate. We are not aware of any material direct or indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of our work.

L/D/C/R: 4/mws/emk