

SF 2620 (Rosen): 2018 Omnibus Pension and Retirement Bill

Presentation to the Senate E-12 Finance Committee

March 19, 2018

- 1. Benefit Reforms (impacts only members who leave employment before normal retirement age)**
 - *Augmentation (COLA on benefits of former employees) eliminated prospectively.*
 - *Early retirement benefit changed to no longer add-back augmentation into the reduction factors; phased-in over 5-years.*
 - *Rate of interest on refunds of employee contributions reduced from 4% to 3%.*

- 2. COLA Changes (impacts retirees)**
 - *COLA percentage reduced or frozen (MSRS General, MSRS Correctional, TRA, St. Paul Teachers).*
 - *St. Paul Teachers: No COLA increase for 2 years, then 1% thereafter*
 - *TRA: Lowers COLA from 2% to 1% for 5 years, rate increases 0.1% each year until reaching 1.5%*
 - *New method for determining COLA by tying it to the federal SSA COLA (PERA General, PERA Correctional).*
 - *Start of COLAs postponed until normal retirement age, effective in 2024 (MSRS General, PERA General, TRA, SPTRFA).*
 - *COLA triggers repealed.*
 - *LCPR COLA study; report due during the 2021 session.*

- 3. Actuarial Assumption Changes**
 - *Reduction of investment Rate of Return to 7.5% (from 8.5% for TRA; 8% for all others).*
 - *Amortization period re-set to 30 years.*

- 4. Direct State Aid (see page 2)**

- 5. Contribution Increases (see page 2); “contribution stabilizer” provisions repealed.**

- 6. Additional E-12 Education Funding**
 - *Pension adjustment revenue amended to add funding for increases to employer contributions to TRA and SPTRFA.*

- 7. Appropriations (see pages 3 to 4)**

- 8. Individuals and Small Groups**
 - *Two St. Cloud State University employees*
 - *One Winona State University employee*
 - *Two Mesabi Range Community and Technical College employees*
 - *One Duluth Township employee*
 - *A group of Department of Transportation employees*

- 9. Non-Substantive Miscellaneous and Technical Changes**

Direct State Aid \$ Millions (ONGOING)						
	FY19	FY18-19	FY20	FY21	FY20-21	FY 22
PERA P&F Plan	\$4.5	\$4.5	\$4.5	\$9	\$13.5	\$9
SPTRFA	\$5	\$5	\$5	\$5	\$10	\$5

MSRS	General Plan Contribution Increases						Unclassified Plan	
	Employee			Employer			Employer	
	FY19	FY20	TOTAL	FY19	FY20	TOTAL	FY20	TOTAL
% Increase	0.25%	0.25%	0.5%	0.375%	0.375%	0.75%	0.25%	0.25%
% of Pay	5.75%	6%		5.875%	6.25%		6.25%	

MSRS Correctional Plan Contribution Increases								
	Employee			Employer				
	FY19	FY20	TOTAL	FY19	FY20	FY21	FY22	TOTAL
% Increase:								
Regular Contrib.	0.5%	-	0.5%	1.55%	-	-	-	1.55%
Supplemental Contrib.	NA	NA		-	1.45%	1.5%	1.5%	4.45%*
% of Pay	9.6%	9.6%		14.4%	15.85%	17.35%	18.85%	

* The 4.45% annual supplemental contribution remains in effect until the plan is 100% funded.

MSRS State Patrol Plan Contribution Increases								
	Employee			Employer				
	FY19	FY20	TOTAL	FY19	FY20	FY21	FY22	TOTAL
% Increase:								
Regular Contrib.	0.5%	0.5%	1%	0.75%	0.75%	-	-	1.5%
Supplemental Contrib.	NA	NA		1.75%	1.25%	2%	2%	7%*
% of Pay	14.9%	15.4%	15.4%	24.1%	26.1%	28.1%	30.1%	

* The 7% annual supplemental contribution remains in effect until the plan is 100% funded.

PERA Police & Fire Plan Contribution Increases						
	Employee			Employer		
	2019	2020	TOTAL	2019	2020	TOTAL
% Increase	0.5%	0.5%	1%	0.75%	0.75%	1.5%
% of Pay	11.3%	11.8%		16.95%	17.7%	

TRA Contribution Increases									
	Employee		Employer						
	FY24	TOTAL	FY19	FY20	FY21	FY22	FY23	FY24	TOTAL
% Increase	0.25%	0.25%	0.21%	0.21%	0.21%	0.21%	0.21%	0.2%	1.25%
% of Pay	7.75%		7.71%	7.92%	8.13%	8.34%	8.55%	8.75%	

SPTRFA Contribution Increases									
	Employee		Employer						
	FY23	TOTAL	FY19	FY20	FY21	FY22	FY23	FY24	TOTAL
% Increase	0.25%	0.25%	0.835%	0.835%	0.21%	0.21%	0.21%	0.2%	2.5%
% of Pay	7.75%		7.335%	8.17%	8.38%	8.59%	8.8%	9%	

Summary of Appropriations

Senate
CRFA
ELNauman

SF 2620, Omnibus Pension Bill
 Appropriation Tracking (REVISED)
 As Approved by the Legislative Commission on Pensions and Retirement
 2018 Session
 Dollars in 000s

Line	Type	Item	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
1								
2		<u>General Fund Appropriations</u>						
3								
4		Net MSRS Employer Contributions (Approp + FFP)	0	6,920	6,920	13,635	17,432	31,067
5				0				
6		MSRS General	0	3,021	3,021	6,042	6,042	12,084
7		MSRS State Patrol	0	312	312	562	812	1,375
8		MSRS Corrections	0	3,809	3,809	7,372	11,058	18,429
9		MSRS Unclassified	0	0	0	95	95	190
12		MSRS, Appropriation	0	7,142	7,142	14,071	18,007	32,078
13								
14		MSRS General, DHS FFP, Central Office	0	(223)	(223)	(436)	(575)	(1,011)
15								
16								
17		TRA Employer Contributions	0	32	32	64	97	161
18								
20		TRA, Dept of Education	0	20	20	40	60	100
21		TRA, MN State Academies	0	7	7	14	20	34
22		TRA, Perpich Center for Arts	0	6	6	11	17	28
23								
24								
25		Direct Aid	0	9,500	9,500	9,500	14,000	23,500
26								
27		Saint Paul Teacher Ret Fund Assn	0	5,000	5,000	5,000	5,000	10,000
29		PERA Police and Fire	0	4,500	4,500	4,500	9,000	13,500
30								
31								
32		General Education Pension Adjustment	0	10,863	10,863	23,818	35,365	59,183
33								
34		TRA	0	8,797	8,797	19,289	29,965	49,254
35		Saint Paul Teachers	0	2,066	2,066	4,529	5,400	9,929
36								
37								
38		<u>General Fund Revenues</u>						
39								
40		<u>MSRS General Fund Revenues</u>	0	132	132	258	340	597
41								
42		MSRS General, DHS Offset, DCT	0	31	31	63	60	123
43		MSRS Corrections, DHS Offset, DCT	0	100	100	195	280	474
44								
45		Total General Fund, SF2620	0	27,183	27,183	46,760	66,554	113,314

Line	Type	Item	FY 2018	FY 2019	FY 2018-19	FY 2020	FY 2021	FY 2020-21
46								
47								
48		<u>Nongeneral Funds Appropriations</u>						
49								
50		MSRS Employer Contributions	0	6,568	6,568	12,873	14,352	27,225
51								
52		MSRS General	0	4,759	4,759	9,518	9,518	19,036
53		MSRS State Patrol	0	1,617	1,617	2,910	4,203	7,113
54		MSRS Corrections	0	193	193	373	559	932
55		MSRS Unclassified	0	0	0	72	72	144
56								
57								
58								
59		Grand Total, All Funds *	0	33,751	33,751	59,633	80,906	140,539

*Note: Planning estimates for FY 2022-25 will increase in accord with the increased employer contributions in SF 2620.

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Retirement Plan Finding Ratios and Contribution Deficiencies

Retirement plan	Funded Ratio	Contribution Deficiency
MSRS General	81.5%	(4.3%)
PERA General	76%	(2.7%)
TRA	70.1%	(7.14%)
St. Paul Teachers	60%	(4.4%)
MSRS Correctional	68.1%	(10.0%)
PERA Correctional	87%	(4.1%)
MSRS State Patrol	75.7%	(8.3%)
PERA Police & Fire	86%	(1.0%)
MSRS Judges	50.9%	(4.7%)

Notes:

- Based on market value of assets
- Assumes an investment rate of return of 7.5%
- Uses current statutory amortization period (varies from plan to plan)