

Minnesota State Retirement System

Legislators Retirement Fund

Actuarial Valuation Report as of July 1, 2018



December 5, 2018

Minnesota State Retirement System
Legislators Retirement Fund
St. Paul, Minnesota

Dear Board of Directors:

The results of the July 1, 2018 annual actuarial valuation of the Legislators Retirement Fund are presented in this report. This report was prepared at the request of the Board and is intended for use by the Board and staff and those designated or approved by the Board. This report may be provided to parties other than the Fund only in its entirety. GRS is not responsible for the consequences of any unauthorized use of this report by parties other than the intended users described above.

The purpose of the valuation is to measure the Fund's funding progress and to determine the required contribution rate for the fiscal year beginning July 1, 2018 according to prescribed assumptions. Note that we have not attempted to quantify the impact of GASB Statements No. 67 and No. 68 in this report.

Actuarial assumptions, including discount rates, mortality tables and others identified in this report, are prescribed by Minnesota Statutes Section 356.215, the Legislative Commission on Pensions and Retirement (LCPR), and the Board of Directors. These parties are responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in the Actuarial Basis Section of this report. MSRS is solely responsible for communicating to GRS any changes required thereto.

The valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in the Actuarial Basis of this report. This report does not include a robust assessment of the risks of future experience differing materially from the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment. We encourage a review and assessment of investment and other significant risks that may have a material effect on the plan's financial condition.

The findings in this report are based on data and other information through June 30, 2018. The valuation was based upon information furnished by the Minnesota State Retirement System (MSRS), concerning benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by MSRS.

The Required Contribution rate shown on page 1 may be considered as a minimum contribution rate that complies with Minnesota Statutes and the requirements of the Standards for Actuarial Work published by the LCPR. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

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 our assignment, we did not perform an analysis of the potential range of such future measurements.

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 in a manner other than the intended purpose may produce significantly different results.

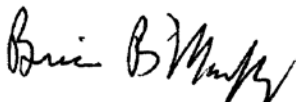
The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Brian B. Murphy and Bonita J. Wurst 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. In addition, Mr. Murphy meets the requirements of "approved actuary" under Minnesota Statutes Section 356.215, Subdivision 1, Paragraph (c).

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge and belief the information contained in this report is accurate and presents the actuarial position of the Legislators Retirement Fund as of the valuation date according to prescribed assumptions, and was performed in accordance with the requirements of Minnesota Statutes Section 356.215, and the requirements of the Standards for Actuarial Work established by the LCPR. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

We are available to answer any questions or provide further details.

Respectfully submitted,



Brian B. Murphy, FSA, EA, FCA, MAAA



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

BBM/BJW:sc



Other Observations

General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's pay-as-you-go contribution policy, if there are no changes in benefits or contributions and all actuarial assumptions are met (including the statutory assumption of the plan earning 0.00%), it is expected that:

- (1) The funded status of the plan will remain at 0%, and
- (2) The fund will be completely dependent upon current contributions to pay benefits.

Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the market value of assets. Unless otherwise indicated, with regard to any funded status measurements presented in this report:

- (1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, in other words, of transferring the obligations to an unrelated third party in an arm's length market value type transaction.
- (2) The measurement is dependent upon the actuarial cost method which, in combination with the plan's amortization policy, affects the timing and amounts of future contributions. The amounts of future contributions will most certainly differ from those assumed in this report due to future actual experience differing from assumed experience based upon the actuarial assumptions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. If the funded status were 100%, the plan would still require future normal cost contributions (i.e., contributions to cover the cost of the active membership accruing an additional year of service credit).

Limitations of Project Scope

Actuarial standards do not require the actuary to evaluate the ability of the plan sponsor or other contributing entity to make required contributions to the plan when due. Such an evaluation was not within the scope of this project and is not within the actuary's domain of expertise. Consequently, the actuary performed no such evaluation.



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Summary of Valuation Results

Contributions

The following table summarizes important contribution information as described in the Development of Costs section.

| Total Contributions (dollars in thousands) | Actuarial Valuation as of | |
|---|----------------------------------|---------------------|
| | July 1, 2018 | July 1, 2017 |
| Statutory Contributions* - Chapter 3A | \$ 93 | \$ 73 |
| Required Contributions - Chapter 356 | \$ 28,007 | \$ 26,518 |
| Sufficiency / (Deficiency) | \$ (27,914) | \$ (26,445) |

* Active member contributions from the Legislators Retirement Plan are equal to 9% of payroll.

This plan has been closed to new members since July 1, 1997.

The Minnesota Statutes Chapter 356 Required Contribution shown above represents the estimated annual contribution amount that would be needed for this plan to attain 100% funding by July 1, 2026, based upon the prescribed assumptions. The Required Contribution includes not only the expected benefit payments for the year, but also amounts intended to pre-fund future benefit payments. Actual contributions have been less than the Required Contribution amount since 1999. The funding target identified by Chapter 356 will not be met given the history of actual contributions made to the Fund.

This plan is currently funded on a pay-as-you-go basis by annual appropriations from the state's General Fund. For the fiscal year ending June 30, 2018, total contributions were \$8.9 million and total benefit payments were \$8.9 million. The ability of the fund to pay benefits in the future is critically dependent upon timely receipt of the contributions from the State's General Fund. The actuary cannot judge the probability that such payments will, in fact, be made. See page 5 for the expected benefit payments based on current data methods and assumptions.

Summary of Valuation Results

The ratio of retiree liabilities to total accrued liabilities gives an indication of the maturity of the System. As the ratio increases, cash flow needs increase, and the liquidity needs of the portfolio changes. A ratio on the order of 50% indicates a maturing system. The ratio of retiree liabilities to total accrued liabilities as of July 1, 2018 is 73.5%, down from 75.7% in the prior year.

Participant reconciliation and statistics are detailed in the *Membership Data* section. The *Actuarial Basis* section includes a summary of plan provisions and actuarial methods and assumptions used for the calculations in this report.

Accounting information prepared according to GASB Statements No. 67 and No. 68 has been provided in a separate report dated November 30, 2018.

Summary of Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in plan provisions, actuarial assumptions or valuation methods and procedures between the two valuations are described after the summary.

| | Actuarial Valuation as of | |
|---|---------------------------|--------------|
| | July 1, 2018 | July 1, 2017 |
| Assumptions | | |
| - Pre-retirement discount rate | 0.0% | 0.0% |
| - Post-retirement discount rate | 0.0% | 0.0% |
| | | |
| Contributions (dollars in thousands) | | |
| Statutory - Chapter 3A | \$ 93 * | \$ 73 |
| Required - Chapter 356 | \$ 28,007 ** | \$ 26,518 |
| Sufficiency / (Deficiency) | \$ (27,914) ** | \$ (26,445) |
| | | |
| Funding Ratios (dollars in thousands) | | |
| Accrued Liability Funding Ratio | | |
| - Current assets (AVA) | \$ - | \$ - |
| - Actuarial accrued liability | \$ 213,008 | \$ 227,700 |
| - Funding ratio | 0.00% | 0.00% |
| Projected Benefit Funding Ratio | | |
| - Current and expected future assets | \$ 367 | \$ 340 |
| - Current and expected future benefit obligations | \$ 217,080 | \$ 231,907 |
| - Projected benefit funding ratio | 0.17% | 0.15% |
| | | |
| Participant Data | | |
| Active Members | | |
| - Number | 19 | 19 |
| - Annual valuation earnings (000s) | 981 | 776 |
| - Projected annual earnings (000s) | 1,031 | 814 |
| - Average projected annual earnings | 54,263 | 42,842 |
| - Average age | 69.0 | 68.0 |
| - Average service | 30.0 | 29.0 |
| Service Retirements | 293 | 301 |
| Survivors | 79 | 74 |
| Disability Retirements | 0 | 0 |
| Deferred Retirements | 39 | 44 |
| Terminated other Non-Vested | 0 | 0 |
| Total | 430 | 438 |

* Active member contributions from the Legislators Retirement Plan are equal to 9% of payroll.

** Expected benefit payments for the fiscal year ending June 30, 2018 are \$9,236. The total contribution (employer plus active member) will need to be approximately this amount. The Required Contribution also includes amounts intended to pre-fund future benefit payments.

Summary of Valuation Results

Effects of Changes

The following changes in plan provisions, actuarial assumptions, and methods were recognized as of July 1, 2018:

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00% for future accruing benefits, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.0% per year, increasing to 2.5% per year upon achieving a 90% funding ratio to a fixed rate of 1.0% for five years (beginning January 1, 2019) and 1.5% per year thereafter.
- Assumed rate of inflation was decreased from 2.75% to 2.50%.

Refer to the Actuarial Basis section of this report for a complete description of these changes.

The combined impact of the above changes was to decrease the unfunded actuarial accrued liability by \$18.1 million and decrease the required contribution by \$2.4 million, as follows:

| | (000s) | |
|------------------------------------|-------------------|-------------------------------------|
| | Before Changes | Reflecting Assumption Changes |
| Normal Cost | \$ 1,496 | \$ 1,334 |
| Amortization of UAAL* | \$ 28,891 | \$ 26,626 |
| Expenses | \$ 47 | \$ 47 |
| Total Required Contribution | \$ 30,434 | \$ 28,007 |
| Accrued Liability Funding Ratio | 0.0% | 0.0% |
| Projected Benefit Funding Ratio | 0.2% | 0.2% |
| UAAL* | \$231,125 | \$ 213,008 |

* Unfunded Actuarial Accrued Liability.

Summary of Valuation Results

Undiscounted Cash Flows

| <u>Fiscal Year</u> <u>Ending</u> | <u>Projected Benefit</u> <u>Payments</u> | <u>Fiscal Year</u> <u>Ending</u> | <u>Projected Benefit</u> <u>Payments</u> |
|-------------------------------------|---|-------------------------------------|---|
| 2019 | \$ 9,236,000 | 2069 | \$ 71,000 |
| 2020 | 9,430,000 | 2070 | 53,000 |
| 2021 | 9,576,000 | 2071 | 39,000 |
| 2022 | 9,529,000 | 2072 | 29,000 |
| 2023 | 9,422,000 | 2073 | 20,000 |
| 2024 | 9,282,000 | 2074 | 14,000 |
| 2025 | 9,253,000 | 2075 | 10,000 |
| 2026 | 9,042,000 | 2076 | 7,000 |
| 2027 | 8,863,000 | 2077 | 4,000 |
| 2028 | 8,623,000 | 2078 | 3,000 |
| 2029 | 8,361,000 | 2079 | 2,000 |
| 2030 | 8,077,000 | 2080 | 1,000 |
| 2031 | 7,781,000 | 2081 | 1,000 |
| 2032 | 7,499,000 | 2082 | - |
| 2033 | 7,182,000 | 2083 | - |
| 2034 | 6,858,000 | 2084 | - |
| 2035 | 6,530,000 | 2085 | - |
| 2036 | 6,200,000 | 2086 | - |
| 2037 | 5,869,000 | 2087 | - |
| 2038 | 5,537,000 | 2088 | - |
| 2039 | 5,205,000 | 2089 | - |
| 2040 | 4,875,000 | 2090 | - |
| 2041 | 4,549,000 | 2091 | - |
| 2042 | 4,227,000 | 2092 | - |
| 2043 | 3,913,000 | 2093 | - |
| 2044 | 3,606,000 | 2094 | - |
| 2045 | 3,309,000 | 2095 | - |
| 2046 | 3,023,000 | 2096 | - |
| 2047 | 2,749,000 | 2097 | - |
| 2048 | 2,488,000 | 2098 | - |
| 2049 | 2,241,000 | 2099 | - |
| 2050 | 2,008,000 | 2100 | - |
| 2051 | 1,791,000 | 2101 | - |
| 2052 | 1,589,000 | 2102 | - |
| 2053 | 1,403,000 | 2103 | - |
| 2054 | 1,233,000 | 2104 | - |
| 2055 | 1,077,000 | 2105 | - |
| 2056 | 936,000 | 2106 | - |
| 2057 | 809,000 | 2107 | - |
| 2058 | 695,000 | 2108 | - |
| 2059 | 593,000 | 2109 | - |
| 2060 | 502,000 | 2110 | - |
| 2061 | 422,000 | 2111 | - |
| 2062 | 351,000 | 2112 | - |
| 2063 | 290,000 | 2113 | - |
| 2064 | 236,000 | 2114 | - |
| 2065 | 191,000 | 2115 | - |
| 2066 | 152,000 | 2116 | - |
| 2067 | 120,000 | 2117 | - |
| 2068 | 93,000 | 2118 | - |
| Total for all years: | | \$ 217,080,000 | |

Supplemental Information

The remainder of the report includes information supporting the results presented in the previous sections.

- **Plan assets** presents information about the plan's assets as reported by the Minnesota State Retirement System. The assets represent the portion of total fund liabilities that has been funded.
- **Membership data** presents and describes the membership data used in the valuation.
- **Development of costs** shows the liabilities for plan benefits and the derivation of the contribution amount.
- **Actuarial basis** describes the plan provisions, as well as the methods and assumptions used to value the plan. The valuation is based on the premise that the plan is ongoing.
- **Additional schedules** includes a summary of funding progress over the long term.
- **Glossary** defines the terms used in this report.

Plan Assets

Statement of Fiduciary Net Position (Dollars in Thousands)

| Assets | Market Value | |
|---|---------------|---------------|
| | June 30, 2018 | June 30, 2017 |
| Cash, equivalents, short term securities | \$ 235 | \$ 259 |
| Fixed income | - | - |
| Equity | - | - |
| Other | - | - |
| Total cash, investments, and other assets | \$ 235 | \$ 259 |
| Amounts Receivable | - | - |
| Total Assets | \$ 235 | \$ 259 |
| Amounts Payable | (235) | (259) |
| Net Position Restricted for Pensions | \$ - | \$ - |
| Adjustment to Zero | \$ - | \$ - |
| Adjusted Net Pension Restricted for Pensions | \$ - | \$ - |

Plan Assets

Reconciliation of Plan Assets (Dollars in Thousands)

The following exhibit shows the revenue, expenses and resulting assets of the Fund as reported by the Minnesota State Retirement System for the prior two fiscal years.

| Change in Assets Year Ending | Market Value | |
|---|-------------------|-------------------|
| | June 30, 2018 | June 30, 2017 |
| 1. Fund balance at market value at beginning of year | \$ - | \$ (41) |
| 2. Contributions | | |
| a. Member | 93 | 80 |
| b. Employer | - | - |
| c. Other sources (annual appropriations from state's General Fund) | 8,856 | 8,716 |
| d. Total contributions | \$ 8,949 | \$ 8,796 |
| 3. Investment income | | |
| a. Investment income/(loss) | - | - |
| b. Investment expenses | - | - |
| c. Net investment income/(loss) | \$ - | \$ - |
| 4. Other | - | - |
| 5. Total income: (2.d.) + (3.c.) + (4.) | \$ 8,949 | \$ 8,796 |
| 6. Benefits paid | | |
| a. Annuity benefits | \$ (8,912) | \$ (8,716) |
| b. Refunds | - | - |
| c. Total benefits paid | \$ (8,912) | \$ (8,716) |
| 7. Expenses | | |
| a. Other | \$ - | \$ - |
| b. Administrative | (37) | (39) |
| c. Total expenses | \$ (37) | \$ (39) |
| 8. Total disbursements: (6.c.) + (7.c.) | \$ (8,949) | \$ (8,755) |
| 9. Fund balance at market value at end of year: (1.) + (5.) + (8.) | \$ - | \$ - |
| 10. State Board of Investment calculated investment return | N/A | N/A |

Actuarial Asset Value

The Actuarial Value of Assets (AVA) is equal to the Market Value of Assets (consistent with valuations since July 1, 2000).

Membership Data

Distribution of Active Members

| Age | Years of Service as of June 30, 2018 | | | | | | | | | Total |
|----------------------|--------------------------------------|-------|-------|---------|---------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <3* | 3 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 - 34 | 35+ | |
| < 25 | | | | | | | | | | |
| Avg. Earnings | | | | | | | | | | |
| 25 - 29 | | | | | | | | | | |
| Avg. Earnings | | | | | | | | | | |
| 30 - 34 | | | | | | | | | | |
| Avg. Earnings | | | | | | | | | | |
| 35 - 39 | | | | | | | | | | |
| Avg. Earnings | | | | | | | | | | |
| 40 - 44 | | | | | | | | | | |
| Avg. Earnings | | | | | | | | | | |
| 45 - 49 | | | | | | | | | | |
| Avg. Earnings | | | | | | | | | | |
| 50 - 54 | | | | | | 1 | | | | 1 |
| Avg. Earnings | | | | | | \$49,334 | | | | \$49,334 |
| 55 - 59 | | | | | | | | | | |
| Avg. Earnings | | | | | | | | | | |
| 60 - 64 | | | | | | 1 | 3 | 1 | | 5 |
| Avg. Earnings | | | | | | \$53,684 | \$51,987 | \$52,045 | | \$52,338 |
| 65 - 69 | | | | | | 2 | | 2 | 1 | 5 |
| Avg. Earnings | | | | | | \$53,826 | | \$52,334 | \$53,084 | \$53,081 |
| 70+ | | | | | | 2 | 1 | 2 | 3 | 8 |
| Avg. Earnings | | | | | | \$51,270 | \$51,270 | \$48,913 | \$51,138 | \$50,631 |
| Total | | | | | | 6 | 4 | 5 | 4 | 19 |
| Avg. Earnings | | | | | | \$52,202 | \$51,808 | \$50,908 | \$51,625 | \$51,657 |

* This exhibit does not reflect service earned in other MSRS Plans or Combined Service Annuity benefits. It should not be relied upon as an indicator of non-vested status.

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.

Membership Data

Distribution of Service Retirements

| Age | Years Retired as of June 30, 2018 | | | | | | | Total |
|---------------------|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <1 | 1 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25+ | |
| <50 | | | | | | | | |
| Avg. Benefit | | | | | | | | |
| 50 - 54 | | | | | | | | |
| Avg. Benefit | | | | | | | | |
| 55 - 59 | | 1 | | | | | | 1 |
| Avg. Benefit | | \$ 12,664 | | | | | | \$ 12,664 |
| 60 - 64 | 1 | 5 | 1 | | | | | 7 |
| Avg. Benefit | \$ 21,023 | \$ 29,463 | \$ 14,460 | | | | | \$ 26,114 |
| 65 - 69 | 2 | 19 | 19 | 4 | | | | 44 |
| Avg. Benefit | \$ 35,712 | \$ 23,833 | \$ 30,055 | \$ 18,780 | | | | \$ 26,601 |
| 70 - 74 | 2 | 4 | 23 | 16 | 12 | | | 57 |
| Avg. Benefit | \$ 55,359 | \$ 30,363 | \$ 20,387 | \$ 22,583 | \$ 16,212 | | | \$ 22,052 |
| 75 - 79 | | 1 | 11 | 24 | 29 | 1 | | 66 |
| Avg. Benefit | | \$ 25,505 | \$ 26,289 | \$ 16,033 | \$ 20,178 | \$ 19,903 | | \$ 19,766 |
| 80 - 84 | | 2 | 5 | 7 | 15 | 20 | | 49 |
| Avg. Benefit | | \$ 39,269 | \$ 30,982 | \$ 20,853 | \$ 33,076 | \$ 27,335 | | \$ 29,026 |
| 85 - 89 | | | 2 | 2 | 10 | 16 | 16 | 46 |
| Avg. Benefit | | | \$ 24,321 | \$ 27,183 | \$ 31,584 | \$ 24,348 | \$ 22,591 | \$ 25,432 |
| 90+ | | | 1 | 1 | | 4 | 17 | 23 |
| Avg. Benefit | | | \$ 30,556 | \$ 34,311 | | \$ 29,583 | \$ 23,694 | \$ 25,478 |
| Total | 5 | 32 | 62 | 54 | 66 | 41 | 33 | 293 |
| Avg. Benefit | \$ 40,633 | \$ 26,197 | \$ 25,447 | \$ 19,553 | \$ 24,117 | \$ 26,207 | \$ 23,159 | \$ 24,251 |

In each cell, the top number is the count of retired participants for the age/years retired combination and the bottom number is the average annual benefit amount.

Membership Data

Distribution of Survivors

| Age | Years Since Death as of June 30, 2018 | | | | | | | Total |
|---------------------|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <1 | 1 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25+ | |
| <45 | | | | | | | | |
| Avg. Benefit | | | | | | | | |
| 45 - 49 | | | | | | | | |
| Avg. Benefit | | | | | | | | |
| 50 - 54 | | | | | | | | |
| Avg. Benefit | | | | | | | | |
| 55 - 59 | | | 1 | | | | | 1 |
| Avg. Benefit | | | \$ 6,957 | | | | | \$ 6,957 |
| 60 - 64 | | | | 1 | | | | 1 |
| Avg. Benefit | | | | \$ 14,027 | | | | \$ 14,027 |
| 65 - 69 | 2 | 2 | | | | | | 4 |
| Avg. Benefit | \$ 19,141 | \$ 11,007 | | | | | | \$ 15,074 |
| 70 - 74 | | 4 | 2 | 1 | 2 | | | 9 |
| Avg. Benefit | | \$ 29,689 | \$ 39,852 | \$ 20,934 | \$ 26,297 | | | \$ 30,221 |
| 75 - 79 | | 3 | 4 | 1 | | 1 | 2 | 11 |
| Avg. Benefit | | \$ 28,650 | \$ 13,770 | \$ 6,440 | | \$ 12,564 | \$ 36,714 | \$ 21,224 |
| 80 - 84 | 5 | 3 | 4 | 2 | | | 1 | 15 |
| Avg. Benefit | \$ 31,799 | \$ 14,597 | \$ 25,356 | \$ 17,001 | | | \$ 14,887 | \$ 23,540 |
| 85 - 89 | 1 | 5 | 6 | | 2 | 3 | 2 | 19 |
| Avg. Benefit | \$ 28,898 | \$ 20,767 | \$ 20,995 | | \$ 41,429 | \$ 42,535 | \$ 15,780 | \$ 26,354 |
| 90+ | 1 | 4 | 4 | 2 | 1 | 5 | 2 | 19 |
| Avg. Benefit | \$ 20,928 | \$ 16,729 | \$ 8,996 | \$ 18,895 | \$ 4,369 | \$ 15,563 | \$ 6,202 | \$ 13,485 |
| Total | 9 | 21 | 21 | 7 | 5 | 9 | 7 | 79 |
| Avg. Benefit | \$ 27,456 | \$ 21,013 | \$ 19,292 | \$ 16,170 | \$ 27,964 | \$ 24,220 | \$ 18,897 | \$ 21,478 |

In each cell, the top number is the count of survivors for the age/years since death combination and the bottom number is the average annual benefit amount.

Membership Data

Reconciliation of Members

| | Terminated | | | Recipients | | | Total |
|-----------------------------|------------|---------------------|------------------|--------------------|-----------------------|-----------|------------|
| | Actives | Deferred Retirement | Other Non-Vested | Service Retirement | Disability Retirement | Survivor | |
| Members on 7/1/2017 | 19 | 44 | 0 | 301 | 0 | 74 | 438 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Return to active | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Terminated non-vested | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Service retirements | 0 | (5) | 0 | 5 | 0 | 0 | 0 |
| Terminated deferred | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Terminated refund/transfer | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deaths | 0 | 0 | 0 | (13) | 0 | (3) | (16) |
| New beneficiary | 0 | 0 | 0 | 0 | 0 | 8 | 8 |
| Disabled | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unexpected status changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net change | 0 | (5) | 0 | (8) | 0 | 5 | (8) |
| Members on 6/30/2018 | 19 | 39 | 0 | 293 | 0 | 79 | 430 |

| Terminated Member Statistics on June 30, 2018 | Deferred Retirement | Other Non-Vested | Total |
|--|---------------------|------------------|----------|
| | Number | 39 | 0 |
| Average age | 60.5 | N/A | 60.5 |
| Average service | 11.1 | N/A | 11.1 |
| Average annual benefit, with augmentation to December 31, 2018 | \$29,478 | N/A | \$29,478 |
| Average refund value | \$75,780 | N/A | \$75,780 |

Development of Costs

Actuarial Valuation Balance Sheet *(Dollars in Thousands)*

The actuarial balance sheet is based on the principle that the long-term projected benefit obligations of the plan should be ideally equal to the long-term resources available to fund those obligations. **A Projected Benefit Funding Ratio less than 100% indicates that contributions are insufficient.** The resources available to meet projected obligations for current members consist of current fund assets plus the present value of anticipated future contributions intended to fund benefits for current members. In the exhibit below, since statutory contributions are less than normal cost, B.2. is equal to the statutory contribution rate, minus expenses, times the present value of future payroll and Item B.1 is zero, as required by the LCPR Standards for Actuarial Work. Future pay-as-you-go contributions are not reflected in this exhibit.

| | | | | June 30, 2018 |
|--|------------|------------|------------|---------------|
| A. Actuarial Value of Assets | | | | \$ - |
| B. Expected Future Assets | | | | |
| 1. Present value of expected future statutory supplemental contributions | | | | - |
| 2. Present value of future normal cost contributions | | | | 367 |
| 3. Total expected future assets: (1.) + (2.) | | | | \$ 367 |
| C. Total Current and Expected Future Assets | | | | \$ 367 |
| D. Current Benefit Obligations* | | | | |
| 1. Benefit recipients | Non-Vested | Vested | Total | |
| a. Service retirements | \$ - | \$ 134,795 | \$ 134,795 | |
| b. Disability retirements | - | - | - | |
| c. Survivors | - | 21,706 | 21,706 | |
| 2. Deferred retirements | - | 39,921 | 39,921 | |
| 3. Former members without vested rights | - | - | - | |
| 4. Active members | - | 18,487 | 18,487 | |
| 5. Total Current Benefit Obligations | \$ - | \$ 214,909 | \$ 214,909 | |
| E. Expected Future Benefit Obligations | | | | \$ 2,171 |
| F. Total Current and Expected Future Benefit Obligations** | | | | \$ 217,080 |
| G. Unfunded Current Benefit Obligations: (D.5.) - (A.) | | | | \$ 214,909 |
| H. Unfunded Current and Future Benefit Obligations: (F.) - (C.) | | | | \$ 216,713 |
| I. Accrued Benefit Funding Ratio: (A.)/(D.5.) | | | | 0.00% |
| J. Projected Benefit Funding Ratio: (C.)/(F.) | | | | 0.17% |

* Present value of credited projected benefits (projected compensation, current service).

** Present value of projected benefits (projected compensation, projected service).

Development of Costs

Determination of Unfunded Actuarial Accrued Liability and Supplemental Contribution Rate *(Dollars in Thousands)*

| | Actuarial Present Value of Projected Benefits | Actuarial Present Value of Future Normal Costs | Actuarial Accrued Liability |
|--|---|--|--------------------------------|
| A. Determination of Actuarial Accrued Liability (AAL) | | | |
| 1. Active members | | | |
| a. Retirement annuities | \$ 20,346 | \$ 3,882 | \$ 16,464 |
| b. Disability benefits | - | - | - |
| c. Survivor's benefits | 312 | 91 | 221 |
| d. Deferred retirements | - | 87 | (87) |
| e. Refunds* | - | 12 | (12) |
| f. Total | \$ 20,658 | \$ 4,072 | \$ 16,586 |
| 2. Deferred retirements | 39,921 | - | 39,921 |
| 3. Former members without vested rights | - | - | - |
| 4. Benefit recipients | 156,501 | - | 156,501 |
| 5. Total | \$ 217,080 | \$ 4,072 | \$ 213,008 |
| B. Determination of Unfunded Actuarial Accrued Liability (UAAL) | | | |
| 1. Actuarial accrued liability | | | \$ 213,008 |
| 2. Current assets (AVA) | | | - |
| 3. Unfunded actuarial accrued liability | | | \$ 213,008 |
| C. Determination of Supplemental Contribution Rate | | | |
| 1. Current unfunded actuarial accrued liability to be amortized by June 30, 2026 | | | \$ 213,008 |
| 2. Supplemental contribution amount | | | 26,626 ** |

* Includes non-vested refunds and non-married survivor benefits only.

** The amortization factor as of July 1, 2018 is 8.0000.

Development of Costs

Changes in Unfunded Actuarial Accrued Liability (UAAL) (Dollars in Thousands)

| | Year Ending June 30, 2018 |
|--|------------------------------|
| A. Unfunded actuarial accrued liability at beginning of year | \$ 227,700 |
| B. Changes due to interest requirements and current rate of funding | |
| 1. Normal cost, including expenses | 1,220 |
| 2. Contributions | (8,949) |
| 3. Interest on A., B.1. and B.2. | - |
| 4. Total (B.1. + B.2. + B.3.) | \$ (7,729) |
| C. Expected unfunded actuarial accrued liability at end of year (A. + B.4.) | \$ 219,971 |
| D. Increase (decrease) due to actuarial losses (gains) because of experience deviations from expected | |
| 1. Age and service retirements | (127) |
| 2. Disability retirements | - |
| 3. Death-in-service benefits | 13 |
| 4. Withdrawals | - |
| 5. Salary increases | 1,870 |
| 6. Investment income | - |
| 7. Mortality of annuitants | (325) |
| 8. Other items* | 9,723 |
| 9. Total | \$ 11,154 |
| E. Unfunded actuarial accrued liability at end of year before plan amendments and changes in actuarial assumptions (C. + D.9.) | \$ 231,125 |
| F. Change in unfunded actuarial accrued liability due to changes in plan provisions | (18,117) |
| G. Change in unfunded actuarial accrued liability due to changes in actuarial assumptions | - |
| H. Change in unfunded actuarial accrued liability due to changes in actuarial methods | - |
| I. Unfunded actuarial accrued liability at end of year (E. + F. + G. + H.) | 213,008 |

* Other liability loss reflects MSRS refinements to deferred member data (\$9.2 million).

Development of Costs

Determination of Contribution Sufficiency/(Deficiency)*

The required contribution is defined in Minnesota Statutes as the sum of normal cost, a supplemental contribution to amortize the UAAL, and an allowance for expenses. The dollar amounts shown are for illustrative purposes and equal percent of payroll multiplied by projected annual payroll.

| | <u>Percent of Payroll</u> | <u>Dollar Amount (000s)</u> |
|--|-------------------------------|---------------------------------|
| A. Statutory Contributions - Chapter 3A | | |
| 1. Employee contributions | 9.00% | \$ 93 |
| 2. Employer contributions | 0.00% | - |
| 3. Total | <u>9.00%</u> | <u>\$ 93</u> |
| B. Required Contributions - Chapter 356 | | |
| 1. Normal cost | | |
| a. Retirement benefits | 122.03% | \$ 1,258 |
| b. Disability benefits | 0.00% | - |
| c. Survivors | 3.22% | 33 |
| d. Deferred retirement benefits | 3.56% | 37 |
| e. Refunds | 0.57% | 6 |
| f. Total | <u>129.38%</u> | <u>\$ 1,334</u> |
| 2. Supplemental contribution amortization of Unfunded Actuarial Accrued Liability by June 30, 2026 | | |
| | 2,582.54% | \$ 26,626 |
| 3. Allowance for expenses | | |
| | <u>4.55%</u> | <u>47</u> |
| 4. Total | 2,716.47% * | \$ 28,007 |
| C. Contribution Sufficiency/(Deficiency) (A.3. - B.4.) | (2,707.47%) | \$ (27,914) |

* Plan is funded by annual appropriations from the State's General Fund. Estimated benefit payments of \$9,236 are expected to be paid during the upcoming fiscal year.

Note: Projected annual payroll for fiscal year beginning on the valuation date: \$1,031 (based on methods prescribed in the LCPR Standards for Actuarial Work).

Development of Costs

Elective State Officers Retirement Plan (*Dollars in Thousands*)

The Elective State Officers Retirement Plan was consolidated with the Legislators Retirement Plan on July 1, 2013, per 2013 legislation. These liabilities are included in the Unfunded Actuarial Accrued Liabilities on page 14 of this report.

Year Ending June 30, 2018

| Group | Number | Annual Benefits | Average Age | Actuarial Accrued Liability |
|---------------------|---------------|------------------------|--------------------|------------------------------------|
| Deferred, Vested | 0 | N/A | N/A | \$ - |
| Service Retirements | 8 | \$ 290 | 82.3 | \$ 3,759 |
| Survivors | 4 | \$ 170 | 85.6 | \$ 1,949 |
| Total | 12 | \$ 460 | 83.4 | \$ 5,708 |

Actuarial Basis

Actuarial Methods

All actuarial methods are prescribed by Minnesota Statutes, the Legislative Commission on Pensions and Retirement, or the MSRS Board of Directors. Different methodologies may also be reasonable and results based on other methodologies would be different.

Actuarial Cost Method

Actuarial accrued liability and required contributions in this report are computed using the Entry Age Normal Cost method. This method is prescribed by Minnesota Statute. Under this method, a normal cost is developed by amortizing the actuarial value of benefits expected to be received by each active participant (as a level percentage of pay) over the total working lifetime of that participant, from hire to termination. Age as of the valuation date was calculated based on the dates of birth provided by the Fund. Entry age for valuation purposes was calculated as the age on the valuation date minus the provided years of service on the valuation date.

To the extent that current assets and future normal costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued Liability ("UAAL") develops. The UAAL is amortized over the statutory amortization period using level dollar. The total contribution developed under this method is the sum of normal cost, expenses, and the payment toward the UAAL.

Asset Valuation Method

Market Value (consistent with valuations since July 1, 2000).

Payment on the Unfunded Actuarial Accrued Liability

The unfunded liability is amortized as a level dollar each year to the statutory amortization date of June 30, 2026. If the Unfunded Actuarial Accrued Liability is negative, the surplus amount shall be amortized over 30 years as a level dollar amount. If the unfunded liability increases due to changes in benefits, assumptions, or methods, the statutory amortization date may be extended.

Funding Objective

This plan is primarily funded on a pay-as-you-go basis, offset by active Legislators Retirement Fund member contributions and annual appropriations from the State's General Fund.

Changes in Methods since Prior Valuation

There have been no changes in actuarial methods since the prior valuation.

Actuarial Basis

Summary of Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the plan. All actuarial assumptions are prescribed by Minnesota Statutes, the Legislative Commission on Pensions and Retirement (LCPR), or the MSRS Board of Directors. These parties are responsible for selecting the assumptions used for this valuation. The mortality assumption is based on the State Employees Retirement Fund experience study, dated June 30, 2015. Unless noted otherwise, all other assumptions prescribed are based on the last assumption review, dated January 2012, prepared by a former actuary, and are consistent with the *Alternative Assumptions* used in the 2011 valuation. The Allowance for Combined Service Annuity assumptions are based on an analysis completed by the LCPR actuary and documented in a report dated October 2016.

| | |
|---|---|
| Investment return | 0.00% per annum. |
| Salary increases | 5.00% annually. |
| Inflation | 2.50% annually. |
| Mortality rates | |
| Healthy Pre-retirement | RP-2014 employee generational mortality table projected with mortality improvement Scale MP-2015 from a base year of 2014, white collar adjustment, set forward one year for males and no adjustment for females. |
| Healthy Post-retirement | RP-2014 annuitant generational mortality table projected with mortality improvement Scale MP-2015 from a base year of 2014, white collar adjustment, set forward two years for males and no adjustment for females. |
| Notes | The RP-2014 employee mortality table as published by the Society of Actuaries (SOA) contains mortality rates for ages 18 to 80 and the annuitant mortality table contains mortality rates for ages 50 to 120. We have extended the annuitant mortality table as needed for members younger than age 50 who are receiving a benefit by deriving rates based on the employee table and the juvenile table. Similarly, we have extended the employee table as needed for members older than age 80 by deriving rates based on the annuitant table. |
| Retirement | Members retiring from active status are assumed to retire according to the age related rates shown in the rate table. Members who have attained the highest assumed retirement age are assumed to retire in one year. |
| Withdrawal | Ultimate rates based on actual experience. Rates are shown in rate table. |
| Disability | None. |
| Allowance for combined service annuity | None. |

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

| | |
|--|--|
| Administrative expenses | Prior year administrative expenses expressed as percentage of prior year projected payroll. |
| Refund of contributions | Account balances accumulate interest until normal retirement date and are discounted back to the valuation date. All employees withdrawing after becoming eligible for a deferred benefit are assumed to take the larger of the contributions accumulated with interest or the value of the deferred benefit. |
| Commencement of deferred benefits | Members receiving deferred annuities (including current terminated deferred members) are assumed to begin receiving benefits at age 62. |
| Percentage married | 85% of active members are assumed to be married. Legislators in payment status are assumed to be 100% married for purposes of a death benefit, except if reported with a joint & survivor benefit. 100% of Elective State Officers members are assumed to be eligible for the automatic survivor benefit. |
| Age of spouse | Females are assumed to be three years younger than their spouses, and males are assumed to be three years older than their spouses. |
| Eligible children | Each member may have two dependent children depending on member's age. Assumed first born child born at member's age 28 and second born child at member's age 31. |
| Form of payment | Active married members are assumed to elect 50% joint and survivor annuity. Active single members and deferred members are assumed to elect a life annuity. Unless reported with a joint & survivor option, retired members are assumed to have a spouse that is eligible for the automatic survivor benefit. Deferred Elective State Officers Retirement Fund members are assumed to elect a life annuity with automatic survivor benefits. |
| Eligibility testing | Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur. |
| Decrement operation | Withdrawal decrements do not operate during retirement eligibility. Decrements are assumed to occur mid-fiscal year. |
| Service credit accruals | It is assumed that members accrue one year of service credit per year. |
| Pay increases | Pay increases are assumed to happen at the beginning of the fiscal year. This is equivalent to assuming that reported earnings are pensionable earnings for the year ending on the valuation date. |

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

Unknown data for certain members

To prepare this report, GRS has used and relied on participant data supplied by the Fund. Although GRS has reviewed the data in accordance with Actuarial Standards of Practice No. 23, GRS has not verified or audited any of the data or information provided.

In cases where submitted data was missing or incomplete, the following assumptions, based on average results for applicable members, were applied:

Legislators Retirement PlanData for active members:

There were no members reported with zero or invalid salary.

There were no members reported with missing service.

There were no members reported with missing or invalid gender or birth dates.

Data for terminated members:

Benefits were reported with full augmentation to Normal Retirement Age. Based on direction from MSRS, we adjusted benefits by removing augmentation on a prospective basis beginning January 1, 2019.

There was 1 member reported without a benefit. If available, we calculated benefits for these members using the reported Average Salary and credited service. If Average Salary was also not reported (0 members), we assumed a value of \$30,000. There were no members reported without credited service or a termination date.

There were no members reported with missing or invalid gender or birth dates.

Data for members receiving benefits:

There were no members reported with missing or invalid gender, birth dates or benefits.

There were 285 retired members reported:

- 110 members were reported with the 75% or 100% joint and survivor option. These members were valued as indicated by the option elected.
- 174 members were reported with the life annuity option and 1 member was reported with the 50% joint and survivor option. All of these members were valued as a 50% joint & survivor annuity per MSRS' direction.

Of the 285 retired members, 141 members had an invalid or missing survivor gender and 138 members had a missing or invalid survivor date of birth. We used the valuation assumptions if the survivor gender or date of birth was missing or invalid.

There were no retirees reported with a bounce back annuity and an unreasonable reduction factor.

There were no survivors reported on the data file with an expired benefit.

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

| | |
|---|---|
| Unknown data for certain members – (Concluded) | Elective State Officers Retirement Plan <u>Data for members receiving benefits:</u> There were no members reported with missing or invalid birth dates, genders or benefits. All retired members were reported with a life annuity option. Members were assumed to have a spouse that is eligible for the automatic survivor benefits. Valuation assumptions were used if the survivor gender (5 members) or date of birth (5 members) were missing or invalid. |
| Changes in actuarial assumptions | Assumed rate of inflation was decreased from 2.75% to 2.50%. |

Actuarial Basis

Summary of Actuarial Assumptions (Concluded)

| Age in 2018 | Percent of Members Dying Each Year* | | | |
|----------------|-------------------------------------|----------------------------|-----------------------------|----------------------------|
| | Healthy | | Healthy | |
| | Post-Retirement Mortality** | Pre-Retirement Mortality** | Post-Retirement Mortality** | Pre-Retirement Mortality** |
| | Male | Female | Male | Female |
| 20 | 0.03% | 0.01% | 0.03% | 0.01% |
| 25 | 0.04 | 0.02 | 0.03 | 0.01 |
| 30 | 0.06 | 0.05 | 0.03 | 0.02 |
| 35 | 0.09 | 0.08 | 0.04 | 0.02 |
| 40 | 0.13 | 0.11 | 0.04 | 0.03 |
| 45 | 0.20 | 0.15 | 0.07 | 0.05 |
| 50 | 0.29 | 0.19 | 0.12 | 0.09 |
| 55 | 0.41 | 0.27 | 0.20 | 0.14 |
| 60 | 0.58 | 0.38 | 0.36 | 0.20 |
| 65 | 0.88 | 0.62 | 0.63 | 0.30 |
| 70 | 1.45 | 0.99 | 1.09 | 0.51 |
| 75 | 2.50 | 1.65 | 1.92 | 0.89 |
| 80 | 4.47 | 2.89 | 3.48 | 1.57 |
| 85 | 8.29 | 5.21 | 7.29 | 4.12 |
| 90 | 14.99 | 9.53 | 13.53 | 9.22 |

* Generally, mortality rates are expected to increase as age increases. These standard mortality rates have been adjusted slightly to prevent decreasing mortality rates. If the rates were not adjusted as described, we would not expect the valuation results to be materially different.

** Rates are adjusted for mortality improvements using Scale MP-2015 from a base year of 2014.

| Age | Percent Retiring | Service | Percent Terminating (Withdrawing) | |
|-----|---------------------|---------|--------------------------------------|--------|
| | | | House | Senate |
| 60 | 0.00% | 1 | 0.0% | 0.0% |
| 61 | 0.00 | 2 | 30.0 | 0.0 |
| 62 | 40.00 | 3 | 0.0 | 0.0 |
| 63 | 30.00 | 4 | 20.0 | 25.0 |
| 64 | 30.00 | 5 | 0.0 | 0.0 |
| 65 | 40.00 | 6 | 10.0 | 0.0 |
| 66 | 30.00 | 7 | 0.0 | 0.0 |
| 67 | 25.00 | 8 | 5.0 | 10.0 |
| 68 | 25.00 | 9+ | 0.0 | 0.0 |
| 69 | 25.00 | | | |
| 70 | 30.00 | | | |
| 71+ | 100.00 | | | |

Actuarial Basis

Summary of Plan Provisions – Legislators Retirement Plan

Following is a summary of the major plan provisions used in the valuation of this report. MSRS is solely responsible for the validity, accuracy and comprehensiveness of this information. If any of the plan provisions shown below are not accurate and complete, the valuation results may differ significantly from those shown in this report and may require a revision of this report.

| | |
|---|--|
| Plan year | July 1 through June 30. |
| Eligibility | Members of the State Legislature first elected to office before July 1, 1997, and who elect to retain coverage under this plan (i.e., do not elect Social Security coverage). Plan is closed to new members. |
| Contributions | |
| Member | 9.00% of salary which must be paid to the state's General Fund. |
| Employer | Plan is funded by annual appropriations from the state's General Fund. Employee contributions are "picked up" according to the provisions of Internal Revenue Code 414(h). |
| Allowable service | Service while in an eligible position. |
| Salary | Compensation received for service as a member of the legislature. Salary includes the monthly compensation paid to a legislator and the per diem payments paid during a regular or special session. Salary does not include additional compensation attributable to a leadership position. |
| Average salary | Average of the five highest successive years of salary. |
| Retirement | |
| <u>Normal retirement benefit</u> | |
| Age/Service requirements | Age 62 and either six full years of service or service during all or part of four regular legislative sessions. For eligibility purposes, service does not include credit for time not served when a member does not serve a full term of office. |
| Amount | A percentage of Average Salary for each year of service as follows: First elected prior to January 1, 1979: (a) 5.00% for the first eight years of service prior to January 1, 1979; and (b) 2.50% for subsequent years. Elected after December 31, 1978: (a) 2.50%. |
| <u>Early retirement benefit</u> | |
| Age/service requirements | Age 55 and either six full years of service or service during all or part of four regular legislative sessions. |

Actuarial Basis

Summary of Plan Provisions – Legislators Retirement Plan (Continued)

| | |
|--|---|
| Retirement (Concluded) | |
| <u>Early retirement benefit (Concluded)</u> | |
| Amount | Normal retirement benefit based on service and Average Salary at retirement date and actuarially reduced for each month the member is under age 62 assuming augmentation to age 62 at 3.00% per year. |
| <u>Form of payment</u> | Paid as a 50% joint and survivor annuity to member, spouse and dependent children. Annuitants may elect 100% joint and survivor bounce back annuity, life annuity, or a term certain and life annuity on an actuarially equivalent basis. |
| <u>Benefit increases</u> | Through December 31, 2018: 2.0% January 1, 2019 – December 31, 2023: 1.0% January 1, 2024 and after: 1.5% For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a pro rata increase. |
| Disability | No additional benefits provided beyond standard plan. Treated as retirement or termination, depending on age and service at termination. |
| Death | |
| <u>Surviving spouse benefit</u> | |
| Age/Service requirement | Death while active, or after termination if service requirements for a normal retirement benefit is met but payments have not begun. |
| Amount | Survivor payments of 50% of the retirement benefit of the member assuming the member had attained normal retirement age and had a minimum of eight years of service. Benefit is paid for life. A former member's benefit is augmented as a Deferred Annuity to date of death before determining the portion payable to the spouse. If the legislator was at least age 60 at death, the surviving spouse may elect an optional joint and survivor annuity. If a deferred benefit was not eligible to be in pay status before July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%. |
| Benefit increases | Same as for retirement, except benefit increases are paid prior to Normal Retirement. |

Actuarial Basis

Summary of Plan Provisions – Legislators Retirement Plan (Continued)

Death (Concluded)

Surviving dependent children's benefit

| | |
|--------------------------------|---|
| Age/Service requirement | Same as spouse's benefit. |
| Amount | Benefit for first child is 25.00% of the retirement benefit (computed as for surviving spouse) with 12.50% for each additional child. Maximum payable (including spouse) is 100.00% of the retirement benefit. Benefits cease when a child marries or attains age 18 (22 if a full-time student). |
| Benefit increases | Same as for retirement, except benefit increases are paid prior to Normal Retirement. |

Refund of contributions

| | |
|--------------------------------|---|
| Age/Service requirement | Member dies before receiving any retirement benefits and survivor benefits are not payable. |
| Amount | Member's contributions with 6.00% interest through June 30, 2011, compounded daily. Beginning July 1, 2011, a member's contributions increase at 4.00% interest compounded daily. Beginning July 1, 2018, a member's contributions increase at 3.00% interest compounded daily. |

Termination

Refund of contributions

| | |
|--------------------------------|---|
| Age/Service requirement | Termination of service. |
| Amount | Member's contributions with 6.00% interest through June 30, 2011, compounded daily. Beginning July 1, 2011, a member's contributions increase at 4.00% interest compounded daily. Beginning July 1, 2018, a member's contributions increase at 3.00% interest compounded daily. If a member is vested, a deferred annuity may be elected in lieu of a refund. |

Deferred benefit

| | |
|--------------------------------|--|
| Age/service requirement | Same service requirements as for normal retirement. |
| Amount | Benefit computed under law in effect at termination and increased by the following annual augmentation percentage: (a.) 0.00% before July 1, 1973; (b.) 5.00% from July 1, 1973, to January 1, 1981; (c.) 3.00% until the earlier of January 1 of the year following attainment of age 55 and January 1, 2012; (d.) 5.00% until the earlier of January 1, 2012, and when the annuity begins; and (e.) 2.00% from January 1, 2012 through December 31, 2018; and (f.) 0.00% from January 1, 2019, thereafter. |

Actuarial Basis

Summary of Plan Provisions – Legislators Retirement Plan (Concluded)

| | |
|---|--|
| Deferred benefit - (Concluded) | |
| Amount (Concluded) | Amount is payable at normal or early retirement. For members who terminated prior to July 1, 1997, but were not eligible to commence their pensions before July 1, 1997, the benefit shall be increased to reflect the actuarial equivalent change in post-retirement interest rate from 5.00% to 6.00%. |
| Adjustments for benefits not in pay status | Benefits are adjusted on an actuarial equivalent basis to reflect the 1997 change in post-retirement interest rate assumption from 5.00% to 6.00%. |
| Actuarial equivalent factors | Actuarially equivalent factors based on RP-2014 mortality for healthy annuitants, white collar adjustment, male rates set forward two years, projected to 2019 using Scale MP-2015, blended 50% males, 5.88% post-retirement interest, and 8.00% pre-retirement interest. Based upon statutory requirements; Joint and Survivor factors are based on an interest assumption of 6.50%. The actuarially equivalent factors are currently being updated to reflect changes adopted during the 2018 legislative session. |
| Combined service annuity | Members are eligible for combined service benefits if they: (a.) Have sufficient allowable service in total that equals or exceeds the applicable service credit vesting requirement of the retirement plan with the longest applicable service credit vesting requirement; (b.) Have at least six months of allowable service credit in each plan worked under; and (c.) Are not in receipt of a benefit from another plan, or have applied for benefits with an effective date within one year. Members who meet the above requirements must have their benefit based on the following: (a.) Allowable service in all covered plans are combined in order to determine eligibility for early retirement. (b.) Average salary is based on the high five consecutive years during their entire service in all covered plans. |
| Changes in Plan Provisions | For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018. Deferred augmentation was changed to 0.00% for future accruing benefits, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Post-retirement benefit increases were changed from 2.0% per year, increasing to 2.5% per year upon achieving a 90% funding ratio to a fixed rate of 1.0% for five years (beginning January 1, 2019) and 1.5% per year thereafter. |

Actuarial Basis

Summary of Plan Provisions – Elective State Officers Retirement Plan

Following is a summary of the major plan provisions used in the valuation of this report. MSRS is solely responsible for the validity, accuracy and comprehensiveness of this information. If any of the plan provisions shown below are not accurate and complete, the valuation results may differ significantly from those shown in this report and may require a revision of this report.

| | |
|---|--|
| Plan year | July 1 through June 30. |
| Eligibility | Must be employed as a "Constitutional Officer" first elected prior to July 1, 1997, and must elect to retain coverage under this plan (i.e., does not elect Social Security coverage). Plan is closed to new members since July 1, 1997. |
| Contributions | Plan is funded by annual appropriations from the State's General Fund. |
| Allowable service | Service while in an eligible position as a constitution officer. |
| Salary | Salary upon which Elective State Officers Retirement Fund contributions have been made. |
| Average salary | Average of the five highest successive years of Salary. |
| Retirement | |
| <u>Normal retirement benefit</u> | |
| Age/Service requirements | Age 62 and eight years of Allowable Service. |
| Amount | 2.50% of Average Salary for each year of Allowable Service. For members who terminated service after June 30, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%. |
| <u>Early retirement benefit</u> | |
| Age/Service requirement | Age 60 and eight years of Allowable Service. |
| Amount | Normal retirement benefit based on Allowable Service and Average Salary at retirement date with reduction of 0.50% for each month the member is under age 62 at the time of retirement. |
| <u>Form of payment</u> | Life annuity. |
| <u>Benefit increases</u> | Through December 31, 2018: 2.0% January 1, 2019 – December 31, 2023: 1.0% January 1, 2024 and after: 1.5% For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to disability benefit recipients, or survivors). |

Actuarial Basis

Summary of Plan Provisions – Elective State Officers Retirement Plan (Continued)

| | |
|--|--|
| Retirement (Continued) | |
| <u>Early retirement benefit</u> | |
| Benefit increases (Continued) | A benefit recipient who has been receiving a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment will receive a pro rata increase. |
| <hr/> | |
| Disability | No additional benefits provided beyond standard plan. Treated as retirement or termination, depending on age and Allowable Service as of disablement. |
| <hr/> | |
| Death | |
| <u>Surviving spouse benefit</u> | |
| Age/Service requirement | Death while active, or after retirement, or after termination but prior to retirement with at least eight years of Allowable Service. |
| Amount | Survivor payments of 50% of the retirement benefit of the member assuming the member had attained age 62 and had a minimum of eight years of Allowable Service. A former member's benefit is augmented as a Deferred Annuity to date of death before determining the portion payable to the spouse. If a member dies prior to July 1, 1997, and the beneficiary was not eligible to commence a survivor benefit as of July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%. |
| Benefit increases | Same as for retirement, except benefit increases are paid prior to Normal Retirement. |
| <u>Surviving dependent children's benefit</u> | |
| Age/Service requirement | Same as spouse's benefit. |
| Amount | Benefit for first child is 25.00% of the retirement benefit (computed as for surviving spouse) with 12.50% for each additional eligible child. Maximum payable (including spouse) is 100.00% of the retirement benefit. Benefits cease when a child marries or attains age 18 (22 if a full-time student). |
| Benefit increases | Same as for retirement, except benefit increases are paid prior to Normal Retirement. |
| <hr/> | |
| Termination | |
| <u>Refund of contributions</u> | |
| Age/Service requirement | Termination of service. |

Actuarial Basis

Summary of Plan Provisions – Elective State Officers Retirement Plan (Continued)

Termination (Concluded)

Refund of contributions (Concluded)

Amount Member's contributions with 6.00% interest through June 30, 2011, compounded daily. Beginning July 1, 2011, a member's contributions increase at 4.00% interest compounded daily. Beginning July 1, 2018, a member's contributions increase at 3.00% interest compounded daily. If a member is vested, a deferred annuity may be elected in lieu of a refund.

Deferred benefit

Age/service requirement Eight years of Allowable Service.

Amount Benefit computed under law in effect at termination and increased by the following annual augmentation percentage:

- (a.) 0.00% before July 1, 1979;
- (b.) 5.00% from July 1, 1979, to January 1, 1981;
- (c.) 3.00% until age 55, or until January 1, 2012, whichever is earlier;
- (d.) 5.00% thereafter until the annuity begins but prior to January 1, 2012;
- (e.) 2.00% from January 1, 2012 through December 31, 2018; and
- (f.) 0.00% from January 1, 2019, thereafter.

Amount is payable at normal or early retirement.

If a member terminated prior to July 1, 1997, but was not eligible to commence his or her pension before July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Combined service annuity

Members are eligible for combined service benefits if they:

- (a.) Have sufficient allowable service in total that equals or exceeds the applicable service credit vesting requirement of the retirement plan with the longest applicable service credit vesting requirement;
 - (b.) Have at least six months of allowable service credit in each plan worked under; and
 - (c.) Are not in receipt of a benefit from another plan, or have applied for benefits with an effective date within one year.
-

Actuarial Basis

Summary of Plan Provisions – Elective State Officers Retirement Plan (Concluded)

| | |
|---|---|
| Combined service annuity (Concluded) | <p>Members who meet the above requirements must have their benefit based on the following:</p> <p>(a.) Allowable service in all covered plans are combined in order to determine eligibility for early retirement.</p> <p>(b.) Average salary is based on the high five consecutive years during their entire service in all covered plans.</p> |
| Actuarial equivalent factors | <p>Actuarially equivalent factors based on RP-2014 mortality for healthy annuitants, white collar adjustment, male rates set forward two years, projected to 2019 using Scale MP-2015, blended 50% males, 5.88% post-retirement interest, and 8.00% pre-retirement interest. Based upon statutory requirements; Joint and Survivor factors are based on an interest assumption of 6.50%. The actuarially equivalent factors are currently being updated to reflect changes adopted during the 2018 legislative session.</p> |
| Changes in plan provisions | <p>All Elective State Officers members are receiving benefit payments. A number of provisions affecting benefits for active and deferred members were changed. See the Summary of Plan Provisions for the Legislators Retirement Plan for detail.</p> <p>Post-retirement benefit increases were changed from 2.0% per year, increasing to 2.5% per year upon achieving a 90% funding ratio to a fixed rate of 1.0% for five years (beginning January 1, 2019) and 1.5% per year thereafter.</p> |

Additional Schedules

Schedule of Funding Progress¹ (Dollars in Thousands)

Legislators Retirement Fund

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) (b) | Unfunded (Overfunded) AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Actual Covered Payroll (Previous FY) (c) | UAAL as a Percentage of Covered Payroll (b)-(a) (c) |
|--------------------------------|-------------------------------------|-------------------------------------|--|----------------------------|---|--|
| 07/01/1991 | \$ 14,694 | \$ 30,403 | \$ 15,709 | 48.33% | \$ 7,078 | 221.94% |
| 07/01/1992 | 15,160 | 33,224 | 18,064 | 45.63 | 6,556 | 275.53 |
| 07/01/1993 | 17,169 | 36,801 | 19,632 | 46.65 | 7,322 | 268.12 |
| 07/01/1994 | 18,738 | 45,448 | 26,710 | 41.23 | 6,589 | 405.37 |
| 07/01/1995 | 21,213 | 50,255 | 29,042 | 42.21 | 7,056 | 411.59 |
| 07/01/1996 | 22,532 | 54,225 | 31,693 | 41.55 | 6,267 | 505.71 |
| 07/01/1997 | 25,678 | 60,055 | 34,377 | 42.76 | 7,767 | 442.60 |
| 07/01/1998 | 31,212 | 62,928 | 31,716 | 49.60 | 6,802 | 466.27 |
| 07/01/1999 | 33,474 | 66,418 | 32,944 | 50.40 | 7,490 | 439.84 |
| 07/01/2000 | 37,265 | 69,364 | 32,099 | 53.72 | 5,808 | 552.67 |
| 07/01/2001 | 42,608 | 75,072 | 32,464 | 56.76 | 5,858 | 554.18 |
| 07/01/2002 | 45,501 | 78,070 | 32,569 | 58.28 | 5,089 | 639.99 |
| 07/01/2003 ² | - | - | - | - | - | - |
| 07/01/2004 | 46,155 | 83,197 | 37,042 | 55.48 | 3,815 | 970.89 |
| 07/01/2005 | 45,523 | 81,836 | 36,314 | 55.63 | 3,014 | 1,204.84 |
| 07/01/2006 | 48,504 | 81,361 | 32,858 | 59.62 | 2,894 | 1,135.45 |
| 07/01/2007 | 44,869 | 86,449 | 41,580 | 51.90 | 2,380 | 1,747.42 |
| 07/01/2008 | 39,209 | 86,131 | 46,922 | 45.52 | 1,993 | 2,354.34 |
| 07/01/2009 | 28,663 | 90,431 | 61,768 | 31.70 | 1,963 | 3,146.61 |
| 07/01/2010 | 26,821 | 86,236 | 59,415 | 31.10 | 1,877 | 3,165.42 |
| 07/01/2011 ³ | 19,140 | 216,559 | 197,419 | 8.84 | 1,774 | 11,128.47 |
| 07/01/2012 | 15,523 | 247,657 | 232,134 | 6.27 | 1,378 ⁴ | 16,845.72 |
| 07/01/2013 | 11,493 | 235,877 | 224,384 | 4.87 | 1,233 ⁴ | 18,198.22 |
| 07/01/2014 ⁵ | 8,258 | 250,860 | 242,602 | 3.29 | 1,122 ⁴ | 21,622.28 |
| 07/01/2015 | 3,430 | 230,219 | 226,789 | 1.49 | 1,700 ⁴ | 13,340.53 |
| 07/01/2016 | - | 218,514 | 218,514 | 0.00 | 989 ⁴ | 22,094.44 |
| 07/01/2017 | - | 227,700 | 227,700 | 0.00 | 889 ⁴ | 25,613.05 |
| 07/01/2018 | - | 213,008 | 213,008 | 0.00 | 1,033 ⁴ | 20,620.33 |

¹ Information prior to 2012 provided by prior actuaries. See prior reports for additional detail.

² An actuarial valuation was not completed as of July 1, 2003.

³ Based on the alternate assumptions, including an investment return assumption of 0%.

⁴ Assumed equal to actual member contributions divided by 9%.

⁵ Effective July 1, 2013, the Elective State Officers Retirement Fund was administratively consolidated with the Legislators Retirement Fund, first combined as of July 1, 2014 in this exhibit.

Additional Schedules

Schedule of Funding Progress¹ (*Dollars in Thousands*)

Elective State Officers Retirement Fund

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded (Overfunded) AAL (UAAL) (b) - (a) | Funded Ratio (a)/(b) | Actual Covered Payroll (Previous FY) (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|--------------------------------|-------------------------------------|--|---|----------------------------|---|---|
| 7-1-1991 | \$ 308 | \$ 2,249 | \$ 1,941 | 13.69% | \$ 422 | 459.95 % |
| 7-1-1992 | 334 | 2,380 | 2,046 | 14.03 | 378 | 541.27 |
| 7-1-1993 | 322 | 2,689 | 2,367 | 11.97 | 500 | 473.40 |
| 7-1-1994 | 361 | 2,848 | 2,487 | 12.68 | 411 | 605.11 |
| 7-1-1995 | 378 | 2,948 | 2,570 | 12.82 | 422 | 609.00 |
| 7-1-1996 | 412 | 2,983 | 2,571 | 13.81 | 456 | 563.82 |
| 7-1-1997 | 456 | 3,214 | 2,758 | 14.19 | 467 | 590.58 |
| 7-1-1998 | 500 | 3,369 | 2,869 | 14.84 | 461 | 622.34 |
| 7-1-1999 | 198 | 3,373 | 3,175 | 5.87 | 291 | 1091.07 |
| 7-1-2000 | 199 | 3,535 | 3,336 | 5.63 | - | N/A |
| 7-1-2001 | 201 | 3,775 | 3,574 | 5.32 | - | N/A |
| 7-1-2002 | 201 | 4,075 | 3,874 | 4.93 | - | N/A |
| 7-1-2003 ² | | | | | | |
| 7-1-2004 | 204 | 4,002 | 3,798 | 5.09 | - | N/A |
| 7-1-2005 | 204 | 4,065 | 3,861 | 5.03 | - | N/A |
| 7-1-2006 | 207 | 3,970 | 3,763 | 5.22 | - | N/A |
| 7-1-2007 | 212 | 3,969 | 3,757 | 5.33 | - | N/A |
| 7-1-2008 | 212 | 3,908 | 3,696 | 5.43 | - | N/A |
| 7-1-2009 | 213 | 3,886 | 3,673 | 5.49 | - | N/A |
| 7-1-2010 | 214 | 3,782 | 3,568 | 5.66 | - | N/A |
| 7-1-2011 ³ | - | 7,610 | 7,610 | 0.00 | - | N/A |
| 7-1-2012 | - | 8,907 | 8,907 | 0.00 | - | N/A |
| 7-1-2013 ⁴ | - | 8,595 | 8,595 | 0.00 | - | N/A |

¹ Information prior to 2012 provided by prior actuaries. See prior reports for additional detail.

² An actuarial valuation was not completed as of July 1, 2003.

³ Based on the alternate assumptions, including an investment return assumption of 0%.

⁴ Effective July 1, 2013, the Elective State Officers Retirement Fund was administratively consolidated with the Legislators Retirement Fund. Effective July 1, 2014 combined results are shown with the Legislators Retirement Fund exhibit.

Additional Schedules

Schedule of Contributions from the Employer and Other Contributing Entities¹ (Dollars in Thousands)

Legislators Retirement Fund

| Plan Year Ended June 30 | Actuarially Required Contribution Rate (a) | Actual Covered Payroll (b) | Actual Member Contributions (c) | Annual Required Contributions [(a)x(b)] - (c) = (d) | Actual Employer Contributions ² (e) | Percentage Contributed (e)/(d) |
|-------------------------|--|----------------------------|---------------------------------|---|--|--------------------------------|
| 1991 | 32.62 % | \$ 7,078 | \$ 637 | \$ 1,672 | \$ 1,889 | 112.98 % |
| 1992 | 27.67 | 6,556 | 590 | 1,224 | 601 | 49.10 |
| 1993 | 30.49 | 7,322 | 659 | 1,573 | 2,284 | 145.20 |
| 1994 | 32.12 | 6,589 | 593 | 1,457 | 1,618 | 111.05 |
| 1995 | 38.34 | 7,056 | 635 | 2,070 | 2,938 | 141.93 |
| 1996 | 41.54 | 6,267 | 564 | 2,039 | 1,511 | 74.10 |
| 1997 | 43.96 | 7,767 | 699 | 2,715 | 3,176 | 116.98 |
| 1998 | 48.03 | 6,802 | 612 | 2,655 | 5,199 | 195.82 |
| 1999 | 47.19 | 7,490 | 674 | 2,861 | 2,091 | 73.09 |
| 2000 | 52.72 | 5,808 | 523 | 2,539 | 3,192 | 125.72 |
| 2001 | 47.26 | 5,858 | 527 | 2,241 | 5,039 | 224.85 |
| 2002 | 60.14 | 5,089 | 458 | 2,603 | 4,135 | 158.86 |
| 2003 ³ | 63.12 | - | - | - | - | - |
| 2004 | 63.12 | 3,815 | 343 | 2,065 | 425 | 20.58 |
| 2005 | 104.72 | 3,014 | 384 | 2,773 | 1,822 | 65.71 |
| 2006 | 112.64 | 2,894 | 264 | 2,995 | 5,684 | 189.78 |
| 2007 | 111.24 | 2,380 | 239 | 2,408 | 1,772 | 73.59 |
| 2008 | 171.10 | 1,993 | 180 | 3,230 | 2,217 | 68.64 |
| 2009 | 243.21 | 1,963 | 248 | 4,526 | 1,269 | 28.04 |
| 2010 | 413.00 | 1,877 | 170 | 7,582 | 1,975 | 26.05 |
| 2011 | 432.92 | 1,774 | 160 | 7,520 | 2,805 | 37.30 |
| 2012 ⁴ | 1,320.95 | 1,378 ⁵ | 124 | 18,079 | 3,935 | 21.77 |
| 2013 | 1,340.00 | 1,233 ⁵ | 111 | 16,411 | 3,399 | 20.71 |
| 2014 ⁶ | 1,983.78 | 1,122 ⁵ | 101 | 22,157 | 3,436 | 15.51 |
| 2015 | 2,287.58 | 1,700 ⁵ | 153 | 38,736 | 3,216 | 8.30 |
| 2016 | 2,204.22 | 989 ⁵ | 89 | 21,711 | 5,087 | 23.43 |
| 2017 | 2,578.68 | 889 ⁵ | 80 | 22,844 | 8,716 | 38.15 |
| 2018 | 3,257.81 | 1,033 ⁵ | 93 | 33,560 | 8,856 | 26.39 |
| 2019 | 2,716.47 | N/A | N/A | N/A | N/A | N/A |

¹ Information prior to 2012 provided by prior actuary. See prior reports for additional detail.

² Includes contributions from other sources (if applicable). Information for 2004 to 2012 provided by MSRS.

³ An actuarial valuation for this fiscal year was not completed.

⁴ Based on the alternate assumptions, including an investment return assumption of 0%.

⁵ Assumed equal to actual member contributions divided by 9%.

⁶ Effective July 1, 2013, the Elective State Officers Retirement Fund was administratively consolidated with the Legislators Retirement Fund, first combined for plan year ending June 30, 2014 in this exhibit.

Additional Schedules

Schedule of Contributions from the Employer and Other Contributing Entities¹ (Dollars in Thousands)

Elective State Officers Retirement Fund

| Plan Year Ended June 30 | Actuarially Required Contribution Rate/Amount ² (a) | Actual Covered Payroll (b) | Actual Member Contributions (c) | Annual Required Contributions ³ [(a)x(b)] - (c) = (d) | Actual Employer Contributions (e) | Percentage Contributed (e)/(d) |
|----------------------------|---|-------------------------------|------------------------------------|---|--------------------------------------|-----------------------------------|
| 1991 | 34.84% | \$ 422 | \$ 38 | \$ 109 | \$ 40 | 36.70% |
| 1992 | 33.28 | 378 | 34 | 92 | 111 | 120.65 |
| 1993 | 36.23 | 500 | 45 | 136 | 88 | 64.71 |
| 1994 | 38.64 | 411 | 37 | 122 | 164 | 134.43 |
| 1995 | 42.00 | 422 | 38 | 139 | 165 | 118.71 |
| 1996 | 43.58 | 456 | 41 | 158 | 151 | 95.57 |
| 1997 | 43.49 | 467 | 42 | 161 | 167 | 103.73 |
| 1998 | 51.07 | 461 | 42 | 193 | 175 | 90.67 |
| 1999 | 51.66 | 291 | 26 | 124 | 40 | 32.26 |
| 2000 | \$ 321 | - | - | 321 | 306 | 95.33 |
| 2001 | 340 | - | - | 340 | 330 | 97.06 |
| 2002 | 371 | - | - | 371 | 354 | 95.42 |
| 2003 | 412 | - | - | 412 | 371 | 90.12 |
| 2004 | 412 | - | - | 412 | 383 | 92.88 |
| 2005 | 437 | - | - | 437 | 395 | 90.37 |
| 2006 | 465 | - | - | 465 | 417 | 89.66 |
| 2007 | 477 | - | - | 477 | 427 | 89.57 |
| 2008 | 506 | - | - | 506 | 435 | 85.92 |
| 2009 | 558 | - | - | 558 | 442 | 79.28 |
| 2010 | 601 | - | - | 601 | 453 | 75.37 |
| 2011 | 644 | - | - | 644 | 460 | 71.54 |
| 2012 ⁴ | 1,269 | - | - | 1,269 | 466 | 36.73 |
| 2013 ⁵ | 991 | - | - | 991 | 470 | 47.43 |

¹ Information prior to 2012 provided by prior actuaries. See prior reports for additional detail.

² Shown as a percent of payroll for years before 2000.

³ For years after 1999, the Annual Required Contribution is the dollar amount shown in (a).

⁴ Based on the alternate assumptions, including an investment return assumption of 0%.

⁵ Effective July 1, 2013, the Elective State Officers Retirement Fund was administratively consolidated with the Legislators Retirement Fund. Effective July 1, 2014 combined results are shown with the Legislators Retirement Fund exhibit.

Glossary of Terms

| | |
|--|--|
| Accrued Benefit Funding Ratio | The ratio of assets to Current Benefit Obligations. |
| Accrued Liability Funding Ratio | The ratio of assets to Actuarial Accrued Liability. |
| Actuarial Accrued Liability (AAL) | The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs. |
| Actuarial Assumptions | Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members; and other items. |
| Actuarial Cost Method | A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of future Normal Costs and the Actuarial Accrued Liability. |
| Actuarial Equivalent | Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions. |
| Actuarial Present Value (APV) | The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made. |
| Actuarial Present Value of Projected Benefits | The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, non-retired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due. |
| Actuarial Valuation | The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for developing and monitoring retirement system's funding policy, such as the Funded Ratio and the Annual Required Contribution (ARC). |
| Actuarial Value of Assets | The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the Funded Ratio and the Actuarially Required Contribution (ARC). |

Glossary of Terms (Continued)

| | |
|---|--|
| Amortization Method | A method for determining the Amortization Payment. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. The stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase. |
| Amortization Payment | That portion of the plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability. |
| Amortization Period | The period used in calculating the Amortization Payment. |
| Annual Required Contribution (ARC) | The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The ARC consists of the Employer Normal Cost and Amortization Payment. |
| Augmentation | Annual increases to deferred benefits. |
| Closed Amortization Period | A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. |
| Current Benefit Obligations | The present value of benefits earned to the valuation date, based on current service and including future salary increases to retirement (comparable to a Projected Unit Credit measurement). |
| Employer Normal Cost | The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions. |
| Expected Assets | The present value of anticipated future contributions intended to fund benefits for current members. |
| Experience Gain/Loss | A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience; e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, losses are the result of unfavorable experience; i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected. |
| GASB | Governmental Accounting Standards Board. |

Glossary of Terms (Concluded)

| | |
|---|---|
| GASB Statements No. 25 and No. 27 | These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves. These statements remain in effect only for pension plans that are not administered as trusts or equivalent arrangements. Please refer to the definition for GASB Statements No. 67 and No. 68 below. |
| GASB Statement No. 50 | The accounting standard governing a state or local governmental employer's accounting for pensions. This statement remains in effect for pension plans that are not administered as trusts. Please refer to the definition of GASB Statements No. 67 and No. 68 below. |
| GASB Statements No. 67 and No. 68 | Statements No. 67 and No. 68, issued in June 2012, replace the requirements of Statements No. 25, No. 27, and No. 50, respectively for pension plans administered as trusts. Statement No. 68, effective for the fiscal year beginning July 1, 2014, sets the accounting and financial reporting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67, effective for the fiscal year beginning July 1, 2013, sets the rules for the systems themselves. Accounting and financial reporting information prepared according to Statements No. 67 and No. 68 is provided in a separate report beginning with the June 30, 2014 actuarial valuation. |
| GASB Statement No. 82 | Statement No. 82, issued in March 2016, is an amendment to Statements No. 67, No. 68, and No. 73, and is intended to improve consistency in the application of the accounting statements. |
| Normal Cost | The annual cost assigned, under the Actuarial Cost Method, to the current plan year. |
| Projected Benefit Funding Ratio | The ratio of the sum of Actuarial Value of Assets and Expected Assets to the Actuarial Present Value of Projected Benefits. A Ratio less than 100% indicates that contributions are insufficient. |
| Unfunded Actuarial Accrued Liability | The difference between the Actuarial Accrued Liability and Actuarial Value of Assets. |
| Valuation Date | The date as of which the Actuarial Present Value of Future Benefits is determined. The benefits expected to be paid in the future are discounted to this date. |