

# Minnesota State Retirement System

Judges Retirement Fund

Actuarial Valuation Report as of July 1, 2022





November 30, 2022

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

Dear Board of Directors:

The results of the July 1, 2022 annual actuarial valuation of the Judges 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 Board and staff only in its entirety. GRS is not responsible for the consequences of any unauthorized use of this report by persons other than the intended users as 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, 2022 according to prescribed assumptions. Note that the impact of GASB Statements No. 67 and No. 68 is provided in a separate 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.

**In our professional judgment, the statutory investment return assumption of 7.5% used in the report deviates materially from the guidance set forth in Actuarial Standards of Practice No. 27 (ASOP No. 27).** In a 2022 analysis of long-term rate of investment return and inflation assumptions, GRS suggested that an investment return assumption in the range of 5.64% to 6.84% would be reasonable for this valuation. Please see our letter dated July 12, 2022 for additional information. For informational purposes, note that results based on a 6.50% investment return assumption are shown on page 4.

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. Therefore, we did not make such a determination.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in the Actuarial Basis section of this report. This report includes risk metrics on pages 5-8, but does not include a more 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, 2022. 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.

This report reflects the impact of COVID-19 through June 30, 2022. It does not reflect the ongoing impact of COVID-19, which is likely to influence demographic and investment experience, at least in the short term. We will continue to monitor these developments and their impact on the plan.

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

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.



Board of Directors  
Minnesota State Retirement System  
November 30, 2022  
Page 3

Brian B. Murphy, Bonita J. Wurst and Sheryl L. Christensen are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. In addition, GRS 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 Judges 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,  
Gabriel, Roeder, Smith & Company



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



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



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

BBM/BJW/SLC:rmn



## Other Observations

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

Given the plan's contribution allocation procedure, if there are no changes in benefits, Chapter 356 required contributions are made, and all actuarial assumptions are met (including the assumption of the plan's assets earning 7.50% on an actuarial value of assets, as prescribed by statutes), it is expected that:

- (1) The normal cost of the plan is expected to remain approximately level as a percent of pay;
- (2) The funded status of the plan is expected to gradually improve and is expected to be 100% funded within the next 26 years; and
- (3) The unfunded liability will grow initially as a dollar amount before beginning to decline.

### 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 actuarial 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).
- (3) The measurement would produce a different result if the market value of assets were used instead of the actuarial value of assets.

### 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.



# Table of Contents

|   |    |
|---|----|
| Summary of Valuation Results .....  | 1  |
| Supplemental Information .....  | 9  |
| Plan Assets .....   | 10 |
| ▪ Statement of Fiduciary Net Position.....  | 10 |
| ▪ Reconciliation of Plan Assets .....   | 11 |
| ▪ Actuarial Asset Value .....   | 12 |
| ▪ 10-Year History of AVA and MVA Asset Returns.....   | 13 |
| Membership Data.....  | 14 |
| ▪ Distribution of Active Members .....  | 14 |
| ▪ Distribution of Service Retirements .....   | 17 |
| ▪ Distribution of Survivors .....   | 18 |
| ▪ Distribution of Disability Retirements .....  | 19 |
| ▪ Reconciliation of Members.....  | 20 |
| Development of Costs .....  | 21 |
| ▪ Actuarial Valuation Balance Sheet .....   | 21 |
| ▪ Determination of Unfunded Actuarial Accrued Liability and Supplemental Contribution Rate..... | 22 |
| ▪ Changes in Unfunded Actuarial Accrued Liability .....   | 23 |
| ▪ Determination of Contribution Sufficiency/(Deficiency) .....                                  | 24 |
| Actuarial Basis.....  | 25 |
| ▪ Actuarial Methods .....   | 25 |
| ▪ Summary of Actuarial Assumptions .....  | 27 |
| ▪ Summary of Plan Provisions .....  | 31 |
| Additional Schedules .....  | 35 |
| ▪ Schedule of Funding Progress .....  | 35 |
| ▪ Schedule of Contributions from the Employer and Other Contributing Entities .....             | 36 |
| Glossary of Terms .....   | 37 |



# Summary of Valuation Results

## Contributions

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

| Total Contributions                                   | Actuarial Valuation as of |              |
|---|---------------------------|--------------|
|   | July 1, 2022              | July 1, 2021 |
| Statutory Contributions - Chapter 490* (% of Payroll) | 40.96%                    | 41.35%       |
| Required Contributions - Chapter 356 (% of Payroll)   | 35.42%                    | 36.51%       |
| Sufficiency / (Deficiency)                            | 5.54%                     | 4.84%        |

\* Statutory contributions reflect the fact that member contributions for Judges at the maximum benefit level are directed to the Unclassified Employees Retirement Plan. If these contributions were not directed to the Unclassified Employees Retirement Plan, the statutory contribution rate would be 41.17% instead of 40.96% as of July 1, 2022 and 41.52% instead of 41.35% as of July 1, 2021.

Statutory contributions represent the amount actually contributed to the fund and include fixed percentage of payroll contributions plus any statutory supplemental contributions. Required contributions are defined in statutes and LCPR Standards for Actuarial Work, and represent the amount needed to fully fund the plan within 26 years (normal cost, expenses, and a payment to amortize the unfunded liability). When member contributions of 7.62% of pay are reflected, the remaining employer statutory contribution is 33.34% of pay and the remaining employer required contribution is 27.80% of pay.

The contribution sufficiency improved from 4.84% of payroll to 5.54% of payroll. The increase is primarily due to recognition of deferred investment gains in the actuarial value of assets.

Based on the actuarial value of assets, statutory contribution rates, and actuarial assumptions described in this report, statutory contributions are expected to bring the plan to full funding within the 26-year amortization period.

The results are based on the statutory return assumption of 7.50% which, in our professional judgment, deviates significantly from guidance in ASOP No. 27. If an investment return assumption within the reasonable range were used in this valuation instead of 7.50%, liabilities and required contributions would be higher than those shown, and the contribution sufficiency would be lower than shown, and possibly even become a deficiency (see 6.5% interest rate results on page 4).

The Plan Assets section provides detail on the plan assets used for the valuation including a development of the Actuarial Value of Assets (AVA). The Market Value of Assets (MVA) earned approximately -6.2% for the plan year ending June 30, 2022. The AVA earned approximately 9.3% for the plan year ending June 30, 2022 compared to the assumed rate of 7.50%.

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 and financial reporting information prepared according to GASB Statements No. 67 and No. 68 was provided to MSRS in a separate report dated November 18, 2022.



## 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, 2022              | July 1, 2021 |
| <b>Total Contributions (% of Payroll )</b>        |                           |              |
| Statutory - Chapter 490*                          | 40.96%                    | 41.35%       |
| Required - Chapter 356                            | 35.42%                    | 36.51%       |
| Sufficiency / (Deficiency)                        | 5.54%                     | 4.84%        |
| <b>Funding Ratios (dollars in thousands )</b>     |                           |              |
| Assets  |                           |              |
| - Current assets (AVA)                            | \$ 257,514                | \$ 240,906   |
| - Current assets (MVA)                            | 253,971                   | 276,638      |
| Accrued Benefit Funding Ratio                     |                           |              |
| - Current benefit obligations                     | \$ 389,540                | \$ 377,851   |
| - Funding ratio (AVA)                             | 66.11%                    | 63.76%       |
| - Funding ratio (MVA)                             | 65.20%                    | 73.21%       |
| Accrued Liability Funding Ratio                   |                           |              |
| - Actuarial accrued liability                     | \$ 403,368                | \$ 391,341   |
| - Unfunded actuarial accrued liability (AVA)      | 145,854                   | 150,435      |
| - Unfunded actuarial accrued liability (MVA)      | 149,397                   | 114,703      |
| - Funding ratio (AVA)                             | 63.84%                    | 61.56%       |
| - Funding ratio (MVA)                             | 62.96%                    | 70.69%       |
| Projected Benefit Funding Ratio                   |                           |              |
| - Current and expected future assets**            | \$ 518,366                | \$ 498,374   |
| - Current and expected future benefit obligations | 473,342                   | 459,032      |
| - Projected benefit funding ratio (AVA)**         | 109.51%                   | 108.57%      |
| <b>Participant Data</b>                           |                           |              |
| Active Members                                    |                           |              |
| - Number  | 320                       | 320          |
| - Actual covered payroll [GASB] (000s)            | \$ 54,436                 | \$ 52,960    |
| - Annual valuation earnings (000s)                | \$ 54,021                 | \$ 53,025    |
| - Average annual valuation earnings               | \$ 168,816                | \$ 165,705   |
| - Projected annual earnings (000s)                | \$ 55,372                 | \$ 54,351    |
| - Average projected annual earnings               | \$ 173,038                | \$ 169,847   |
| - Average age                                     | 55.2                      | 55.9         |
| - Average service                                 | 8.7                       | 9.0          |
| Service retirements                               | 324                       | 303          |
| Survivors   | 74                        | 75           |
| Disability retirements                            | 14                        | 16           |
| Deferred retirements                              | 19                        | 19           |
| Non-vested terminations eligible for refund only  | 1                         | 0            |
| <b>Total</b>                                      | <b>752</b>                | <b>733</b>   |

\* Statutory contributions reflect the fact that member contributions for Judges at the maximum benefit level are directed to the Unclassified Employees Retirement Plan. If these contributions were not directed to the Unclassified Employees Retirement Plan, the statutory contribution rate would be 41.17% instead of 40.96% as of July 1, 2022 and 41.52% instead of 41.35% as of July 1, 2021.

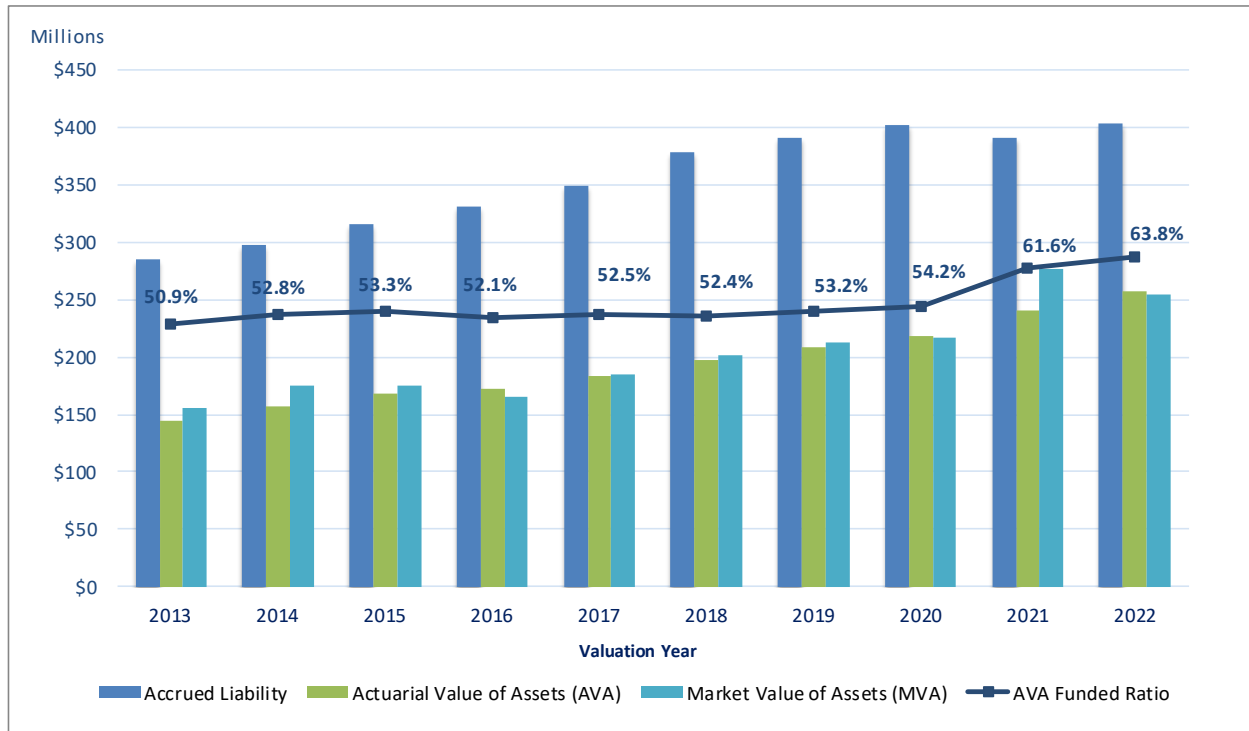
\*\* Per the LCPR Standards for Actuarial Work, calculated assuming the current percent of pay contribution toward the unfunded liability continues for the entire amortization period. Based on a blended Tier 1 and Tier 2 member contribution rate and normal cost.



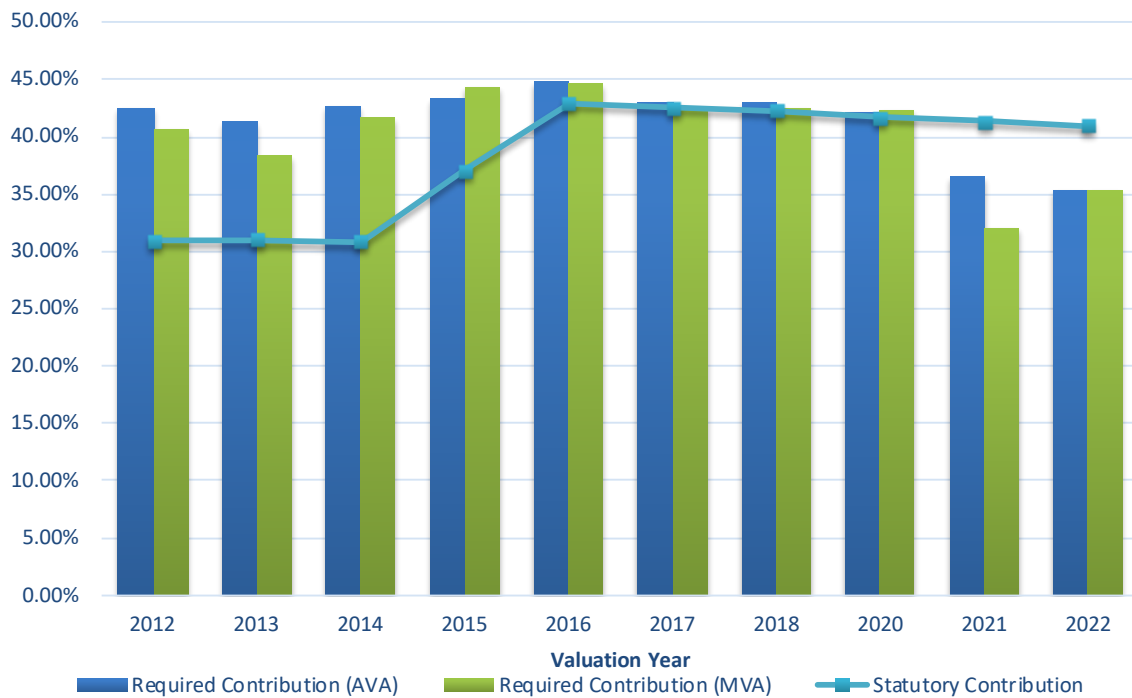


# Summary of Valuation Results

## Funded Ratio History



## Contribution Rate History (% of Pay)



# Summary of Valuation Results

## Effects of Changes

There were no changes in plan provisions, actuarial assumptions, or methods since the previous valuation.

## Sensitivity Tests

During the 2017 legislative session, the Legislative Commission on Pensions and Retirement (LCPR) enacted a new sensitivity disclosure requirement for MSRS' valuations. Per the LCPR's requirement, we have calculated the liabilities associated with the following scenarios:

- 1) 6.5% interest rate assumption
- 2) 8.5% interest rate assumption

In each case, all other assumptions were unchanged from those used to develop the final valuation results in this report. Note that we believe the 7.5% and 8.5% interest rate assumptions do not comply with Actuarial Standards of Practice.

| \$ in millions  | Final Valuation                | Final Valuation                      | Final Valuation                      |
|---|--------------------------------|--------------------------------------|--------------------------------------|
|   | Assumptions<br>(7.5% Interest) | Assumptions<br>with 6.5%<br>Interest | Assumptions<br>with 8.5%<br>Interest |
| Normal Cost Rate, % of Pay  | 17.36%                         | 20.97%                               | 14.46%                               |
| Amortization of Unfunded Accrued Liability,<br>Level % of Pay to 2048 | 17.93%                         | 20.57%                               | 15.19%                               |
| Expenses (% of Pay)   | 0.13%                          | 0.13%                                | 0.13%                                |
| Total Required Contribution, % of Pay                                 | 35.42%                         | 41.67%                               | 29.78%                               |
| Contribution Sufficiency/(Deficiency), % of Pay                       | 5.54 %                         | (0.71)%                              | 11.18 %                              |
| Accrued Liability Funding Ratio                                       | 63.8%                          | 58.2%                                | 69.6%                                |
| Present Value of Projected Benefits                                   | \$473.3                        | \$532.6                              | \$424.6                              |
| Present Value of Future Normal Costs                                  | <u>\$69.9</u>                  | <u>\$90.4</u>                        | <u>\$54.7</u>                        |
| Actuarial Accrued Liability   | \$403.4                        | \$442.2                              | \$369.9                              |
| Unfunded Accrued Liability  | \$145.9                        | \$184.6                              | \$112.4                              |



# Summary of Valuation Results

## Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

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 due to changing conditions; 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. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.



## Summary of Valuation Results

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.

### Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures and values for the Judges Retirement Fund for the last two years include the following. Additional maturity measures are shown on the following pages.

|   | 2022  | 2021  |
|---|-------|-------|
| Ratio of market value of assets to total payroll      | 4.67  | 5.22  |
| Ratio of actuarial accrued liability to total payroll | 7.41  | 7.39  |
| Ratio of actives to retirees and beneficiaries        | 0.78  | 0.81  |
| Ratio of net cash flow to market value of assets      | -2.2% | -1.8% |
| Approximate modified duration* of:                    |       |       |
| ▪ Total projected benefits:                           | 11.41 | 11.37 |
| ▪ Actuarial accrued liability:                        | 8.95  | 8.98  |
| ▪ Retiree liability:                                  | 7.29  | 7.28  |

\* Based on 7.5% interest.

### Ratio of Market Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 5.0 times the payroll, a return on assets 5% different than assumed would equal 25% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

### Ratio of Actuarial Accrued Liability to Payroll

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully-funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

The ratio of liability to payroll may also be used as a measure of sensitivity of contribution rates to liability gains and losses. For example, if the actuarial accrued liability is 5.0 times the payroll, a change in liability 2% other than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.



# Summary of Valuation Results

## Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives as retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

## Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means benefits and expenses exceed contributions and existing funds may be used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

## Duration of Actuarial Liability

The duration may be used to approximate the sensitivity of the liability to a small change in the assumed rate of return. For example, a duration of 10 indicates that the liability would change by approximately 10% if the assumed rate of return were changed by 1% (i.e., from 7.5% to 6.5%).

## Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation but could aid stakeholders in an understanding of the risks to which the System is exposed. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

# Summary of Valuation Results

## Risk Measures (Dollars in Thousands)

| Valuation Date (July 1) | (1)<br>Accrued Liabilities (AAL) | (2)<br>Market Value of Assets | (3)<br>Market Value Unfunded AAL (1) - (2) | (4)<br>Actual Covered Payroll | (5)<br>Market Value Funded Ratio (2) / (1) | (6)<br>Retiree Liabilities | (7)<br>RetLiab/ AAL (6) / (1) | (8)<br>AAL/ Payroll (1) / (4) | (9)<br>Assets/ Payroll (2) / (4) |
|-------------------------|----------------------------------|-------------------------------|--|-------------------------------|--|----------------------------|-------------------------------|-------------------------------|----------------------------------|
| 2013                    | \$284,513                        | \$155,398                     | \$129,115                                  | \$39,888                      | 54.6%                                      | \$ 180,641                 | 63.5%                         | 713.3%                        | 389.6%                           |
| 2014                    | 298,233                          | 175,556                       | 122,677                                    | 41,893                        | 58.9%                                      | 190,570                    | 63.9%                         | 711.9%                        | 419.1%                           |
| 2015                    | 315,633                          | 174,580                       | 141,053                                    | 43,449                        | 55.3%                                      | 205,115                    | 65.0%                         | 726.4%                        | 401.8%                           |
| 2016                    | 331,334                          | 165,905                       | 165,429                                    | 45,418                        | 50.1%                                      | 211,594                    | 63.9%                         | 729.5%                        | 365.3%                           |
| 2017                    | 348,976                          | 185,141                       | 163,835                                    | 47,813                        | 53.1%                                      | 219,587                    | 62.9%                         | 729.9%                        | 387.2%                           |
| 2018                    | 377,925                          | 201,755                       | 176,170                                    | 49,009                        | 53.4%                                      | 246,060                    | 65.1%                         | 771.1%                        | 411.7%                           |
| 2019                    | 391,146                          | 212,262                       | 178,884                                    | 50,164                        | 54.3%                                      | 263,979                    | 67.5%                         | 779.7%                        | 423.1%                           |
| 2020                    | 402,660                          | 216,737                       | 185,923                                    | 52,298                        | 53.8%                                      | 270,913                    | 67.3%                         | 769.9%                        | 414.4%                           |
| 2021                    | 391,341                          | 276,638                       | 114,703                                    | 52,960                        | 70.7%                                      | 262,676                    | 67.1%                         | 738.9%                        | 522.4%                           |
| 2022                    | 403,368                          | 253,971                       | 149,397                                    | 54,436                        | 63.0%                                      | 278,196                    | 69.0%                         | 741.0%                        | 466.6%                           |

| Valuation Date (July 1) | (10)<br>Portfolio StdDev | (11)<br>Std Dev % of Pay (9) x (10) | (12)<br>Unfunded / Payroll (3) / (4) | (13)<br>Non- Investment Cash Flow (NICF) | (14)<br>NICF/ Assets (13) / (2) | (15)<br>SBI Market Rate of Return | (16)<br>SBI 5-year Average | (17)<br>SBI 10-year Trailing Average |
|-------------------------|--------------------------|-------------------------------------|--------------------------------------|--|---------------------------------|-----------------------------------|----------------------------|--------------------------------------|
| 2013                    |                          |                                     | 323.7%                               | \$(8,631)                                | (5.6%)                          | 14.2%                             | 6.2%                       | N/A                                  |
| 2014                    |                          |                                     | 292.8%                               | (7,853)                                  | (4.5%)                          | 18.6%                             | 14.5%                      | N/A                                  |
| 2015                    | 14.1%                    | 56.7%                               | 324.6%                               | (8,548)                                  | (4.9%)                          | 4.4%                              | 12.3%                      | N/A                                  |
| 2016                    | 14.1%                    | 51.5%                               | 364.2%                               | (8,489)                                  | (5.1%)                          | -0.1%                             | 7.7%                       | N/A                                  |
| 2017                    | 14.1%                    | 54.6%                               | 342.7%                               | (5,493)                                  | (3.0%)                          | 15.1%                             | 10.2%                      | 6.2%                                 |
| 2018                    | 14.1%                    | 58.0%                               | 359.5%                               | (2,651)                                  | (1.3%)                          | 10.3%                             | 9.4%                       | 7.8%                                 |
| 2019                    | 14.3%                    | 60.5%                               | 356.6%                               | (3,984)                                  | (1.9%)                          | 7.3%                              | 7.3%                       | 10.8%                                |
| 2020                    | 14.3%                    | 59.3%                               | 355.5%                               | (4,480)                                  | (2.1%)                          | 4.2%                              | 7.2%                       | 9.7%                                 |
| 2021                    | 13.9%                    | 72.6%                               | 216.6%                               | (5,033)                                  | (1.8%)                          | 30.3%                             | 13.1%                      | 10.3%                                |
| 2022                    | 14.0%                    | 65.3%                               | 274.4%                               | (5,645)                                  | (2.2%)                          | -6.4%                             | 8.5%                       | 9.4%                                 |

Notes pertaining to numbered columns:

- (5) The Funded ratio is the most widely known measure of a plan's financial strength, but the trend in the funded ratio is much more important than the absolute ratio. The funded ratio should trend to 100%. As it approaches 100%, it is important to re-evaluate the level of investment risk in the portfolio and potentially to re-evaluate the assumed rate of return.
- (6) and (7). 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 change. A ratio on the order of 50% indicates a maturing system.
- (8) and (9). The ratios of liabilities and assets to payroll gives an indication of both maturity and volatility. Many systems have ratios between 500% and 700%. Ratios significantly above that range may indicate difficulty in supporting the benefit level as a level % of payroll.
- (10) and (11). The portfolio standard deviation measures the volatility of investment return. When multiplied by the ratio of assets to payroll it gives the effect of a one standard deviation asset move as a percent of payroll. This figure helps users understand the difficulty of dealing with investment volatility and the challenges volatility brings to sustainability.
- (12) The ratio of unfunded liability to payroll gives an indication of the plan sponsor's ability to actually pay off the unfunded liability. A ratio above approximately 300% or 400% may indicate difficulty in discharging the unfunded liability within a reasonable time frame.
- (13) and (14). The ratio of non-investment cash flow to assets is an important measure of sustainability. Negative ratios are common and expected for a maturing system. In the longer term, this ratio should be on the order of approximately -4%. A ratio that is significantly more negative than that for an extended period could be a leading indicator of potential exhaustion of assets.
- (15) (16) and (17). Investment return is probably the largest single risk that most systems face. The year by year return and the 5-year and 10-year geometric average give an indicator of past performance. Of course, past performance is not a guarantee of future results, may not even be reflective of potential future results, and historical averages are very sensitive to the time period chosen. The performance data for the Combined Funds (pooled investments of major Minnesota Public Retirement Systems) is presented in these columns. The source of this data is the Minnesota State Board of Investment.



## Supplemental Information

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

- **Plan assets** present 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 and contributions 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, 2022     | June 30, 2021     |
| Cash, equivalents, short-term securities         | \$ 5,324          | \$ 5,057          |
| Fixed income                                     | 58,020            | 62,581            |
| Equity   | 190,286           | 208,638           |
| Other*   | 13,087            | 17,586            |
| <b>Total cash, investments, and other assets</b> | <b>\$ 266,717</b> | <b>\$ 293,862</b> |
| Amounts Receivable                               | 552               | 506               |
| <b>Total Assets</b>                              | <b>\$ 267,269</b> | <b>\$ 294,368</b> |
| Amounts Payable*                                 | (13,298)          | (17,730)          |
| <b>Net Position Restricted for Pensions</b>      | <b>\$ 253,971</b> | <b>\$ 276,638</b> |

\* Includes \$13,087 in Securities Lending Collateral as of June 30, 2022 and \$17,586 as of June 30, 2021.



# 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<br>Year Ending   | Market Value       |                    |
|---|--------------------|--------------------|
|   | June 30, 2022      | June 30, 2021      |
| <b>1. Fund balance at market value at beginning of year</b>               | <b>\$ 276,638</b>  | <b>\$ 216,737</b>  |
| 2. Contributions  |                    |                    |
| a. Member   | 4,214              | 4,166              |
| b. Employer   | 12,248             | 11,916             |
| c. Other sources  | 6,000              | 6,000              |
| d. Total contributions  | <u>\$ 22,462</u>   | <u>\$ 22,082</u>   |
| 3. Investment income  |                    |                    |
| a. Investment income/(loss)   | (16,727)           | 65,198             |
| b. Investment expenses  | (295)              | (264)              |
| c. Net investment income/(loss)   | <u>\$ (17,022)</u> | <u>\$ 64,934</u>   |
| 4. Other  | -                  | -                  |
| <b>5. Total income: (2.d.) + (3.c.) + (4.)</b>                            | <b>\$ 5,440</b>    | <b>\$ 87,016</b>   |
| 6. Benefits Paid  |                    |                    |
| a. Annuity benefits   | (28,035)           | (27,038)           |
| b. Refunds  | -                  | -                  |
| c. Total benefits paid  | <u>\$ (28,035)</u> | <u>\$ (27,038)</u> |
| 7. Expenses   |                    |                    |
| a. Other  | -                  | -                  |
| b. Administrative   | (72)               | (77)               |
| c. Total expenses   | <u>\$ (72)</u>     | <u>\$ (77)</u>     |
| <b>8. Total disbursements: (6.c.) + (7.c.)</b>                            | <b>\$ (28,107)</b> | <b>\$ (27,115)</b> |
| <b>9. Fund balance at market value at end of year: (1.) + (5.) + (8.)</b> | <b>\$ 253,971</b>  | <b>\$ 276,638</b>  |
| 10. State Board of Investment calculated return on investments            | -6.2%              | 30.1%              |

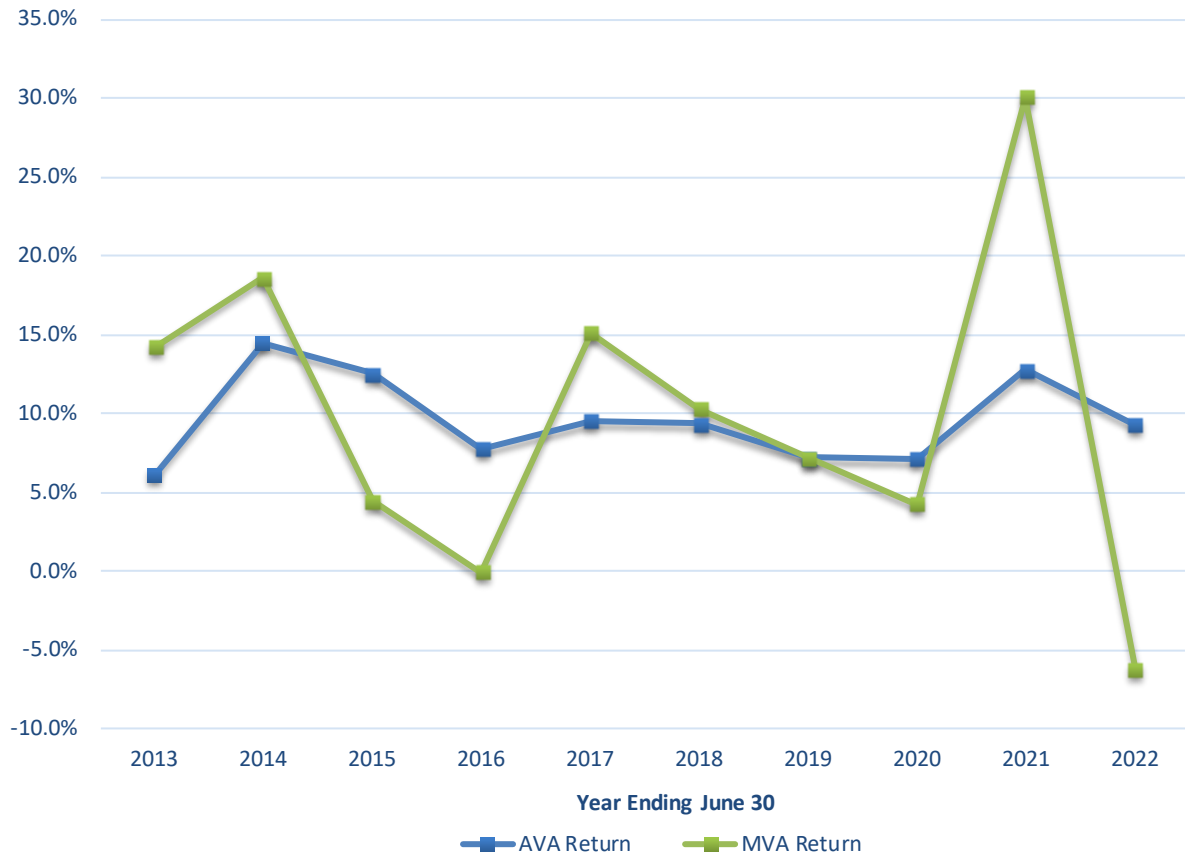
# Plan Assets

## Actuarial Asset Value (Dollars in Thousands)

|   | June 30, 2022     | June 30, 2021              |                            |          |                   |
|---|-------------------|----------------------------|----------------------------|----------|-------------------|
| <b>1. Market value of assets available for benefits</b>               | <b>\$ 253,971</b> | <b>\$ 276,638</b>          |                            |          |                   |
| 2. Determination of average balance                                   |                   |                            |                            |          |                   |
| a. Total assets available at beginning of year                        | 276,638           | 216,737                    |                            |          |                   |
| b. Total assets available at end of year                              | 253,971           | 276,638                    |                            |          |                   |
| c. Net investment income for fiscal year                              | (17,022)          | 64,934                     |                            |          |                   |
| d. Average balance $[a. + b. - c.] / 2$                               | 273,816           | 214,221                    |                            |          |                   |
| 3. Expected return $[7.5\% \times 2.d.]$                              | 20,536            | 16,067                     |                            |          |                   |
| 4. Actual return  | (17,022)          | 64,934                     |                            |          |                   |
| 5. Current year asset gain/(loss) $[4. - 3.]$                         | (37,558)          | 48,867                     |                            |          |                   |
| 6. Unrecognized asset returns   |                   |                            |                            |          |                   |
|   | <b>Original</b>   | <b>Unrecognized Amount</b> | <b>Unrecognized Amount</b> |          |                   |
|   | <b>Amount</b>     | <b>%</b>                   | <b>Dollar</b>              | <b>%</b> | <b>Dollar</b>     |
| a. Year ended June 30, 2022   | \$ (37,558)       | 80%                        | \$ (30,046)                | N/A      | N/A               |
| b. Year ended June 30, 2021   | 48,867            | 60%                        | 29,320                     | 80%      | \$ 39,094         |
| c. Year ended June 30, 2020   | (6,797)           | 40%                        | (2,719)                    | 60%      | (4,078)           |
| d. Year ended June 30, 2019   | (491)             | 20%                        | (98)                       | 40%      | (196)             |
| e. Year ended June 30, 2018   | 4,560             |                            | N/A                        | 20%      | 912               |
| <b>f. Unrecognized return adjustment</b>                              |                   |                            | <b>\$ (3,543)</b>          |          | <b>\$ 35,732</b>  |
| 7. <b>Actuarial value at end of year (1. - 6.f.)</b>                  |                   |                            | <b>\$ 257,514</b>          |          | <b>\$ 240,906</b> |
| 8. Approximate return on actuarial value of assets during fiscal year |                   |                            | 9.3%                       |          | 12.8%             |
| 9. Ratio of actuarial value of assets to market value of assets       |                   |                            | 1.01                       |          | 0.87              |

# Plan Assets

## 10-Year History of AVA and MVA Asset Returns



# Membership Data

## Distribution of Active Members (Total)\*

| Age                  | Years of Service as of June 30, 2022 |                   |                   |                   |                   |                   |                   |         |     | 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              |                                      | 4                 |                   |                   |                   |                   |                   |         |     | 4                 |
| Avg. Earnings        | \$ 163,088                           |                   |                   |                   |                   |                   |                   |         |     | \$ 163,088        |
| 40 - 44              | 16                                   | 4                 | 6                 |                   |                   |                   |                   |         |     | 26                |
| Avg. Earnings        | \$ 153,712                           | \$ 169,264        | \$ 169,264        |                   |                   |                   |                   |         |     | \$ 159,694        |
| 45 - 49              | 18                                   | 15                | 13                | 4                 |                   |                   |                   |         |     | 50                |
| Avg. Earnings        | \$ 158,495                           | \$ 169,264        | \$ 170,114        | \$ 169,264        |                   |                   |                   |         |     | \$ 165,608        |
| 50 - 54              | 10                                   | 21                | 19                | 9                 | 1                 |                   |                   |         |     | 60                |
| Avg. Earnings        | \$ 160,771                           | \$ 169,790        | \$ 170,324        | \$ 171,144        | \$ 177,726        |                   |                   |         |     | \$ 168,791        |
| 55 - 59              | 9                                    | 9                 | 28                | 18                | 10                | 1                 |                   |         |     | 75                |
| Avg. Earnings        | \$ 168,615                           | \$ 172,947        | \$ 169,659        | \$ 172,803        | \$ 172,320        | \$ 169,264        |                   |         |     | \$ 171,032        |
| 60 - 64              | 2                                    | 5                 | 25                | 14                | 18                | 11                | 4                 |         |     | 79                |
| Avg. Earnings        | \$ 169,264                           | \$ 169,264        | \$ 170,590        | \$ 172,051        | \$ 171,582        | \$ 168,269        | \$ 174,788        |         |     | \$ 170,847        |
| 65 - 69              | 2                                    |                   | 3                 | 8                 | 3                 | 8                 | 1                 |         |     | 25                |
| Avg. Earnings        | \$ 179,295                           |                   | \$ 169,264        | \$ 169,264        | \$ 172,085        | \$ 176,169        | \$ 169,264        |         |     | \$ 172,614        |
| 70+ ***              |                                      |                   | 1                 |                   |                   |                   |                   |         |     | 1                 |
| Avg. Earnings        |                                      |                   | \$ 169,264        |                   |                   |                   |                   |         |     | \$ 169,264        |
| <b>Total</b>         | <b>61</b>                            | <b>54</b>         | <b>95</b>         | <b>53</b>         | <b>32</b>         | <b>20</b>         | <b>5</b>          |         |     | <b>320</b>        |
| <b>Avg. Earnings</b> | <b>\$ 160,443</b>                    | <b>\$ 170,082</b> | <b>\$ 170,057</b> | <b>\$ 171,521</b> | <b>\$ 172,052</b> | <b>\$ 171,479</b> | <b>\$ 173,684</b> |         |     | <b>\$ 168,816</b> |

\* Includes 7 Tier 1 Judges who have reached the maximum benefit formula (member contributions are directed to the Unclassified Employees Retirement Plan).

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

\*\*\* All active Judges are under age 70 as of the valuation date based on actual age (unrounded).

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 Active Members (Tier 1)\*

| Age                  | Years of Service as of June 30, 2022 |         |                   |                   |                   |                   |                   |         |     | 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              |                                      |         | 2                 | 4                 |                   |                   |                   |         |     | 6                 |
| Avg. Earnings        |                                      |         | \$ 169,264        | \$ 169,264        |                   |                   |                   |         |     | \$ 169,264        |
| 50 - 54              |                                      |         | 5                 | 9                 | 1                 |                   |                   |         |     | 15                |
| Avg. Earnings        |                                      |         | \$ 171,082        | \$ 171,144        | \$ 177,726        |                   |                   |         |     | \$ 171,562        |
| 55 - 59              |                                      |         | 5                 | 18                | 10                | 1                 |                   |         |     | 34                |
| Avg. Earnings        |                                      |         | \$ 169,264        | \$ 172,803        | \$ 172,320        | \$ 169,264        |                   |         |     | \$ 172,036        |
| 60 - 64              |                                      |         | 6                 | 14                | 18                | 11                | 4                 |         |     | 53                |
| Avg. Earnings        |                                      |         | \$ 169,264        | \$ 172,051        | \$ 171,582        | \$ 168,269        | \$ 174,788        |         |     | \$ 170,998        |
| 65 - 69              |                                      |         | 2                 | 8                 | 3                 | 8                 | 1                 |         |     | 22                |
| Avg. Earnings        |                                      |         | \$ 169,264        | \$ 169,264        | \$ 172,085        | \$ 176,169        | \$ 169,264        |         |     | \$ 172,159        |
| 70+ ***              |                                      |         | 1                 |                   |                   |                   |                   |         |     | 1                 |
| Avg. Earnings        |                                      |         | \$ 169,264        |                   |                   |                   |                   |         |     | \$ 169,264        |
| <b>Total</b>         |                                      |         | <b>21</b>         | <b>53</b>         | <b>32</b>         | <b>20</b>         | <b>5</b>          |         |     | <b>131</b>        |
| <b>Avg. Earnings</b> |                                      |         | <b>\$ 169,697</b> | <b>\$ 171,521</b> | <b>\$ 172,052</b> | <b>\$ 171,479</b> | <b>\$ 173,684</b> |         |     | <b>\$ 171,434</b> |

\* Includes 7 Tier 1 Judges who have reached the maximum benefit formula (member contributions are directed to the Unclassified Employees Retirement Plan).

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

\*\*\* All active Judges are under age 70 as of the valuation date based on actual age (unrounded).

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 Active Members (Tier 2)

| Age                  | Years of Service as of June 30, 2022 |                   |                   |            |         |         |         |         | 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              |                                      | 4                 |                   |            |         |         |         |         |       | 4                 |
| Avg. Earnings        | \$ 163,088                           |                   |                   |            |         |         |         |         |       | \$ 163,088        |
| 40 - 44              |                                      | 16                | 4                 | 6          |         |         |         |         |       | 26                |
| Avg. Earnings        | \$ 153,712                           | \$ 169,264        | \$ 169,264        | \$ 169,264 |         |         |         |         |       | \$ 159,694        |
| 45 - 49              |                                      | 18                | 15                | 11         |         |         |         |         |       | 44                |
| Avg. Earnings        | \$ 158,495                           | \$ 169,264        | \$ 170,268        |            |         |         |         |         |       | \$ 165,110        |
| 50 - 54              |                                      | 10                | 21                | 14         |         |         |         |         |       | 45                |
| Avg. Earnings        | \$ 160,771                           | \$ 169,790        | \$ 170,053        |            |         |         |         |         |       | \$ 167,868        |
| 55 - 59              |                                      | 9                 | 9                 | 23         |         |         |         |         |       | 41                |
| Avg. Earnings        | \$ 168,615                           | \$ 172,947        | \$ 169,744        |            |         |         |         |         |       | \$ 170,199        |
| 60 - 64              |                                      | 2                 | 5                 | 19         |         |         |         |         |       | 26                |
| Avg. Earnings        | \$ 169,264                           | \$ 169,264        | \$ 171,009        |            |         |         |         |         |       | \$ 170,539        |
| 65 - 69              |                                      | 2                 |                   | 1          |         |         |         |         |       | 3                 |
| Avg. Earnings        | \$ 179,295                           |                   | \$ 169,264        |            |         |         |         |         |       | \$ 175,951        |
| 70+                  |                                      |                   |                   |            |         |         |         |         |       |                   |
| Avg. Earnings        |                                      |                   |                   |            |         |         |         |         |       |                   |
| <b>Total</b>         | <b>61</b>                            | <b>54</b>         | <b>74</b>         |            |         |         |         |         |       | <b>189</b>        |
| <b>Avg. Earnings</b> | <b>\$ 160,443</b>                    | <b>\$ 170,082</b> | <b>\$ 170,160</b> |            |         |         |         |         |       | <b>\$ 167,002</b> |

\* This exhibit does not reflect service earned in other MSRS plans or service earned in a Combined Service Annuity arrangement. 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, 2022 |                 |                 |                 |                 |                 |                 | Total           |
|---------------------|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                     | <1                                | 1 - 4           | 5 - 9           | 10 - 14         | 15 - 19         | 20 - 24         | 25+             |                 |
| <50                 |                                   |                 |                 |                 |                 |                 |                 |                 |
| Avg. Benefit        |                                   |                 |                 |                 |                 |                 |                 |                 |
| 50 - 54             |                                   |                 |                 |                 |                 |                 |                 |                 |
| Avg. Benefit        |                                   |                 |                 |                 |                 |                 |                 |                 |
| 55 - 59             |                                   |                 |                 |                 |                 |                 |                 |                 |
| Avg. Benefit        |                                   |                 |                 |                 |                 |                 |                 |                 |
| 60 - 64             | 4                                 | 2               |                 |                 |                 |                 |                 | 6               |
| Avg. Benefit        | \$71,879                          | \$65,532        |                 |                 |                 |                 |                 | \$69,763        |
| 65 - 69             | 15                                | 29              | 7               | 1               |                 |                 |                 | 52              |
| Avg. Benefit        | \$76,391                          | \$69,197        | \$69,512        | \$20,727        |                 |                 |                 | \$70,383        |
| 70 - 74             | 7                                 | 48              | 33              | 10              |                 |                 |                 | 98              |
| Avg. Benefit        | \$63,534                          | \$74,385        | \$71,067        | \$61,017        |                 |                 |                 | \$71,129        |
| 75 - 79             |                                   | 3               | 48              | 32              | 5               |                 |                 | 88              |
| Avg. Benefit        |                                   | \$70,089        | \$73,381        | \$79,534        | \$59,854        |                 |                 | \$74,738        |
| 80 - 84             |                                   |                 | 2               | 20              | 17              | 7               |                 | 46              |
| Avg. Benefit        |                                   |                 | \$53,244        | \$73,501        | \$74,716        | \$56,803        |                 | \$70,528        |
| 85 - 89             |                                   |                 |                 | 1               | 5               | 7               |                 | 13              |
| Avg. Benefit        |                                   |                 |                 | \$63,508        | \$68,817        | \$81,149        |                 | \$75,049        |
| 90+                 |                                   |                 |                 |                 |                 | 9               | 12              | 21              |
| Avg. Benefit        |                                   |                 |                 |                 |                 | \$70,279        | \$85,349        | \$78,891        |
| <b>Total</b>        | <b>26</b>                         | <b>82</b>       | <b>90</b>       | <b>64</b>       | <b>27</b>       | <b>23</b>       | <b>12</b>       | <b>324</b>      |
| <b>Avg. Benefit</b> | <b>\$72,235</b>                   | <b>\$72,177</b> | <b>\$71,784</b> | <b>\$73,586</b> | <b>\$70,872</b> | <b>\$69,486</b> | <b>\$85,349</b> | <b>\$72,539</b> |

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, 2022 |                  |                  |                  |                  |                  |                  | 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        |                                       | \$ 57,448        |                  |                  |                  |                  |                  | \$ 57,448        |
| 60 - 64             |                                       | 1                |                  |                  |                  |                  |                  | 1                |
| Avg. Benefit        |                                       | \$ 16,964        |                  |                  |                  |                  |                  | \$ 16,964        |
| 65 - 69             | 1                                     | 4                |                  | 1                | 1                | 1                |                  | 8                |
| Avg. Benefit        | \$ 35,619                             | \$ 59,121        |                  | \$ 66,079        | \$ 49,978        | \$ 34,247        |                  | \$ 52,801        |
| 70 - 74             | 2                                     | 2                | 2                | 5                | 2                | 1                | 2                | 16               |
| Avg. Benefit        | \$ 55,313                             | \$ 54,315        | \$ 48,603        | \$ 47,105        | \$ 48,672        | \$ 50,494        | \$ 63,519        | \$ 51,679        |
| 75 - 79             |                                       | 5                | 2                | 3                | 2                | 1                | 2                | 15               |
| Avg. Benefit        |                                       | \$ 63,075        | \$ 36,856        | \$ 52,476        | \$ 62,886        | \$ 20,582        | \$ 79,557        | \$ 56,799        |
| 80 - 84             | 2                                     | 3                | 2                | 3                | 1                | 1                | 2                | 14               |
| Avg. Benefit        | \$ 53,229                             | \$ 67,462        | \$ 45,220        | \$ 53,475        | \$ 45,173        | \$ 87,078        | \$ 60,374        | \$ 58,051        |
| 85 - 89             |                                       | 1                | 2                | 4                |                  |                  | 1                | 8                |
| Avg. Benefit        |                                       | \$ 33,035        | \$ 49,542        | \$ 61,009        |                  |                  | \$ 54,710        | \$ 53,858        |
| 90+                 |                                       |                  | 2                | 3                | 5                |                  | 1                | 11               |
| Avg. Benefit        |                                       |                  | \$ 53,039        | \$ 51,123        | \$ 59,767        |                  | \$ 78,977        | \$ 57,933        |
| <b>Total</b>        | <b>5</b>                              | <b>17</b>        | <b>10</b>        | <b>19</b>        | <b>11</b>        | <b>4</b>         | <b>8</b>         | <b>74</b>        |
| <b>Avg. Benefit</b> | <b>\$ 50,541</b>                      | <b>\$ 57,078</b> | <b>\$ 46,652</b> | <b>\$ 53,519</b> | <b>\$ 56,100</b> | <b>\$ 48,100</b> | <b>\$ 67,573</b> | <b>\$ 54,818</b> |

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

## Distribution of Disability Retirements

| Age                 | Years Disabled as of June 30, 2022 |       |                 |                 |                 |                  | Total           |
|---------------------|------------------------------------|-------|-----------------|-----------------|-----------------|------------------|-----------------|
|                     | <1                                 | 1 - 4 | 5 - 9           | 10 - 14         | 15 - 19         | 20 - 24          |                 |
| < 45                |                                    |       |                 |                 |                 |                  |                 |
| Avg. Benefit        |                                    |       |                 |                 |                 |                  |                 |
| 45 - 49             |                                    |       |                 |                 |                 |                  |                 |
| Avg. Benefit        |                                    |       |                 |                 |                 |                  |                 |
| 50 - 54             |                                    |       |                 |                 |                 |                  |                 |
| Avg. Benefit        |                                    |       |                 |                 |                 |                  |                 |
| 55 - 59             |                                    |       |                 |                 |                 |                  |                 |
| Avg. Benefit        |                                    |       |                 |                 |                 |                  |                 |
| 60 - 64             |                                    |       |                 |                 |                 |                  |                 |
| Avg. Benefit        |                                    |       |                 |                 |                 |                  |                 |
| 65 - 69             |                                    |       |                 |                 | 1               |                  | 1               |
| Avg. Benefit        |                                    |       |                 |                 | \$60,869        |                  | \$60,869        |
| 70 - 74             |                                    |       |                 |                 | 1               |                  | 1               |
| Avg. Benefit        |                                    |       |                 |                 | \$54,479        |                  | \$54,479        |
| 75+                 |                                    |       | 2               | 6               | 3               | 1                | 12              |
| Avg. Benefit        |                                    |       | \$56,188        | \$75,351        | \$77,370        | \$127,373        | \$76,997        |
| <b>Total</b>        |                                    |       | <b>2</b>        | <b>8</b>        | <b>3</b>        | <b>1</b>         | <b>14</b>       |
| <b>Avg. Benefit</b> |                                    |       | <b>\$56,188</b> | <b>\$70,932</b> | <b>\$77,370</b> | <b>\$127,373</b> | <b>\$74,237</b> |

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

# Membership Data

## Reconciliation of Members

|                             | Actives*   | Terminated          |                  | Recipients         |                       |           | Total      |
|-----------------------------|------------|---------------------|------------------|--------------------|-----------------------|-----------|------------|
|                             |            | Deferred Retirement | Other Non-Vested | Service Retirement | Disability Retirement | Survivor  |            |
| <b>Members on 7/1/2021</b>  | <b>320</b> | <b>19</b>           | <b>0</b>         | <b>303</b>         | <b>16</b>             | <b>75</b> | <b>733</b> |
| New members                 | 26         | 0                   | 0                | 0                  | 0                     | 0         | 26         |
| Return to active            | 0          | 0                   | 0                | 0                  | 0                     | 0         | 0          |
| Terminated non-vested       | 0          | 0                   | 0                | 0                  | 0                     | 0         | 0          |
| Service retirements         | (25)       | 0                   | 0                | 25                 | 0                     | 0         | 0          |
| Terminated deferred         | 0          | 0                   | 0                | 0                  | 0                     | 0         | 0          |
| Terminated refund/transfer  | (1)        | 0                   | 1                | 0                  | 0                     | 0         | 0          |
| Deaths                      | 0          | 0                   | 0                | (6)                | (1)                   | (6)       | (13)       |
| New beneficiary             | 0          | 0                   | 0                | 0                  | 0                     | 5         | 5          |
| Disabled                    | 0          | 0                   | 0                | 0                  | 0                     | 0         | 0          |
| Unexpected status changes   | 0          | 0                   | 0                | 2                  | (1)                   | 0         | 1          |
| Net change                  | 0          | 0                   | 1                | 21                 | (2)                   | (1)       | 19         |
| <b>Members on 6/30/2022</b> | <b>320</b> | <b>19</b>           | <b>1</b>         | <b>324</b>         | <b>14</b>             | <b>74</b> | <b>752</b> |

## Summary of Membership

| Active Member Statistics*                        | Total               |                   |            |           |
|--|---------------------|-------------------|------------|-----------|
| Number   | 320                 |                   |            |           |
| Average age                                      | 55.2                |                   |            |           |
| Average service                                  | 8.7                 |                   |            |           |
| Average salary                                   | \$ 168,816          |                   |            |           |
| Terminated Member Statistics                     | Deferred Retirement | Other Non-Vested  | Total      |           |
| Number   | 19                  | 1                 | 20         |           |
| Average age                                      | 60.8                | 42.2              | 59.8       |           |
| Average service                                  | 10.9                | 3.9               | 10.5       |           |
| Average annual benefit at Normal Retirement Date | \$ 47,151           | N/A               | \$ 47,151  |           |
| Average refund value                             | \$ 199,946          | \$ 46,371         | \$ 192,267 |           |
| Retiree & Survivor Member Statistics             | Service Retirees    | Disabled Retirees | Survivors  | Total     |
| Number   | 324                 | 14                | 74         | 412       |
| Average age                                      | 75.7                | 78.1              | 78.9       | 76.3      |
| Average annual benefit                           | \$ 72,539           | \$ 74,237         | \$ 54,818  | \$ 69,414 |

\* Includes Tier 1 active Judges who have reached the maximum benefit formula (employee contributions are directed to the Unclassified Employees Retirement Plan).



# 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, B.2 is the estimated present value of contributions to fund the normal cost rate for current members until their respective termination dates. Item B.1 is the present value of the total 40.96% statutory contribution net of normal cost and anticipated plan expenses during the period from the valuation date to the statutory unfunded amortization date. Item D., Current Benefit Obligations, is the liability based on current service and projected compensation (the Entry Age Normal cost method is used to determine liabilities and contributions elsewhere in the report).

The contributions made in excess of amounts required for current benefit payments are accumulated as a reserve to help meet benefit payments in later years. It is this reserve system which permits the establishment of a level rate of contribution each year.

|   |                   |               |                | <u>June 30, 2022</u> |
|---|-------------------|---------------|----------------|----------------------|
| A. Actuarial Value of Assets  |                   |               |                | \$ 257,514           |
| B. Expected Future Assets   |                   |               |                |                      |
| 1. Present value of expected future statutory supplemental contributions* |                   |               |                | 190,878              |
| 2. Present value of future normal cost contributions                      |                   |               |                | 69,974               |
| 3. Total expected future assets: (1.) + (2.)                              |                   |               |                | <u>\$ 260,852</u>    |
| C. Total Current and Expected Future Assets                               |                   |               |                | 518,366              |
| D. Current Benefit Obligations**  |                   |               |                |                      |
| 1. Benefit recipients   | <u>Non-Vested</u> | <u>Vested</u> | <u>Total</u>   |                      |
| a. Service retirements  | \$ -              | \$ 236,967    | \$ 236,967     |                      |
| b. Disability retirements   | -                 | 8,763         | 8,763          |                      |
| c. Survivors  | -                 | 32,466        | 32,466         |                      |
| 2. Deferred retirements   | -                 | 7,850         | 7,850          |                      |
| 3. Former members without vested rights***                                | 17                | -             | 17             |                      |
| 4. Active members   | <u>3,857</u>      | <u>99,620</u> | <u>103,477</u> |                      |
| 5. Total current benefit obligations                                      | \$ 3,874          | \$ 385,666    | \$ 389,540     |                      |
| E. Expected Future Benefit Obligations                                    |                   |               |                | 83,802               |
| F. Total Current and Expected Future Benefit Obligations****              |                   |               |                | 473,342              |
| G. Unfunded Current Benefit Obligations: (D.5.) - (A.)                    |                   |               |                | 132,026              |
| H. Unfunded Current and Future Benefit Obligations: (F.) - (C.)           |                   |               |                | (45,024)             |
| I. Accrued Benefit Funding Ratio: (A.)/(D.5.)                             |                   |               |                | 66.11%               |
| J. Projected Benefit Funding Ratio: (C.)/(F.)                             |                   |               |                | 109.51%              |

\* Per the LCPR Standards for Actuarial Work, calculated assuming the current percent of pay contribution toward the unfunded liability continues for the entire amortization period. Based on a blended Tier 1 and Tier 2 member contribution rate and normal cost.

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

\*\*\* Former members who have not satisfied vesting requirements and have not collected a refund of member contributions as of the valuation date.

\*\*\*\* 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<br>Value of Projected<br>Benefits | Actuarial Present<br>Value of Future<br>Normal Costs | Actuarial<br>Accrued Liability |
|--|---|--|--------------------------------|
| A. Determination of Actuarial Accrued Liability (AAL)                              |   |  |                                |
| 1. Active members  |   |  |                                |
| a. Retirement annuities  | \$ 181,294  | \$ 66,267  | \$ 115,027                     |
| b. Disability benefits   | 2,140   | 1,332  | 808                            |
| c. Survivor's benefits   | 3,599   | 2,239  | 1,360                          |
| d. Deferred retirements  | -   | -  | -                              |
| e. Refunds*  | 246   | 136  | 110                            |
| f. Total   | \$ 187,279  | \$ 69,974  | \$ 117,305                     |
| 2. Deferred retirements  | 7,850   | -  | 7,850                          |
| 3. Former members without vested rights  | 17  | -  | 17                             |
| 4. Benefit recipients  | 278,196   | -  | 278,196                        |
| 5. Total   | \$ 473,342  | \$ 69,974  | \$ 403,368                     |
| B. Determination of Unfunded Actuarial Accrued Liability (UAAL)                    |   |  |                                |
| 1. Actuarial accrued liability   |   |  | \$ 403,368                     |
| 2. Current assets (AVA)  |   |  | 257,514                        |
| 3. Unfunded actuarial accrued liability  |   |  | \$ 145,854                     |
| C. Determination of Supplemental Contribution Rate**                               |   |  |                                |
| 1. Present value of future payrolls through the amortization date of June 30, 2048 |   |  | \$ 813,285                     |
| 2. Supplemental contribution rate: (B.3.) / (C.1.)                                 |   |  | 17.93% ***                     |

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

\*\* The amortization of the Unfunded Actuarial Accrued Liability (UAAL) using the current amortization method results in initial payments less than the "interest only" payment on the UAAL. Payments less than the interest only amount will result in the UAAL increasing for an initial period of time.

\*\*\* The amortization factor as of July 1, 2022 is 14.687658.

## Development of Costs

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

|   | Year Ending June 30, 2022         |                   |  |
|---|-----------------------------------|-------------------|--|
|   | Actuarial<br>Accrued<br>Liability | Current<br>Assets | Unfunded<br>Actuarial<br>Accrued Liability |
| A. Values at beginning of year  | \$ 391,341                        | \$ 240,906        | \$ 150,435                                 |
| B. Changes due to interest requirements and current rate of funding   |                                   |                   |  |
| 1. Normal cost and expenses   | 9,790                             | -                 | 9,790                                      |
| 2. Benefit payments   | (28,035)                          | (28,035)          | -  |
| 3. Contributions  | -                                 | 22,462            | (22,462)                                   |
| 4. Interest on A., B.1., B.2., and B.3.   | 28,666                            | 17,859            | 10,807                                     |
| 5. Total (B.1. + B.2. + B.3. + B.4.)  | \$ 10,421                         | \$ 12,286         | \$ (1,865)                                 |
| C. Expected values at end of year (A. + B.5.)   | \$ 401,762                        | \$ 253,192        | \$ 148,570                                 |
| D. Increase (decrease) due to actuarial losses (gains) because of<br>experience deviations from expected                          |                                   |                   |  |
| 1. Age and service retirements  |                                   |                   | 1,408                                      |
| 2. Disability retirements   |                                   |                   | (38)                                       |
| 3. Death-in-service benefits  |                                   |                   | (101)                                      |
| 4. Withdrawals  |                                   |                   | 17   |
| 5. Salary increases   |                                   |                   | 11   |
| 6. Investment income  |                                   |                   | (4,322)                                    |
| 7. Mortality of annuitants  |                                   |                   | (122)                                      |
| 8. Other items  |                                   |                   | 431  |
| 9. Total  |                                   |                   | \$ (2,716)                                 |
| E. Unfunded actuarial accrued liability at end of year before plan amendments and<br>changes in actuarial assumptions (C. + D.9.) |                                   |                   | \$ 145,854                                 |
| F. Change in unfunded actuarial accrued liability due to changes in plan provisions   |                                   |                   | -  |
| G. Change in unfunded actuarial accrued liability due to changes in actuarial<br>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.)*   |                                   |                   | \$ 145,854                                 |

\* The unfunded actuarial accrued liability on a market value of assets basis is \$149,397.



## Development of Costs

### Determination of Contribution Sufficiency/(Deficiency) (*Dollars in Thousands*)

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.

|   | Percent of<br>Payroll | Dollar<br>Amount |
|---|-----------------------|------------------|
| A. Statutory contributions - Chapter 490  |                       |                  |
| 1. Employee contributions*  | 7.62%                 | \$ 4,221         |
| 2. Employer contributions   | 22.50%                | 12,459           |
| 3. State contributions****  | 10.84%                | 6,000            |
| 4. Total  | 40.96%                | \$ 22,680        |
| B. Required contributions - Chapter 356   |                       |                  |
| 1. Normal cost  |                       |                  |
| a. Retirement benefits  | 16.44%                | \$ 9,103         |
| b. Disability benefits  | 0.32%                 | 177              |
| c. Survivors  | 0.57%                 | 316              |
| d. Deferred retirement benefits   | 0.00%                 | -                |
| e. Refunds**  | 0.03%                 | 17               |
| f. Total  | 17.36%                | \$ 9,613         |
| 2. Supplemental contribution amortization of<br>Unfunded Actuarial Accrued Liability by June 30, 2048 |                       |                  |
|   | 17.93%                | \$ 9,928         |
| 3. Allowance for expenses   |                       |                  |
|   | 0.13%                 | 72               |
| 4. Total  |                       |                  |
|   | 35.42% ***            | \$ 19,613        |
| C. Contribution Sufficiency/(Deficiency) (A.3. - B.4.)  |                       |                  |
|   | 5.54%                 | \$ 3,067         |

Note: Projected annual payroll for fiscal year beginning on the valuation date: \$55,372 (determined by increasing reported pay for each member by one full year's assumed pay increase according to the actuarial salary scale, as prescribed by the LCPR Standards for Actuarial Work).

\* For Tier I Judges who have reached the maximum benefit amount, member contributions equal to 9% of pay are directed to the Unclassified Employees Retirement Plan. The member contribution amount of \$4,221 shown above is equal to 9% of a Tier 1 payroll amount of \$21,748 (which excludes the payroll for Tier 1 Judges at the maximum level) and 7% of a Tier 2 payroll amount of \$32,352 for Tier 2 Judges.

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

\*\*\* The required contribution on a market value of assets basis is 35.86% of payroll.

\*\*\*\* \$6,000,000 per year until the plan is fully funded or July 1, 2048, if earlier.



## 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. An actuarial cost method is a set of techniques used by the actuary to develop contribution levels under a retirement plan. The actuarial cost method used in this valuation for all purposes is the Entry Age Actuarial Cost Method. 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 percent of payroll assuming payroll increases. The total contribution developed under this method is the sum of normal cost, expenses, and the payment toward the UAAL.

#### **Funding Objective**

The fundamental financing objective of the Fund is to establish contribution rates which, when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding.

# Actuarial Basis

## Actuarial Methods (Concluded)

### Asset Valuation Method

The assets are valued based on a five-year moving average of expected and market values (five-year average actuarial value) determined as follows:

- At the end of each plan year, an average asset value is calculated as the average of the market asset value at the beginning and end of the fiscal year net of investment income for the fiscal year;
- The investment gain or (loss) is taken as the excess of actual investment income over the expected investment income based on the average asset value as calculated above;
- The investment gain or (loss) so determined is recognized over five years at 20% per year; and
- The asset value is the sum of the market asset value plus the scheduled recognition of investment gains or (losses) during the current and the preceding four fiscal years.

Note: The term “market value” can be used interchangeably with the term “fair value”.

### Payment on the Unfunded Actuarial Accrued Liability

Payment equals a level percentage of payroll each year to the statutory amortization date of June 30, 2048 assuming payroll increases of 2.50% per annum. If there is a negative Unfunded Actuarial Accrued Liability, the surplus amount is amortized over 30 years as a level percentage of payroll. If the unfunded liability increases due to changes in benefits, assumptions, or methods, the statutory amortization date may be extended.

As required by the Standards for Actuarial Work, projected payroll is 1) determined by increasing reported payroll for each member by one full year’s assumed pay increase according to the actuarial salary scale and 2) multiplied by 0.962 in the determination of the present value of future payroll to account for timing differences. This statutory method produces a required contribution that is similar to, but slightly below, the contribution that would be produced by more common actuarial methods.

### 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 assumptions prescribed are based on the last experience study, dated June 30, 2020.

|                                |  |
|--------------------------------|--|
| <b>Investment return</b>       | 7.50% per annum (prescribed by Minnesota Statutes).  |
| <b>Salary increases</b>        | 2.50% per year.  |
| <b>Payroll growth</b>          | 2.50% per year.  |
| <b>Inflation</b>               | 2.25% per year.  |
| <b>Mortality rates</b>         |  |
| <b>Healthy pre-retirement</b>  | Pub-2010 General Employee Mortality Table adjusted for mortality improvements using mortality improvement Scale MP-2019.   |
| <b>Healthy post-retirement</b> | Pub-2010 General Retired Mortality Table adjusted for mortality improvements using mortality improvement Scale MP-2019.  |
| <b>Disabled</b>                | Pub-2010 General Disabled Mortality Table adjusted for mortality improvements using mortality improvement Scale MP-2019.   |
| <b>Notes</b>                   | The Pub-2010 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. |
| <b>Retirement</b>              | 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.  |
| <b>Withdrawal</b>              | None.  |
| <b>Disability</b>              | Age-related rates based on experience; see table of sample rates.  |
| <b>Administrative expenses</b> | Prior year administrative expenses expressed as percentage of prior year projected payroll.  |



# Actuarial Basis

## Summary of Actuarial Assumptions (Continued)

|   |  |
|---|--|
| <b>Refund of contributions</b>                | For non-vested members, account balances accumulate interest until the assumed commencement date and are discounted back to the valuation date. Active members decrementing after becoming eligible for a benefit are assumed to take the contributions accumulated with interest if larger than the value of the benefit. |
| <b>Commencement of deferred benefits</b>      | Members receiving deferred annuities (including current terminated deferred members) are assumed to begin receiving benefits at age 65.  |
| <b>Percentage married</b>                     | Marital status as indicated by data.   |
| <b>Age of spouse</b>                          | Male members are assumed to have a beneficiary three years younger and female members are assumed to have a beneficiary two years older.   |
| <b>Form of payment</b>                        | Members are assumed to elect a life annuity.   |
| <b>Allowance for combined service annuity</b> | None.  |
| <b>Eligibility testing</b>                    | 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.   |
| <b>Decrement operation</b>                    | Decrements are assumed to occur mid-fiscal year.   |
| <b>Service credit accruals</b>                | It is assumed that members accrue one year of service credit per year.   |
| <b>Benefit service</b>                        | Exact fractional service is used to determine the amount of benefit payable.   |
| <b>Pay increases</b>                          | 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.   |
| <b>Final average salary</b>                   | For present value of future benefit purposes, final average salary was calculated in accordance with pay increase assumptions, but was not permitted to fall below the final average salary reported in the data.  |
| <b>Unknown data for certain members</b>       | 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.   |



# Actuarial Basis

## Summary of Actuarial Assumptions (Continued)

---

**Unknown data for certain members (Concluded)**

There were no members reported with missing or invalid birth dates. In cases where submitted data was missing or incomplete, the following assumptions were applied:

Data for active members:

There were 7 members who have reached the 24-year service cap. These members are reflected as active members in this valuation. We assumed these members earned the greater of the salary reported under the Unclassified Employees Retirement Plan or \$169,263.90 for the July 1, 2021 to June 30, 2022 plan year.

There were no members reported with missing service.

There were 3 members reported with a missing or invalid gender. We assumed a female gender.

Data for terminated members:

There were no members reported without a benefit and no members reported with a missing or invalid gender.

Data for members receiving benefits:

There were no members reported without a benefit.

There were 3 members reported with a missing gender. We assumed male gender for retirees and female gender for survivors.

There were 3 retirees reported with a survivor option and a survivor date of death. We assumed no benefit was payable to the survivor and the member benefit already reflected the increase to the life annuity value (i.e. "bounce back"), if applicable.

There were 4 retirees reported with a bounceback annuity and an unreasonable reduction factor. A factor of 0.80, 0.85 and 0.90 was assumed for the 100%, 75% and 50% joint and survivor annuity, respectively.

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

There were retired members reported with a survivor option and an invalid or missing survivor gender (37 members) and/or survivor date of birth (29 members). We used the valuation assumptions if the survivor gender or date of birth was missing or invalid.

---

**Changes in actuarial assumptions since the prior valuation**

There were no changes in actuarial assumptions since the prior valuation.

---



# Actuarial Basis

## Summary of Actuarial Assumptions (Concluded)

| Age in<br>2022 | Percentage of Members Dying each Year*  |        |  |        |                           |        |
|----------------|---|--------|--|--------|---------------------------|--------|
|                | Healthy Post-<br>Retirement Mortality** |        | Healthy Pre-<br>Retirement Mortality** |        | Disability<br>Mortality** |        |
|                | Male                                    | Female | Male                                   | Female | Male                      | Female |
| 20             | 0.04%                                   | 0.01%  | 0.04%                                  | 0.01%  | 0.44%                     | 0.26%  |
| 25             | 0.03                                    | 0.01   | 0.03                                   | 0.01   | 0.34                      | 0.20   |
| 30             | 0.05                                    | 0.02   | 0.05                                   | 0.02   | 0.50                      | 0.36   |
| 35             | 0.07                                    | 0.03   | 0.07                                   | 0.03   | 0.68                      | 0.55   |
| 40             | 0.09                                    | 0.04   | 0.09                                   | 0.04   | 0.84                      | 0.75   |
| 45             | 0.11                                    | 0.06   | 0.10                                   | 0.06   | 1.05                      | 0.98   |
| 50             | 0.28                                    | 0.21   | 0.14                                   | 0.08   | 1.50                      | 1.42   |
| 55             | 0.42                                    | 0.30   | 0.21                                   | 0.13   | 2.04                      | 1.81   |
| 60             | 0.64                                    | 0.41   | 0.33                                   | 0.20   | 2.59                      | 2.08   |
| 65             | 0.92                                    | 0.59   | 0.47                                   | 0.29   | 3.06                      | 2.18   |
| 70             | 1.42                                    | 0.95   | 0.65                                   | 0.44   | 3.63                      | 2.57   |
| 75             | 2.40                                    | 1.69   | 0.99                                   | 0.73   | 4.67                      | 3.59   |
| 80             | 4.32                                    | 3.12   | 1.57                                   | 1.23   | 6.65                      | 5.57   |
| 85             | 7.90                                    | 5.87   | 6.65                                   | 5.05   | 9.95                      | 8.83   |
| 90             | 13.68                                   | 10.92  | 13.68                                  | 10.92  | 15.15                     | 12.99  |

\* Generally, mortality rates are expected to increase as age increases (with the exception of young ages, where expected mortality may decrease as age increases). In cases where the application of the projection scale would reverse the nature of this trend, standard mortality rates have been adjusted slightly. The adjustment has no material effect on results.

\*\* Rates are adjusted for mortality improvements using Scale MP-2019 from a base year of 2010.

| Percentage of Eligible Members Retiring each Year |            |         |            |
|---|------------|---------|------------|
| Disabled  |            | Healthy |            |
| Age   | Retirement | Age     | Retirement |
| 20  | 0.000%     | 60      | 0.0%       |
| 25  | 0.000      | 61      | 2.5        |
| 30  | 0.000      | 62      | 4.0        |
| 35  | 0.000      | 63      | 8.0        |
| 40  | 0.006      | 64      | 8.0        |
| 45  | 0.018      | 65      | 25.0       |
| 50  | 0.030      | 66      | 23.0       |
| 55  | 0.072      | 67      | 15.0       |
| 60  | 0.186      | 68      | 20.0       |
| 65  | 0.000      | 69      | 40.0       |
| 70  | 0.000      | 70      | 100.0      |



# Actuarial Basis

## Summary of Plan Provisions

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.

|                               |   |
|-------------------------------|---|
| <b>Plan year</b>              | July 1 through June 30.   |
| <b>Eligibility</b>            | A judge or justice of any court. If the member was active prior to January 1, 1974, benefits may be computed according to provisions of the prior plan.   |
| <b>Tier 1 / Tier 2 member</b> | Tier 1 includes judges or justices first appointed or elected before July 1, 2013, and Tier 2 includes judges or justices first appointed or elected after June 30, 2013. A judge or justice with less than five years of service as of December 30, 2013, may make a one-time irrevocable election into Tier 2. For the purpose of this valuation, we have assumed no Tier 1 members elected Tier 2 benefits as of the valuation date. |
| <b>Contributions</b>          |   |
| <b>Member</b>                 | 9.00% of salary for Tier 1 members, 7.00% of salary for Tier 2 members. Tier 1 member contributions after maximum benefit is reached are redirected to the Unclassified Employees Retirement Plan.  |
| <b>Employer</b>               | 22.50% of salary.<br><br>Member contributions are "picked up" according to the provisions of Internal Revenue Code 414(h).  |
| <b>State contributions</b>    | \$6,000,000 per year until the earlier of 1) the year after the plan reaches full funding on an actuarial value of assets basis, and 2) July 1, 2048.   |
| <b>Allowable service</b>      | Service as a judge. Credit may also be earned for uncredited judicial service if the appropriate employee contributions, with interest, are made.   |
| <b>Salary</b>                 | Salary set by law.  |
| <b>Average salary</b>         | Average of the five highest years of salary of the last 10 years prior to termination of judicial service.  |



# Actuarial Basis

## Summary of Plan Provisions (Continued)

---

### Retirement

#### Normal retirement benefit

##### **Age/Service requirement**

First appointed as a judge before July 1, 2013 (Tier 1):

(a.) Age 65 and five years of Allowable Service

(b.) Age 70 (mandatory retirement age)

First appointed as a judge after June 30, 2013 (Tier 2):

(a.) Age 66 and five years of Allowable Service

(b.) Age 70 (mandatory retirement age)

Judges appointed before July 1, 2013, with less than five years of allowable service on or before December 31, 2013, may make a one-time election for the Tier 2 benefit package.

##### **Amount**

First appointed as a judge before July 1, 2013 (Tier 1): 2.70% of Average Salary for each year of Allowable Service prior to July 1, 1980, and 3.20% of Average Salary for each year of Allowable Service after June 30, 1980. Maximum benefit equal to 76.80% of Average Salary.

First appointed as a judge after June 30, 2013 (Tier 2): 2.50% of Average Salary for each year of Allowable Service.

Tier 1 who elected into Tier 2: 3.20% of Average Salary for each year of Allowable Service prior to January 1, 2014, plus 2.50% of Average Salary for each year of Allowable Service after December 31, 2013.

#### Early retirement

##### **Age/Service requirement**

Age 60 and five 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 Normal Retirement Age at time of retirement.

#### Form of payment

Life annuity. Actuarially equivalent options are:

(a.) 50%, 75% or 100% joint and survivor with no bounce back feature

(b.) 50%, 75% or 100% with bounce back feature

(c.) 15-year certain and life thereafter

#### Benefit increases

1.50% per year.

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.

---

# Actuarial Basis

## Summary of Plan Provisions (Continued)

---

### Disability

#### Disability benefit

|                                |  |
|--------------------------------|--|
| <b>Age/Service requirement</b> | Permanent inability to perform the function of judge.  |
| <b>Amount</b>                  | No benefit is paid by the Fund. Instead salary is continued for one year but not beyond age 70. Employee contributions continue and Allowable Service is earned. If disability continues after the first year (or at age 70 if earlier), the larger of 25.00% of Average Salary or the Normal Retirement Benefit, without reduction. |

#### Retirement after disability

|                                |   |
|--------------------------------|---|
| <b>Age/Service requirement</b> | Member is still disabled after salary payments cease after one year or at age 70, if earlier. |
| <b>Amount</b>                  | No change in disability benefit amount from pre-retirement computed benefit amount.           |
| <b>Form of payment</b>         | Same as for retirement.   |
| <b>Benefit increases</b>       | Same as for retirement.   |

---

### Death

#### Survivor's benefit

|                                |  |
|--------------------------------|--|
| <b>Age/service requirement</b> | Active or disabled member dies before retirement or a former member eligible for a deferred annuity dies.  |
| <b>Amount</b>                  | Larger of 25% of Average Salary or 60% of Normal Retirement Benefit earned at date of death. If member dies after age 60 with five or more years of service, spouse may receive the 100% joint and survivor benefit the member had earned as of date of death.<br><br>Benefit paid to spouse for life. If no spouse, benefit is paid to surviving dependent children until child marries, dies, or attains age 18 (age 22 if full-time student). |
| <b>Benefit increases</b>       | Same as for retirement.  |

#### Refund of contributions

|                                |   |
|--------------------------------|---|
| <b>Age/service requirement</b> | Member dies prior to retirement or former member eligible for a deferred annuity dies and survivors' benefits are not payable.  |
| <b>Amount</b>                  | Member's contributions with 6.00% interest through June 30, 2011. Beginning July 1, 2011, a member's contributions increase at 4.00% interest. Beginning July 1, 2018, a member's contributions increase at 3.00% interest. |

# Actuarial Basis

## Summary of Plan Provisions (Concluded)

---

|   |  |
|---|--|
| <b>Termination</b>                      |  |
| <b><u>Refund of contributions</u></b>   |  |
| <b>Age/Service requirement</b>          | Termination of service as a judge.   |
| <b>Amount</b>                           | Member's contributions with 6.00% interest through June 30, 2011. Beginning July 1, 2011, a member's contributions increase at 4.00% interest. Beginning July 1, 2018, a member's contributions increase at 3.00% interest. If a member is vested, a deferred annuity may be elected in lieu of a refund.  |
| <b><u>Deferred benefit</u></b>          |  |
| <b>Age/service requirement</b>          | Five years of Allowable Service.   |
| <b>Amount</b>                           | Benefit computed under law in effect at termination. Amount is payable at normal or early retirement.<br><br>If a member terminated employment prior to July 1, 1997 but was not eligible to commence their 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%.   |
| <b><u>Form of payment</u></b>           | Same as for retirement.  |
| <b>Optional form conversion factors</b> | Effective July 1, 2019 and phased in over a 24-month period, actuarially equivalent factors based on the RP-2014 mortality table for healthy annuitants for a member turning age 66 in 2021, reflecting projected mortality improvements using Scale MP-2017, white collar adjustment, blended 70% males, 5.65% post-retirement interest, and 7.50% pre-retirement interest. Reflecting statutory requirements, joint and survivor factors are based on an interest assumption of 6.50%.   |
| <b>Combined service annuity</b>         | Members are eligible for combined service benefits if they:<br><ul style="list-style-type: none"><li>(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;</li><li>(b.) Have at least six months of allowable service credit in each plan worked under; and</li><li>(c.) Are not in receipt of a benefit from another plan, or have applied for benefits with an effective date within one year.</li></ul> Members who meet the above requirements must have their benefit based on the following:<br><ul style="list-style-type: none"><li>(a.) Allowable service in all covered plans are combined in order to determine eligibility for early retirement; and</li><li>(b.) Average salary is based on the high five consecutive years during their entire service in all covered plans.</li></ul> |
| <b>Changes in plan provisions</b>       | There were no changes in plan provisions since the prior valuation.  |

---





## Additional Schedules

### Schedule of Funding Progress<sup>1</sup> (*Dollars in Thousands*)

| 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) |
|--------------------------|-------------------------------|---------------------------------------|--|----------------------|--|---|
| 7-1-1993                 | \$ 44,156                     | \$ 90,509                             | \$ 46,353                                  | 48.79%               | \$ 22,084                                | 209.89 %  |
| 7-1-1994                 | 50,428                        | 98,313                                | 47,885                                     | 51.29                | 22,264                                   | 215.08  |
| 7-1-1995                 | 56,813                        | 102,238                               | 45,425                                     | 55.57                | 22,877                                   | 198.56  |
| 7-1-1996                 | 64,851                        | 108,150                               | 43,299                                     | 59.96                | 22,421                                   | 193.12  |
| 7-1-1997                 | 74,681                        | 117,714                               | 43,033                                     | 63.44                | 22,909                                   | 187.84  |
| 7-1-1998                 | 86,578                        | 130,727                               | 44,149                                     | 66.23                | 24,965                                   | 176.84  |
| 7-1-1999                 | 97,692                        | 139,649                               | 41,957                                     | 69.96                | 32,940                                   | 127.37  |
| 7-1-2000                 | 111,113                       | 153,660                               | 42,547                                     | 72.31                | 26,315                                   | 161.68  |
| 7-1-2001                 | 123,589                       | 165,244                               | 41,655                                     | 74.79                | 28,246                                   | 147.47  |
| 7-1-2002                 | 131,379                       | 171,921                               | 40,542                                     | 76.42                | 31,078                                   | 130.45  |
| 7-1-2003                 | 134,142                       | 176,291                               | 42,149                                     | 76.09                | 33,771                                   | 124.81  |
| 7-1-2004                 | 138,948                       | 190,338                               | 51,390                                     | 73.00                | 34,683                                   | 148.17  |
| 7-1-2005                 | 144,465                       | 191,414                               | 46,949                                     | 75.47                | 35,941                                   | 130.63  |
| 7-1-2006                 | 151,850                       | 202,301                               | 50,451                                     | 75.06                | 36,529                                   | 138.11  |
| 7-1-2007                 | 153,562                       | 214,297                               | 60,735                                     | 71.66                | 36,195                                   | 167.80  |
| 7-1-2008                 | 147,542                       | 231,623                               | 84,081                                     | 63.70                | 38,296                                   | 219.56  |
| 7-1-2009                 | 147,120                       | 241,815                               | 94,695                                     | 60.84                | 39,444                                   | 240.07  |
| 7-1-2010                 | 144,728                       | 240,579                               | 95,851                                     | 60.16                | 39,291                                   | 243.95  |
| 7-1-2011                 | 145,996                       | 248,630                               | 102,634                                    | 58.72                | 40,473                                   | 253.59  |
| 7-1-2012                 | 144,898                       | 281,576                               | 136,678                                    | 51.46                | 38,644 <sup>2</sup>                      | 353.69  |
| 7-1-2013                 | 144,918                       | 284,513                               | 139,595                                    | 50.94                | 39,888 <sup>2</sup>                      | 349.97  |
| 7-1-2014                 | 157,528                       | 298,233                               | 140,705                                    | 52.82                | 41,893 <sup>3</sup>                      | 335.86  |
| 7-1-2015                 | 168,235                       | 315,633                               | 147,398                                    | 53.30                | 43,449 <sup>3</sup>                      | 339.24  |
| 7-1-2016                 | 172,525                       | 331,334                               | 158,809                                    | 52.07                | 45,418 <sup>3</sup>                      | 349.66  |
| 7-1-2017                 | 183,361                       | 348,976                               | 165,615                                    | 52.54                | 47,813 <sup>3</sup>                      | 346.38  |
| 7-1-2018                 | 197,852                       | 377,925                               | 180,073                                    | 52.35                | 49,009 <sup>3</sup>                      | 367.43  |
| 7-1-2019                 | 208,012                       | 391,146                               | 183,134                                    | 53.18                | 50,164 <sup>3</sup>                      | 365.07  |
| 7-1-2020                 | 218,311                       | 402,660                               | 184,349                                    | 54.22                | 52,298 <sup>3</sup>                      | 352.50  |
| 7-1-2021                 | 240,906                       | 391,341                               | 150,435                                    | 61.56                | 52,960 <sup>3</sup>                      | 284.05  |
| 7-1-2022                 | 257,514                       | 403,368                               | 145,854                                    | 63.84                | 54,436 <sup>3</sup>                      | 267.94  |

<sup>1</sup> Information prior to 2012 provided by prior actuaries. See prior reports for additional detail.

<sup>2</sup> Assumed equal to actual employer contribution (not including state contributions) divided by 20.50%.

<sup>3</sup> Assumed equal to actual employer contribution (not including state contributions) divided by 22.50%.

## Additional Schedules

### Schedule of Contributions from the Employer and Other Contributing Entities<sup>1</sup> (Dollars in Thousands)

| Plan Year<br>Ended<br>June 30 | Actuarially<br>Required<br>Contribution Rate<br>(a) | Actual Covered<br>Payroll<br>(b) | Actual<br>Member<br>Contributions<br>(c) | Annual Required<br>Contributions<br>[(a)x(b)] - (c) = (d) | Actual<br>Employer<br>Contributions <sup>2</sup><br>(e) | Percentage<br>Contributed<br>(e)/(d) |
|-------------------------------|---|----------------------------------|--|---|---|--------------------------------------|
| 1992                          | 26.59%  | \$ 22,084                        | \$ 1,409                                 | \$ 4,463  | \$ 4,845  | 108.56 %                             |
| 1993                          | 26.29   | 22,264                           | 1,416                                    | 4,437   | 4,912   | 110.71                               |
| 1994                          | 28.27   | 22,877                           | 1,455                                    | 5,012   | 5,162   | 102.99                               |
| 1995                          | 27.32   | 22,421                           | 1,426                                    | 4,699   | 4,972   | 105.81                               |
| 1996                          | 27.01   | 22,909                           | 1,457                                    | 4,731   | 6,632   | 140.18                               |
| 1997                          | 27.60   | 24,965                           | 1,570                                    | 5,320   | 7,129   | 134                                  |
| 1998                          | 27.32   | 32,940                           | 2,069                                    | 6,930   | 7,051   | 101.75                               |
| 1999                          | 26.75   | 26,315                           | 2,107                                    | 4,932   | 7,298   | 147.97                               |
| 2000                          | 24.58   | 28,246                           | 2,162                                    | 4,781   | 7,793   | 163.00                               |
| 2001                          | 26.72   | 31,078                           | 2,345                                    | 5,959   | 8,369   | 140.44                               |
| 2002                          | 26.82   | 33,771                           | 2,574                                    | 6,483   | 6,923   | 106.79                               |
| 2003                          | 26.73   | 34,683                           | 2,643                                    | 6,628   | 7,110   | 107.27                               |
| 2004                          | 29.42   | 35,941                           | 2,662                                    | 7,912   | 7,225   | 91.32                                |
| 2005                          | 29.14   | 36,529                           | 2,866                                    | 7,779   | 7,336   | 94.3                                 |
| 2006                          | 30.73   | 36,195                           | 2,792                                    | 8,331   | 7,572   | 90.88                                |
| 2007                          | 33.70   | 38,296                           | 2,861                                    | 10,045  | 7,936   | 79.00                                |
| 2008                          | 30.33   | 39,444                           | 2,978                                    | 8,985   | 8,219   | 91.47                                |
| 2009                          | 31.53   | 39,291                           | 2,988                                    | 9,400   | 8,283 <sup>3</sup>                                      | 88.12 <sup>3</sup>                   |
| 2010                          | 31.66   | 40,473                           | 3,010                                    | 9,804   | 8,297   | 84.63                                |
| 2011                          | 33.15   | 38,644 <sup>4</sup>              | 2,931                                    | 9,879   | 7,922   | 80.19                                |
| 2012                          | 41.52   | 39,888 <sup>4</sup>              | 3,037                                    | 13,524  | 8,177   | 60.46                                |
| 2013                          | 42.42   | 41,893 <sup>5</sup>              | 3,578                                    | 14,193  | 9,426   | 66.41                                |
| 2014                          | 41.26   | 43,449 <sup>5</sup>              | 3,629                                    | 14,298  | 9,776   | 68.37                                |
| 2015                          | 42.73   | 45,418 <sup>5</sup>              | 3,763                                    | 15,644  | 10,219  | 65.32                                |
| 2016                          | 43.34   | 47,813 <sup>5</sup>              | 3,932                                    | 16,790  | 13,758  | 81.94                                |
| 2017                          | 44.9  | 49,009 <sup>5</sup>              | 3,973                                    | 18,032  | 17,027  | 94.43                                |
| 2018                          | 42.94   | 50,164 <sup>5</sup>              | 4,049                                    | 17,491  | 17,287  | 98.83                                |
| 2019                          | 42.97   | 52,298 <sup>5</sup>              | 4,168                                    | 18,304  | 17,767  | 97.06                                |
| 2021                          | 42.17   | 52,960 <sup>5</sup>              | 4,166                                    | 18,167  | 17,916  | 98.62                                |
| 2022                          | 36.51   | 54,436 <sup>5</sup>              | 4,214                                    | 15,661  | 18,248  | 116.52                               |
| 2023                          | 35.42   | N/A                              | N/A                                      | N/A   | N/A   | N/A                                  |

<sup>1</sup> Information prior to 2012 provided by prior actuary. See prior reports for additional detail.

<sup>2</sup> Includes contributions from other sources (if applicable).

<sup>3</sup> Provided by MSRS instead of prior actuary.

<sup>4</sup> Assumed equal to actual employer contribution (not including state contributions) divided by 20.50%.

<sup>5</sup> Assumed equal to actual employer contribution (not including state contributions) divided by 22.50%.



## Glossary of Terms

|  |  |
|--|--|
| <b>Actual Covered Payroll (GASB)</b>                 | The payroll of covered employees, which is typically only the pensionable pay (meets the statutory salary definition) and does not include pay above any pay cap.  |
| <b>Accrued Benefit Funding Ratio</b>                 | The ratio of assets to Current Benefit Obligations.  |
| <b>Accrued Liability Funding Ratio</b>               | The ratio of assets to Actuarial Accrued Liability.  |
| <b>Actuarial Accrued Liability (AAL)</b>             | The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.   |
| <b>Actuarial Assumptions</b>                         | 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.  |
| <b>Actuarial Cost Method</b>                         | 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.  |
| <b>Actuarial Equivalent</b>                          | Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.   |
| <b>Actuarial Present Value (APV)</b>                 | 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.   |
| <b>Actuarial Present Value of Projected Benefits</b> | 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. |
| <b>Actuarial Valuation</b>                           | 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 a retirement system's funding policy, such as the Funded Ratio and the Annual Required Contribution (ARC).  |
| <b>Actuarial Value of Assets</b>                     | 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)

|   |  |
|---|--|
| <b>Amortization Method</b>                | 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.   |
| <b>Amortization Payment</b>               | That portion of the plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.  |
| <b>Amortization Period</b>                | The period used in calculating the Amortization Payment.   |
| <b>Annual Required Contribution (ARC)</b> | 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.  |
| <b>Annual Valuation Earnings</b>          | Reported salary at valuation date annualized for members with less than one year of service earned during the year.  |
| <b>Augmentation</b>                       | Annual increases to deferred benefits.   |
| <b>Closed Amortization Period</b>         | 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.  |
| <b>Current Benefit Obligations</b>        | 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).  |
| <b>Employer Normal Cost</b>               | The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.  |
| <b>Expected Assets</b>                    | The present value of anticipated future contributions intended to fund benefits for current members.   |
| <b>Experience Gain/Loss</b>               | 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. |
| <b>GASB</b>                               | Governmental Accounting Standards Board.   |

## Glossary of Terms (Concluded)

|   |  |
|---|--|
| <b>GASB Statements No. 25 and No. 27</b>    | These are the governmental accounting standards that previously set the accounting and financial reporting rules for public retirement systems and the employers that sponsor or contribute to them. GASB Statement No. 27 sets the accounting and financial reporting rules for the employers that sponsor or contribute to public retirement systems, while GASB 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 of GASB Statements No. 67 and No. 68 below.   |
| <b>GASB Statement No. 50</b>                | The accounting standard governing a state or local governmental employer's accounting for pensions. This statement remains in effect only for pension plans that are not administered as trusts. Please refer to the definition of GASB Statements No. 67 and No. 68.  |
| <b>GASB Statements No. 67 and No. 68</b>    | GASB Statements No. 67 and No. 68, issued in June 2012, replace the requirements of GASB Statements No. 25, No. 27 and No. 50, respectively, for pension plans administered as trusts. GASB 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 GASB 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 GASB Statements No. 67 and No. 68 is provided in a separate report beginning with the June 30, 2014 actuarial valuation. |
| <b>GASB Statement No. 82</b>                | GASB Statement No. 82, issued in March 2016, is an amendment to GASB Statements No. 67, No. 68, and No. 73, and is intended to improve consistency in the application of the accounting statements.  |
| <b>Normal Cost</b>                          | The annual cost assigned, under the Actuarial Cost Method, to the current plan year.   |
| <b>Projected Annual Earnings</b>            | Projected annual payroll for fiscal year beginning on the valuation date, determined by increasing reported pay for each member by one full year's assumed pay increase according to the actuarial salary scale, as prescribed by the LCPR Standards for Actuarial Work.   |
| <b>Projected Benefit Funding Ratio</b>      | 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.  |
| <b>Unfunded Actuarial Accrued Liability</b> | The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.  |
| <b>Valuation Date</b>                       | The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.  |