Minnesota State Retirement System

State Employees Retirement Fund

Actuarial Valuation Report as of July 1, 2024

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November 26, 2024

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

Dear Board of Directors:

The results of the July 1, 2024 annual actuarial valuation of the State Employees 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 parties other than the intended users described above.

The purpose of the valuation is to measure the Fund's funding progress and to determine the required contribution rate for the fiscal year beginning July 1, 2024, according to the prescribed assumptions. Note that the impact of GASB Statements No. 67 and No. 68 is provided in a separate report. 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.

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.

All actuarial assumptions used in this report are reasonable for the purposes of this valuation. The combined effect of the assumptions is expected to have no significant bias (i.e., not significantly optimistic or pessimistic). All actuarial assumptions and methods used in the valuation follow the guidance in the applicable Actuarial Standards of Practice. Additional information about the actuarial assumptions is included in the Actuarial Basis section of this report.

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 7-10, 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.

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We have assessed that the contribution rate calculated under the current funding policy is a reasonable Actuarially Determined Employer Contribution (ADEC) and it is consistent with the plan accumulating adequate assets to make benefit payments when due.

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 findings in this report are based on data and other information through June 30, 2024. 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 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 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 State Employees Retirement Fund as of the valuation date according to the 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.

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

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).

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

Respectfully submitted,
Gabriel, Roeder, Smith & Company

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

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

BJW/SLC:dj

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 earning 7.00% on an actuarial value of assets basis, 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 24 years; and
(3) The unfunded liability will grow initially as a dollar amount for 2 years (based on the current 24-year amortization period and if contributions are equal to the required contribution 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

Contributions

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

	Actuarial Valuation as of	
Total Contributions	**July 1, 2024**	**July 1, 2023**
Statutory Contributions - Chapter 352 (% of Payroll)	11.75%	13.75% *
Required Contributions - Chapter 356 (% of Payroll)	10.09%	10.56%
Sufficiency / (Deficiency)	1.66%	3.19% *

**Includes 2.00% of Payroll ($76.4 million) in one-time direct State aid payable in October, 2023.*

Statutory contributions represent the amount actually contributed to the Fund and include a 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 24 years (normal cost, expenses, and a payment to amortize the unfunded liability). When member contributions of 5.50% of payroll are reflected, the remaining employer statutory contribution is 6.25% of pay and the remaining employer required contribution is 4.59% of pay. Note that member contributions were decreased, from 6.0% to 5.5% of payroll, for two years beginning July 1, 2023 and will revert back to 6.0% effective July 1, 2025.

The statutory contribution sufficiency in the prior valuation was 3.19% of payroll, including the one-time State aid payment. Without this State aid, the statutory contribution sufficiency would have been 1.30% of payroll. This sufficiency improved from 1.30% of payroll to 1.66% of payroll in the current valuation.

Based on the actuarial value of assets, scheduled contribution rates and actuarial assumptions described in this report, statutory contributions are expected to bring the plan to full funding in approximately 1 year.

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 12.3% for the plan year ending June 30, 2024. The AVA earned approximately 8.6% for the plan year ending June 30, 2024 compared to the assumed rate of 7.0%.

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 22, 2024.

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.

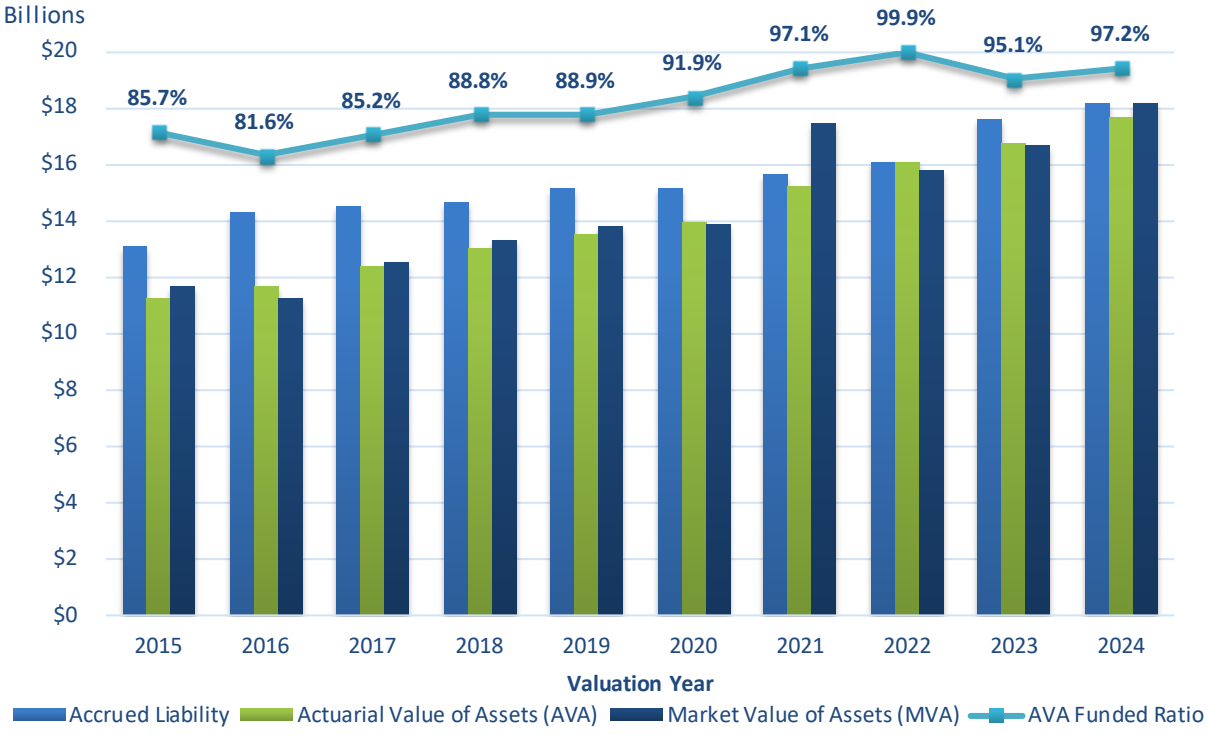
	Actuarial Valuation as of	
	July 1, 2024	**July 1, 2023**
Total Contributions (*% of Payroll*)		
Statutory - Chapter 352	11.75%	13.75% **
Required - Chapter 356	10.09%	10.56%
Sufficiency / (Deficiency)	1.66%	3.19% **
Funding Ratios (*dollars in thousands*)		
Assets		
- Current assets (AVA)	$ 17,658,084	$ 16,745,486
- Current assets (MVA)	18,138,356	16,645,007
Accrued Benefit Funding Ratio		
- Current benefit obligations	$ 17,274,449	$ 16,774,681
- Funding ratio (AVA)	102.22%	99.83%
- Funding ratio (MVA)	105.00%	99.23%
Accrued Liability Funding Ratio		
- Actuarial accrued liability	$ 18,171,621	$ 17,605,809
- Unfunded actuarial accrued liability (AVA)	513,537	860,323
- Unfunded actuarial accrued liability (MVA)	33,265	960,802
- Funding ratio (AVA)	97.17%	95.11%
- Funding ratio (MVA)	99.82%	94.54%
Projected Benefit Funding Ratio*		
- Current and expected future assets	$ 22,395,454	$ 21,194,624
- Current and expected future benefit obligations	21,292,814	20,323,248
- Projected benefit funding ratio (AVA)	105.18%	104.29%
Participant Data		
Active Members		
- Number	55,453	52,459
- Actual covered payroll [GASB] *(000s)*	$ 4,062,909	$ 3,648,167
- Annual valuation earnings *(000s)*	$ 4,099,119	$ 3,630,294
- Average valuation earnings	$ 73,921	$ 69,202
- Projected annual earnings *(000s)*	$ 4,304,077	$ 3,815,327
- Average projected annual earnings	$ 77,617	$ 72,730
- Average age	46.0	46.2
- Average service	9.8	10.1
Service retirements	42,537	41,718
Survivors	4,770	4,629
Disability retirements	1,649	1,706
Deferred retirements	18,827	18,349
Non-vested terminations eligible for refund only	11,689	11,437
Total	**134,925**	**130,298**

* *See the Actuarial Balance Sheet exhibit for additional detail.*

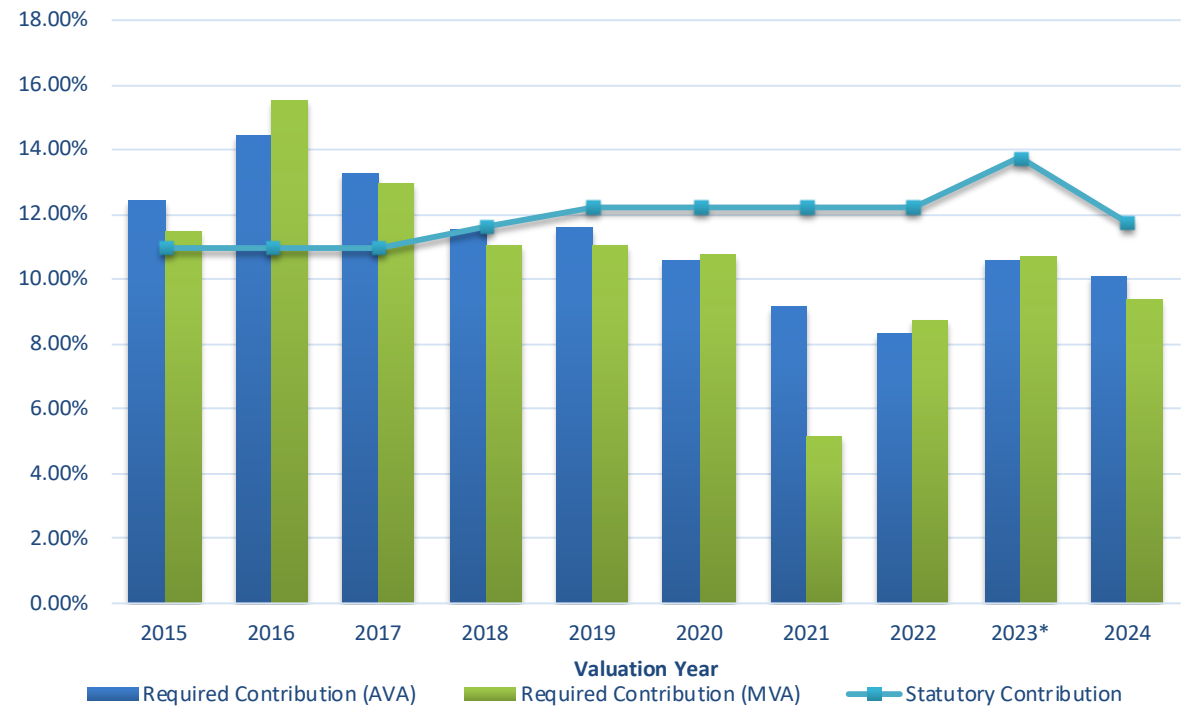
** *Includes 2.00% of Payroll ($76.4 million) in one-time direct State aid payable in October, 2023.*

Summary of Valuation Results

Funded Ratio History



Contribution Rate History (% of Pay)



**2023 Statutory Contribution includes 2.00% of Payroll ($76.4 million) in one-time direct State aid payable in October, 2023.*

Summary of Valuation Results

Effects of Changes

The following changes in plan provisions were recognized as of July 1, 2024, but did not have an immediate cost impact:

- The actuarial equivalent factors were updated to reflect changes in assumptions.

The following changes in actuarial assumptions were recognized as of July 1, 2024:

- The adjustments applied to the mortality table rates were modified slightly, and the mortality improvement scale was updated from MP-2019 to MP-2021.
- Assumed rates of salary increases were modified as recommended in the experience study dated June 29, 2023. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the recent experience study. The changes result in slightly higher unreduced (Normal) retirement rates, slightly lower Rule of 90 rates, slightly higher early retirement rates for Tier 1 members, and slightly lower early retirement rates for Tier 2 members.
- Assumed rates of withdrawal were changed as recommended in the recent experience study. The changes result in slightly more assumed terminations for males and fewer terminations for females.
- Assumed rates of disability were lowered.
- Assumed percent married for male retirees was changed from 80% to 75% and for female retirees 60% to 65%.
- Minor changes to form of payment assumptions and missing participant data assumptions were made as recommended in the recent experience study.

The following changes in actuarial methods was recognized as of July 1, 2024:

- The statutory amortization date was changed from June 30, 2053 to June 30, 2048.

Refer to the Actuarial Basis section of this report for a complete description of these changes. The combined impact of the above changes was to reduce the accrued liability by $120.8 million and reduce the required contribution by 0.10% of pay, as shown on the next page.

Summary of Valuation Results

Effects of Changes (Concluded)

	Before Changes	Reflecting Assumption Changes	Reflecting Assumption Changes and Method Changes
Normal Cost Rate, % of pay	9.03%	9.01%	9.01%
Amortization of UAAL*, % of pay	0.85%	0.69%	0.77%
Expenses, % of pay	0.31%	0.31%	0.31%
Total Required Contribution, % of pay	10.19%	10.01%	10.09%
Accrued Liability Funding Ratio	96.5%	97.2%	97.2%
Projected Benefit Funding Ratio	105.4%	106.1%	105.2%
UAAL* (in millions)	$634.4	$513.5	$513.5

** Unfunded Actuarial Accrued Liability.*

Summary of Valuation Results

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) 6.00% interest rate assumption
2) 8.00% 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 8.00% interest rate assumption does not comply with Actuarial Standards of Practice.

$ in billions	Final Valuation Assumptions (7.0% Interest)	Final Valuation Assumptions with 6.0% Interest	Final Valuation Assumptions with 8.0% Interest
Normal Cost Rate, % of Pay	9.01%	11.30%	7.36%
Amortization of Unfunded Accrued Liability, Level % of Pay to 2048	0.77%	3.77%	(2.01)%
Expenses, % of Pay	0.31%	0.31%	0.31%
Total Required Contribution, % of Pay	10.09%	15.38%	5.66%
Contribution Sufficiency/(Deficiency), % of Pay	1.66 %	(3.63)%	6.09%
Accrued Liability Funding Ratio	97.2%	86.4%	108.3%
Present Value of Projected Benefits	$21.3	$24.7	$18.7
Present Value of Future Normal Costs	3.1	4.3	2.4
Actuarial Accrued Liability	$18.2	$20.4	$16.3
Unfunded/(Surplus) Accrued Liability	$0.5	$2.8	$(1.4)

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 State Employees Retirement Fund for the last two years include the following. Additional maturity measures are shown on the following pages.

	2024	2023
Ratio of market value of assets to total payroll	4.46	4.56
Ratio of actuarial accrued liability to total payroll	4.47	4.83
Ratio of actives to retirees and beneficiaries	1.13	1.09
Ratio of net cash flow to market value of assets	-2.8%	-3.4%
Approximate modified duration* of:		
▪ Total projected benefits:	14.19	14.01
▪ Actuarial accrued liability:	11.36	11.44
▪ Retiree liability:	7.70	7.90

** Based on 7.00% 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 the 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% (e.g., from 7.00% to 6.00%).

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 Summary (Dollars in Thousands)

Valuation Date (July 1)	(1) Accrued Liabilities (AAL)	(2) Market Value of Assets	(3) Market Value Unfunded AAL (1) - (2)	(4) Actual Covered Payroll	(5) Market Value Funded Ratio (2) / (1)	(6) Retiree Liabilities	(7) RetLiab/ AAL (6) / (1)	(8) AAL/ Payroll (1) / (4)	(9) Assets/ Payroll (2) / (4)
2015	$13,092,702	$11,638,319	$1,454,383	$2,714,418	88.9%	$6,949,000	53.1%	482.3%	428.8%
2016	14,316,886	11,223,065	3,093,821	2,797,345	78.4%	7,746,511	54.1%	511.8%	401.2%
2017	14,509,150	12,485,614	2,023,536	2,939,455	86.1%	8,207,943	56.6%	493.6%	424.8%
2018	14,679,489	13,293,422	1,386,067	3,031,382	90.6%	8,512,016	58.0%	484.3%	438.5%
2019	15,179,140	13,772,289	1,406,851	3,168,870	90.7%	8,974,283	59.1%	479.0%	434.6%
2020	15,183,843	13,855,691	1,328,152	3,298,283	91.3%	9,117,035	60.0%	460.4%	420.1%
2021	15,646,401	17,440,051	(1,793,650)	3,325,417	111.5%	9,563,516	61.1%	470.5%	524.4%
2022	16,068,758	15,829,850	238,908	3,434,267	98.5%	9,977,891	62.1%	467.9%	460.9%
2023	17,605,809	16,645,007	960,802	3,648,167	94.5%	10,740,811	61.0%	482.6%	456.3%
2024	18,171,621	18,138,356	33,265	4,062,909	99.8%	10,867,182	59.8%	447.3%	446.4%

Valuation Date (July 1)	(10) Portfolio StdDev	(11) Std Dev % of Pay (9) x (10)	(12) Unfunded / Payroll (3) / (4)	(13) Non-Investment Cash Flow (NICF)	(14) NICF/ Assets (13) / (2)	(15) SBI Market Rate of Return	(16) SBI 5-Year Average	(17) SBI 10-Year Trailing Average
2015	14.1%	60.5%	53.6%	$(361,470)	(3.1%)	4.4%	12.3%	N/A
2016	14.1%	56.6%	110.6%	(405,621)	(3.6%)	(0.1%)	7.7%	N/A
2017	14.1%	59.9%	68.8%	(405,013)	(3.2%)	15.1%	10.2%	6.2%
2018	14.1%	61.8%	45.7%	(468,742)	(3.5%)	10.3%	9.4%	7.8%
2019	14.3%	62.1%	44.4%	(469,499)	(3.4%)	7.3%	7.3%	10.8%
2020	14.3%	60.1%	40.3%	(486,268)	(3.5%)	4.2%	7.2%	9.7%
2021	13.9%	72.9%	(53.9%)	(513,769)	(2.9%)	30.3%	13.1%	10.3%
2022	14.0%	64.5%	7.0%	(549,664)	(3.5%)	(6.4%)	8.5%	9.4%
2023	14.2%	64.8%	26.3%	(558,624)	(3.4%)	8.9%	8.2%	8.8%
2024	14.2%	63.4%	0.8%	(503,547)	(2.8%)	12.3%	9.2%	8.2%

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.

Low-Default-Risk Obligation Measure

Actuarial Standards of Practice No. 4 (ASOP No. 4) was revised and reissued in December 2021 by the Actuarial Standards Board (ASB). It includes a new calculation called a Low-Default-Risk Obligation Measure (LDROM) to be prepared and issued annually for defined benefit pension plans. The transmittal memorandum for ASOP No. 4 includes the following explanation:

"The ASB believes that the calculation and disclosure of this measure provides appropriate, useful information for the intended user regarding the funded status of a pension plan. The calculation and disclosure of this additional measure is not intended to suggest that this is the "right" liability measure for a pension plan. However, the ASB does believe that this additional disclosure provides a more complete assessment of a plan's funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date."

The following information has been prepared in compliance with this new requirement. Unless otherwise noted, the measurement date, actuarial cost methods, and assumptions used are the same as for the funding valuation covered in this actuarial valuation report.

A. Low-Default-Risk Obligation Measure of benefits earned as of the measurement date: $22,143,156,000

B. Discount rate used to calculate the LDROM: 5.35%
(Based on the FTSE Pension Liability Index as of the valuation date)

C. Other significant assumptions that differ from those used for the funding valuation: none

D. Actuarial cost method used to calculate the LDROM: Entry Age Actuarial Cost Method

E. Valuation procedures to value any significant plan provisions that are difficult to measure using traditional valuation procedures, and that differ from the procedures used in the funding valuation: none

F. The LDROM is a market-based measurement of the pension obligation. It estimates the amount the plan would need to invest in low risk securities to provide the benefits with greater certainty. This measure may not be appropriate for assessing the need for or amount of future contributions. This measure may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligation.

The difference between the two measures (Valuation and LDROM) is one illustration of the savings the sponsor anticipates by taking on the risk in a diversified portfolio.

Funding Valuation Actuarial Accrued Liability:	$18,171,621,000
LDROM:	$22,143,156,000
Difference:	$(3,971,535,000)

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** include a summary of funding progress over the long term.
- **Glossary** defines the terms used in this report.

Plan Assets

Statement of Fiduciary Net Position *(Dollars in Thousands)*

	Market Value	
	June 30, 2024	**June 30, 2023**
Assets		
Cash, equivalents, short term securities	$ 295,051	$ 499,944
Fixed income	4,247,824	3,531,361
Equity	13,573,862	12,582,300
Other*	791,694	874,504
Total cash, investments, and other assets	**$ 18,908,431**	**$ 17,488,109**
Amounts Receivable	$ 30,680	$ 28,940
Total Assets	**$ 18,939,111**	**$ 17,517,049**
Amounts Payable*	$ (800,755)	$ (872,042)
Net Position Restricted for Pensions	**$ 18,138,356**	**$ 16,645,007**

** Includes $777,103 in Securities Lending Collateral as of June 30, 2024 and $863,228 as of June 30, 2023.*

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	**Market Value**	
Year Ending	**June 30, 2024**	**June 30, 2023**
1. Fund balance at market value at beginning of year		
a. Market value at beginning of year	**$ 16,645,007**	**$ 15,829,850**
b. Change in accounting principle	224	N/A
c. Market value after adjustment	$ 16,645,231	$ 15,829,850
2. Contributions		
a. Member	223,460	218,890
b. Employer	252,540	227,175
c. Other sources	76,440	-
d. Total contributions	$ 552,440	$ 446,065
3. Investment income		
a. Investment income/(loss)	2,064,641	1,390,742
b. Investment expenses	(67,969)	(16,961)
c. Net investment income/(loss)	$ 1,996,672	$ 1,373,781
4. Other	17,420	25,159
5. Total income: *(2.d.) + (3.c.) + (4.)*	**$ 2,566,532**	**$ 1,845,005**
6. Benefits Paid		
a. Annuity benefits	(1,043,040)	(1,001,955)
b. Refunds	(18,498)	(17,209)
c. Total benefits paid	$ (1,061,538)	$ (1,019,164)
7. Expenses		
a. Other	(43)	(16)
b. Administrative	(11,826)	(10,668)
c. Total expenses	$ (11,869)	$ (10,684)
8. Total disbursements: *(6.c.) + (7.c.)*	**(1,073,407)**	**(1,029,848)**
9. Fund balance at market value at end of year: *(1.c.) + (5.) + (8.)*	**$ 18,138,356**	**$ 16,645,007**
10. State Board of Investment calculated investment return[#]	12.3%	8.9%

[#] *Provided by MSRS and calculated by the State Board of Investment.*

Plan Assets

Actuarial Asset Value *(Dollars in Thousands)*

	June 30, 2024	June 30, 2023
1. Market value of assets available for benefits	**$ 18,138,356**	**$ 16,645,007**
2. Determination of average balance		
a. Total assets available at beginning of year^	16,645,231	15,829,850
b. Total assets available at end of year	18,138,356	16,645,007
c. Net investment income for fiscal year	1,996,672	1,373,781
d. Average balance *[a. + b. - c.] / 2*	16,393,458	15,550,538
3. Expected return *[7.0% x 2.d.]* *	1,147,542	1,166,290
4. Actual return	1,996,672	1,373,781
5. Current year asset gain/(loss) *[4. - 3.]*	849,130	207,491
6. Unrecognized asset returns		

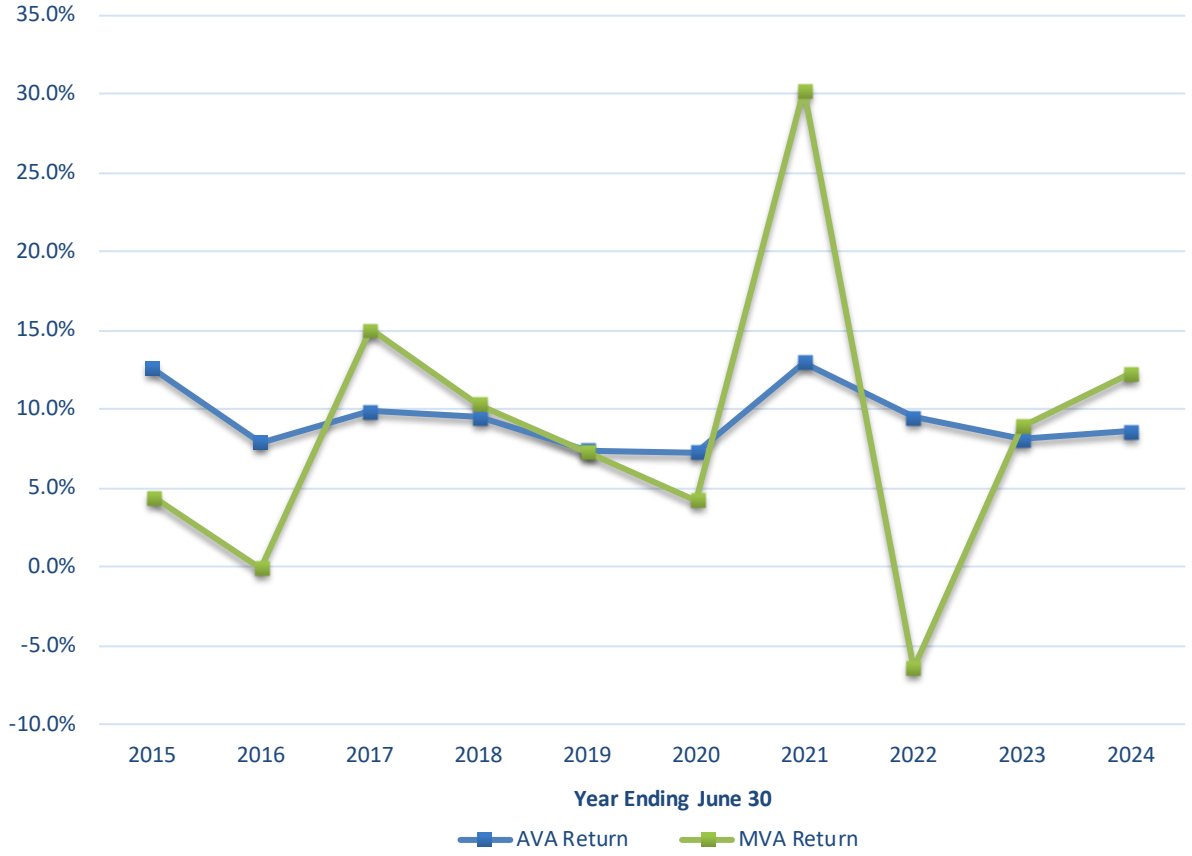
	Original Amount	Unrecognized Amount %	Unrecognized Amount $	Unrecognized Amount %	Unrecognized Amount $
a. Year ended June 30, 2024	$ 849,130	80%	$ 679,304		
b. Year ended June 30, 2023	207,491	60%	124,495	80%	$ 165,993
c. Year ended June 30, 2022	(2,347,928)	40%	(939,171)	60%	(1,408,757)
d. Year ended June 30, 2021	3,078,219	20%	615,644	40%	1,231,288
e. Year ended June 30, 2020	(445,017)		N/A	20%	(89,003)
f. Unrecognized return adjustment			**$ 480,272**		**$ (100,479)**

7. **Actuarial value at end of year** *(1. - 6.f.)*	**$ 17,658,084**	**$ 16,745,486**
8. Approximate return on actuarial value of assets during fiscal year	8.6%	8.1%
9. Ratio of actuarial value of assets to market value of assets	0.97	1.01

^ *Includes impact of change in accounting principle.*
* *7.5% for fiscal year ending June 30, 2023.*

Plan Assets

10-Year History of AVA and MVA Asset Returns



Membership Data

Distribution of Active Members

	Years of Service as of June 30, 2024									
Age	**<3***	**3 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30 - 34**	**35+**	**Total**
< 25	1,605	40	4							**1,649**
Avg. Earnings	$ 37,025	$ 56,900	$ 54,776							**$ 37,550**
25 - 29	3,202	676	406	3						**4,287**
Avg. Earnings	$ 49,392	$ 57,971	$ 64,174	$ 41,518						**$ 52,139**
30 - 34	2,872	854	1,791	223						**5,740**
Avg. Earnings	$ 56,224	$ 64,691	$ 68,624	$ 73,494						**$ 62,024**
35 - 39	2,457	775	2,313	1,158	230	2				**6,935**
Avg. Earnings	$ 61,145	$ 70,788	$ 76,666	$ 82,933	$ 81,899	$ 81,339				**$ 71,732**
40 - 44	2,112	686	2,088	1,385	1,021	183	7			**7,482**
Avg. Earnings	$ 63,282	$ 74,171	$ 81,588	$ 86,393	$ 88,948	$ 84,505	$103,616			**$ 77,726**
45 - 49	1,548	525	1,609	1,039	1,000	679	182	2		**6,584**
Avg. Earnings	$ 64,573	$ 77,812	$ 82,205	$ 86,809	$ 90,662	$ 93,266	$ 92,941	$ 88,996		**$ 81,160**
50 - 54	1,449	491	1,348	943	901	712	525	93	2	**6,464**
Avg. Earnings	$ 64,833	$ 76,520	$ 81,101	$ 86,332	$ 90,302	$ 90,155	$ 96,993	$ 89,660	$ 96,148	**$ 81,568**
55 - 59	1,144	418	1,232	970	888	739	772	515	167	**6,845**
Avg. Earnings	$ 64,095	$ 75,003	$ 79,263	$ 82,566	$ 87,008	$ 87,900	$ 94,734	$ 96,865	$ 90,832	**$ 82,225**
60 - 64	760	343	1,044	856	834	717	627	547	627	**6,355**
Avg. Earnings	$ 59,386	$ 72,994	$ 77,329	$ 81,951	$ 82,685	$ 85,769	$ 88,553	$ 91,507	$ 91,349	**$ 80,938**
65 - 69	241	114	424	344	318	268	191	201	319	**2,420**
Avg. Earnings	$ 53,445	$ 64,036	$ 77,354	$ 81,091	$ 83,867	$ 83,287	$ 90,319	$ 89,857	$ 85,325	**$ 79,502**
70+	124	42	92	85	82	71	53	36	107	**692**
Avg. Earnings	$ 29,271	$ 39,545	$ 72,304	$ 79,502	$ 73,404	$ 88,893	$ 82,924	$ 84,757	$ 83,960	**$ 68,585**
Total	**17,514**	**4,964**	**12,351**	**7,006**	**5,274**	**3,371**	**2,357**	**1,394**	**1,222**	**55,453**
Avg. Earnings	**$ 56,629**	**$ 69,747**	**$ 77,426**	**$ 84,028**	**$ 87,332**	**$ 88,470**	**$ 92,858**	**$ 92,948**	**$ 89,067**	**$ 73,921**

* *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 valuation earnings for the fiscal year ending on the valuation date.

Membership Data

Distribution of Service Retirements

	Years Retired as of June 30, 2024							
Age	**<1**	**1 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25+**	**Total**
<50				8				**8**
Avg. Benefit				$ 5,031				**$ 5,031**
50 - 54	1	3	3	6				**13**
Avg. Benefit	$ 22,188	$ 4,479	$ 3,659	$ 6,927				**$ 6,782**
55 - 59	66	236	11	6	1			**320**
Avg. Benefit	$ 12,271	$ 16,740	$ 13,098	$ 3,403	$ 5,978			**$ 15,410**
60 - 64	465	1,660	650	27		1		**2,803**
Avg. Benefit	$ 22,090	$ 23,130	$ 19,514	$ 10,334		$ 6,132		**$ 21,989**
65 - 69	1,146	4,691	2,711	1,014	29			**9,591**
Avg. Benefit	$ 19,892	$ 22,157	$ 23,467	$ 18,318	$ 12,848			**$ 21,822**
70 - 74	188	2,359	5,426	3,011	1,014	14		**12,012**
Avg. Benefit	$ 22,590	$ 21,608	$ 22,186	$ 23,321	$ 18,803	$ 14,546		**$ 22,069**
75 - 79	42	338	1,767	3,961	2,298	894	15	**9,315**
Avg. Benefit	$ 15,281	$ 21,436	$ 22,725	$ 22,310	$ 22,998	$ 19,066	$ 17,886	**$ 22,176**
80 - 84	10	60	194	809	1,806	1,491	457	**4,827**
Avg. Benefit	$ 21,298	$ 23,225	$ 16,988	$ 20,668	$ 20,575	$ 22,423	$ 18,732	**$ 20,877**
85 - 89	1	10	28	105	292	1,039	936	**2,411**
Avg. Benefit	$ 6,164	$ 24,150	$ 16,049	$ 19,413	$ 17,730	$ 19,120	$ 22,835	**$ 20,386**
90+		1	5	18	31	127	1,055	**1,237**
Avg. Benefit		$ 29,193	$ 15,494	$ 18,428	$ 13,067	$ 17,271	$ 23,835	**$ 22,783**
Total	**1,919**	**9,358**	**10,795**	**8,965**	**5,471**	**3,566**	**2,463**	**42,537**
Avg. Benefit	**$ 20,327**	**$ 22,032**	**$ 22,308**	**$ 21,934**	**$ 21,026**	**$ 20,400**	**$ 22,472**	**$ 21,764**

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

	Years Since Death as of June 30, 2024							
Age	**<1**	**1 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25+**	**Total**
<45	16	50	32	7	3			**108**
Avg. Benefit	$ 9,571	$ 9,225	$ 5,671	$ 5,471	$ 5,136			**$ 7,866**
45 - 49	9	22	15	10	1	1	2	**60**
Avg. Benefit	$ 10,329	$ 8,445	$ 6,594	$ 8,180	$ 6,784	$ 2,905	$ 18,261	**$ 8,428**
50 - 54	10	33	16	10	7	1		**77**
Avg. Benefit	$ 8,428	$ 9,578	$ 6,641	$ 11,063	$ 11,163	$ 3,914		**$ 9,082**
55 - 59	13	60	24	11	3	3	3	**117**
Avg. Benefit	$ 9,313	$ 14,277	$ 8,383	$ 9,563	$ 9,685	$ 3,709	$ 7,778	**$ 11,518**
60 - 64	31	86	70	30	18	6	7	**248**
Avg. Benefit	$ 17,428	$ 15,426	$ 14,900	$ 10,014	$ 15,103	$ 9,867	$ 6,508	**$ 14,464**
65 - 69	59	162	133	66	41	23	12	**496**
Avg. Benefit	$ 18,225	$ 19,950	$ 15,381	$ 15,981	$ 15,624	$ 9,569	$ 6,941	**$ 16,838**
70 - 74	85	245	189	119	78	50	29	**795**
Avg. Benefit	$ 22,222	$ 18,852	$ 19,739	$ 19,481	$ 16,668	$ 12,450	$ 11,052	**$ 18,616**
75 - 79	88	282	205	123	111	72	39	**920**
Avg. Benefit	$ 20,419	$ 20,342	$ 21,290	$ 18,950	$ 18,414	$ 16,445	$ 17,644	**$ 19,723**
80 - 84	65	226	177	118	93	59	66	**804**
Avg. Benefit	$ 21,095	$ 20,341	$ 21,588	$ 17,079	$ 16,912	$ 16,696	$ 18,651	**$ 19,395**
85 - 89	44	146	157	105	69	55	64	**640**
Avg. Benefit	$ 23,542	$ 23,107	$ 24,168	$ 23,031	$ 21,790	$ 19,746	$ 21,464	**$ 22,790**
90+	18	102	98	83	73	50	81	**505**
Avg. Benefit	$ 19,752	$ 24,190	$ 23,199	$ 26,243	$ 26,131	$ 26,843	$ 22,570	**$ 24,460**
Total	**438**	**1,414**	**1,116**	**682**	**497**	**320**	**303**	**4,770**
Avg. Benefit	**$ 19,441**	**$ 19,216**	**$ 19,409**	**$ 18,991**	**$ 18,853**	**$ 17,241**	**$ 18,581**	**$ 19,039**

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

	Years Disabled as of June 30, 2024							
Age	**<1**	**1 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25+**	**Total**
< 45	2	6						**8**
Avg. Benefit	$ 15,230	$ 4,976						**$ 7,540**
45 - 49	2	5	4	4	3	1		**19**
Avg. Benefit	$ 7,557	$ 12,226	$ 7,047	$ 5,147	$ 5,127	$ 1,835		**$ 7,486**
50 - 54	4	15	8	2	4	2		**35**
Avg. Benefit	$ 11,648	$ 13,327	$ 8,906	$ 11,161	$ 3,513	$ 3,550		**$ 10,321**
55 - 59	9	33	22	20	8	5	1	**98**
Avg. Benefit	$ 15,927	$ 17,719	$ 12,732	$ 9,991	$ 8,668	$ 8,800	$ 10,574	**$ 13,591**
60 - 64	23	89	69	47	38	18	8	**292**
Avg. Benefit	$ 19,156	$ 17,904	$ 15,762	$ 14,836	$ 11,325	$ 10,243	$ 6,543	**$ 15,363**
65 - 69	3	50	125	101	65	46	26	**416**
Avg. Benefit	$ 19,578	$ 16,820	$ 17,354	$ 17,718	$ 14,949	$ 11,418	$ 11,327	**$ 15,985**
70 - 74		2	37	112	115	72	36	**374**
Avg. Benefit		$ 8,930	$ 14,954	$ 19,350	$ 19,429	$ 13,798	$ 13,773	**$ 17,278**
75+			1	41	96	140	129	**407**
Avg. Benefit			$ 5,237	$ 14,264	$ 17,730	$ 17,659	$ 17,564	**$ 17,273**
Total	**43**	**200**	**266**	**327**	**329**	**284**	**200**	**1,649**
Avg. Benefit	**$ 17,089**	**$ 16,640**	**$ 15,770**	**$ 16,763**	**$ 16,526**	**$ 14,888**	**$ 15,595**	**$ 16,085**

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

		Terminated*		Recipients**			
	Actives*	Deferred Retirement	Other Non-Vested	Service Retirement	Disability Retirement	Survivor	Total
Members on July 1, 2023	**52,459**	**18,349**	**11,437**	**41,718**	**1,706**	**4,629**	**130,298**
New members	7,650						**7,650**
Return to active	536	(266)	(270)	0	0	0	**0**
Terminated non-vested	(1,899)	0	1,899	0	0	0	**0**
Service retirements	(1,090)	(732)	0	1,822	0	0	**0**
Unclassified retirements	0	0	0	36	0	0	**36**
Terminated deferred	(1,535)	1,535	0	0	0	0	**0**
Terminated refund/transfer	(564)	(176)	(1,863)	0	0	0	**(2,603)**
Deaths	(84)	(45)	(17)	(1,096)	(92)	(240)	**(1,574)**
New beneficiary	0	0	0	0	0	410	**410**
Disabled	(20)	0	0	0	20	0	**0**
Data adjustments	0	162	503	57	15	(29)	**708**
Net change	2,994	478	252	819	(57)	141	**4,627**
Members on June 30, 2024	**55,453**	**18,827**	**11,689**	**42,537**	**1,649**	**4,770**	**134,925**

* *Includes members in the General or Military Affairs Plans.*
** *Includes members in the General, Military Affairs or Unclassified Plans.*

Summary of Membership

Active Member Statistics	Total
Number	55,453
Average age	46.0
Average service	9.8
Average salary	$ 73,921

Terminated Member Statistics	Deferred Retirement	Other Non-Vested	Total
Number	18,827	11,689	30,516
Average age	51.8	37.9	46.5
Average service	7.7	1.3	5.2
Average annual benefit, with augmentation to December 31, 2018 and 4% CSA load	$ 8,529	N/A	$ 8,529
Average refund value, with 4% CSA load (5% CSA load for Non-Vested)	$ 32,263	$ 4,217	$ 21,520

Retiree & Survivor Member Statistics	Service Retirees	Disabled Retirees	Survivors	Total
Number	42,537	1,649	4,770	48,956
Average age	73.8	69.1	76.1	73.8
Average annual benefit	$ 21,764	$ 16,085	$ 19,039	$ 21,307

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. Per the LCPR Standards for Actuarial Work, Item B.1 is the present value of the total 11.75% statutory contribution (excluding future statutory contribution increases) 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.

			June 30, 2024
A. Actuarial Value of Assets			$ 17,658,084
B. Expected Future Assets			
1. Present value of expected future statutory supplemental contributions			1,616,177
2. Present value of future normal cost contributions			3,121,193
3. Total expected future assets: *(1.) + (2.)*			$ 4,737,370
C. Total Current and Expected Future Assets			22,395,454
D. Current Benefit Obligations*			
1. Benefit recipients	**Non-Vested**	**Vested**	**Total**
a. Service retirements	$ -	$ 9,884,782	$ 9,884,782
b. Disability retirements	-	262,745	262,745
c. Survivors	-	719,655	719,655
2. Deferred retirements	-	1,030,686	1,030,686
3. Former members without vested rights**	19,592	-	19,592
4. Active members	112,309	5,244,680	5,356,989
5. Total Current Benefit Obligations	$ 131,901	$ 17,142,548	$ 17,274,449
E. Expected Future Benefit Obligations			4,018,365
F. Total Current and Expected Future Benefit Obligations***			21,292,814
G. Unfunded Current Benefit Obligations: *(D.5.) - (A.)*			(383,635)
H. Unfunded Current and Future Benefit Obligations: *(F.) - (C.)*			(1,102,640)
I. Accrued Benefit Funding Ratio: *(A.)/(D.5.)*			102.22%
J. Projected Benefit Funding Ratio: *(C.)/(F.)*			105.18%

* *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 Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability (AAL)			
1. Active members			
a. Retirement annuities	$ 8,553,965	$ 2,394,440	$ 6,159,525
b. Disability benefits	176,286	77,239	99,047
c. Survivor's benefits	105,984	36,527	69,457
d. Deferred retirements	500,321	513,149	(12,828)
e. Refunds*	30,191	99,838	(69,647)
f. Total	$ 9,366,747	$ 3,121,193	$ 6,245,554
2. Deferred retirements	1,030,686	-	1,030,686
3. Former members without vested rights	19,592	-	19,592
4. Benefit recipients	10,867,182	-	10,867,182
5. Contingent actuarial accrued liability - UNCL Plan	8,607	-	8,607
6. Total	$ 21,292,814	$ 3,121,193	$ 18,171,621
B. Determination of Unfunded Actuarial Accrued Liability (UAAL)			
1. Actuarial accrued liability			$ 18,171,621
2. Current assets (AVA)			17,658,084
3. Unfunded actuarial accrued liability			$ 513,537
C. Determination of Supplemental Contribution Rate**			
1. Present value of future payrolls through the amortization date of June 30, 2048			$ 66,509,355
2. Supplemental contribution rate: *(B.3.) / (C.1.)*			0.77% ***

* *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, 2024 is 15.45264.*

Development of Costs

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

	Year Ending June 30, 2024		
	Actuarial Accrued Liability	Current Assets	Unfunded Actuarial Accrued Liability
A. Values at beginning of year	$ 17,605,809	$ 16,745,486	$ 860,323
B. Changes due to interest requirements and current rate of funding			
1. Normal cost, including expenses	354,442	-	354,442
2. Benefit payments	(1,061,538)	(1,061,538)	-
3. Contributions	-	552,440	(552,440)
4. Interest on A., B.1., B.2. and B.3.	1,207,658	1,154,366	53,292
5. Total *(B.1. + B.2. + B.3. + B.4.)*	$ 500,562	$ 645,268	$ (144,706)
C. Expected values at end of year *(A. + B.5.)*	$ 18,106,371	$ 17,390,754	$ 715,617
D. Increase (decrease) due to actuarial losses (gains) because of experience deviations from expected			
1. Age and service retirements			(4,184)
2. Disability retirements			(2,099)
3. Death-in-service benefits			(6,108)
4. Withdrawals			49
5. Salary increases			139,990
6. Investment income			(267,330)
7. Mortality of annuitants			6,286
8. Other items			52,151
9. Total			$ (81,245)
E. Unfunded actuarial accrued liability at end of year before plan amendments and changes in actuarial assumptions *(C. + D.9.)*			$ 634,372
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 assumptions			(120,835)
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.)**			$ 513,537

** The Unfunded Actuarial Accrued Liability on a market value of assets basis is $33,265.*

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 Payroll	Dollar Amount
A. Statutory contributions - Chapter 352		
1. Employee contributions	5.50%	$ 236,724
2. Employer contributions	6.25%	269,005
3. Total	11.75%	$ 505,729
B. Required contributions - Chapter 356		
1. Normal cost		
a. Retirement benefits	7.16%	$ 308,172
b. Disability benefits	0.20%	8,608
c. Survivors	0.10%	4,304
d. Deferred retirement benefits	1.27%	54,662
e. Refunds*	0.28%	12,051
f. Total	9.01%	$ 387,797
2. Supplemental contribution amortization of Unfunded Actuarial Accrued Liability by June 30, 2048	0.77%	$ 33,141
3. Allowance for expenses	0.31%	$ 13,343
4. Total	10.09% **	$ 434,281
C. Contribution sufficiency/(deficiency) *(A.3. - B.4.)*	1.66%	$ 71,448

* *Includes non-vested refunds and non-married survivor benefits only.*
** *The required contribution on a market value of assets basis is 9.37% of payroll.*

Note: Projected annual payroll for fiscal year beginning on the valuation date: $4,304,077 (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).

Development of Costs

Special Groups – Military Affairs Calculation

Section 352.85 of Chapter 352 of Minnesota Statutes provides that certain military affairs personnel may retire, with an unreduced benefit, at age 60. In addition, they may receive disability benefits upon being found disqualified for retention in active military duty. To fund these special benefits, employees and employer contribute an extra 1.60% of payroll.

To recognize the effect of the unreduced early retirement benefit available at age 60, we have assumed that all military affairs personnel will retire at age 60, or if over age 60, one year from the valuation date.

The unfunded liability for these members, if any, is reflected in the total unfunded liability shown on page 23.

	Year Ending June 30, 2024
A. Projected annual earnings	$ 1,357,390
B. Total normal cost	
1. Dollar amount	$ 181,755
2. Percent of payroll	13.39%
C. Normal cost of State Employees Retirement Fund (percent of payroll)	9.01%
D. Difference in normal cost *(B. - C., not less than zero)*	4.38%

Active Military Affairs Statistics	Active Members
Number	16
Average Age, in years	37.3
Average Service, in years	2.4

Development of Costs

Special Groups – Fire Marshals Calculation

Section 352.87 of Chapter 352 of Minnesota Statutes provides that deputy state fire marshals may retire, with an unreduced benefit (with respect to service after July 1, 1999), at age 55. Credited Service after July 1, 1999 accrues retirement benefits at a rate of 2.00% per year, and disability benefits are based on a minimum of 15 years of service (20 years if duty related). To fund these special benefits, members contribute an extra 2.78% of payroll and employers contribute an extra 4.20% of payroll.

To recognize the effect of the unreduced early retirement benefit available at age 55, we have assumed that all fire marshals will retire in accordance with the retirement assumptions which apply to the members of the Correctional Employees Retirement Fund beginning at age 55.

The unfunded liability for these members, if any, is reflected in the total unfunded liability shown on page 23.

	Year Ending June 30, 2024
A. Projected annual earnings	$ 1,109,985
B. Total normal cost	
1. Dollar amount	$ 199,464
2. Percent of payroll	17.97%
C. Normal cost of State Employees Retirement Fund (percent of payroll)	9.01%
D. Difference in normal cost (B. - C.)	8.96%

Active Fire Marshals Statistics	Active Members
Number	11
Average Age, in years	52.1
Average Service, in years	12.4

Development of Costs

Special Groups – Unclassified Plan Contingent Liability Calculation
(Dollars in Thousands)

Section 352D.02 of Chapter 352D of Minnesota Statutes provides that members credited with employee shares in the Unclassified Plan may elect to terminate participation in the Unclassified Plan and be covered by the State Employees Retirement Fund (General Plan) prior to termination of covered employment assuming that the member has acquired at least 10 years of allowable state service if hired prior to July 1, 2010 and has no more than 7 years of service if hired after June 30, 2010. Unclassified Plan members contribute 5.50% of payroll (reverts back to 6.00% effective July 1, 2025) and employers contribute 6.25% of payroll. Certain members (Judges and Legislators) are not eligible to elect coverage under the State Employees Retirement Fund.

To recognize the effect of the option to elect coverage under the General Plan, we have assumed that all eligible Unclassified Plan members will elect coverage under the General Plan if such election provides the member with a greater economic present value than the accumulated contribution balance under the Unclassified Plan. The liabilities were measured using the actuarial assumptions that are applied to the State Employees Retirement Fund.

	Year Ending June 30, 2024
A. Number of active eligible members	1,202
B. Account balances for active eligible members	$ 156,554
C. Accrued liability for active members	$ 165,161
D. Contingent liability (C. - B.)	$ 8,607
E. Projected annual earnings for active eligible members	$ 125,483
F. Normal cost	
G. 1. Dollar amount	$ 14,850
2. Percent of payroll	11.83%
H. Normal cost of State Employee Retirement Fund (percent of payroll)	9.01%
Difference in normal cost (G.2. - H.)	2.82%

Unclassified Member Statistics	Active Eligible Members
Number	1,202
Average Age, in years	43.4
Average Service, in years	6.8
Average Unclassified Account Balance	$ 130,245

Actuarial Basis

Actuarial Methods

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

Actuarial Cost Method

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

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

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 3.00% 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 recalculated (but changed only if the calculation results in an earlier date).

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 0.964 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

The statutory amortization date was changed from June 30, 2053 to June 30, 2048.

The method for determining the statutory amortization date when the unfunded liability increases due to changes in benefits, assumptions, or methods was modified to prevent the statutory period from being extended.

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. Unless otherwise noted, the assumptions are based on the last adopted experience study, dated June 29, 2023. The Allowance for Combined Service Annuity assumptions are based on an analysis completed by the LCPR actuary and documented in a report dated October 2016.

Investment return	7.00% per annum (prescribed by Minnesota Statutes).
Salary increases	Reported salary at valuation date increased according to the rate table, to current fiscal year and annually for each future year. Prior fiscal year salary is annualized for members with less than one year of service.
Inflation	2.25% per year.
Payroll growth	3.00% per year.
Mortality rates	
Healthy pre-retirement	Pub-2010 General Employee Mortality Table adjusted for mortality improvements using projection scale MP-2021.
Healthy post-retirement	Pub-2010 Healthy Retired General Mortality Table, adjusted for mortality improvements using projection scale MP-2021. Rates are multiplied by a factor of 1.04 for males and 1.10 for females.
Disabled	Pub-2010 General/Teacher Disabled Retiree Mortality Table, adjusted for mortality improvements using projection scale MP-2021. Rates are multiplied by a factor of 1.10 for males and 1.17 for females.
Notes	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.
Retirement	Members retiring from active status are assumed to retire according to the age related rates shown in the rate table. Members who have attained the highest assumed retirement age are assumed to retire in one year.
Withdrawal	Service-related rates based on experience; see table of sample rates.

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

Disability	Age-related rates based on experience; see table of sample rates.
Allowance for combined service annuity	Liabilities for former, vested members are increased by 4.00%, and liabilities for former, non-vested members are increased by 5.00% to account for the effect of some participants having eligibility for a Combined Service Annuity.
Administrative expenses	Prior year administrative expenses expressed as percentage of prior year projected payroll.
Refund of contributions	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.
Commencement of deferred benefits	Members receiving deferred annuities (including current terminated deferred members) are assumed to begin receiving benefits at normal retirement age.
Percentage married	75% of active male members and 65% of female members are assumed to be married. Actual marital status is used for members in payment status.
Age of spouse	Male members are assumed to have a beneficiary two years younger and female members are assumed to have a beneficiary two years older.
Form of payment	Married members retiring from active status are assumed to elect the subsidized Joint and Survivor form of annuity as follows: Males: 10% elect 50% Joint & Survivor option 15% elect 75% Joint & Survivor option 65% elect 100% Joint & Survivor option Females: 20% elect 50% Joint & Survivor option 10% elect 75% Joint & Survivor option 45% elect 100% Joint & Survivor option Remaining married members and unmarried members are assumed to elect the Straight Life option. Members receiving deferred annuities (including current terminated deferred members) are assumed to elect a life annuity.
Eligibility testing	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement operation	Withdrawal decrements do not operate during retirement eligibility. Decrements are assumed to occur mid-fiscal year.
Service credit accruals	It is assumed that members accrue one year of service credit per year.
Benefit service	Exact fractional service is used to determine the amount of benefit payable.

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

Pay increases	Pay increases are assumed to happen at the beginning of the fiscal year. This is equivalent to assuming that reported earnings are pensionable earnings for the year ending on the valuation date.
Final average salary	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.
Unknown data for certain members	To prepare this report, GRS has used and relied on participant data supplied by the Fund. Although GRS has reviewed the data in accordance with Actuarial Standards of Practice No. 23, GRS has not verified or audited any of the data or information provided. In cases where submitted data was missing or incomplete, the following assumptions were applied: <u>Data for active members:</u> There were 266 members reported with zero or invalid salary (<$100). We used prior year salary (170 members), if available, otherwise, high five salary with a 10% load to account for salary increases (89 members). If neither pay or high five salary was available, we assumed a value of $56,000 (7 members). There were 11 members reported with zero or negative service. Due to the small number of members with zero service, and based on direction from MSRS, we used service of 0 years for these members. There were 510 members reported without a gender and 6 members reported with an invalid date of birth. We assumed the member was hired at age 37 and female gender. <u>Data for terminated members:</u> There were 305 members reported with a missing or invalid benefit. If available, we calculated benefits for these members using the reported Average Salary, Credited Service and Termination Date provided. If Average Salary was not reported or invalid (216 members), we assumed a value of $58,000. If termination date was not reported (4 members), we assumed the member terminated at age 40 (or current age if younger than 40). If credited service was either not reported or invalid (4 members), we assumed a value of 5.0 years. There were no members with a missing date of birth and 10 members with an invalid gender. We assumed female gender for the valuation. <u>Data for members receiving benefits:</u> There were 102 members reported without a gender. We assumed female gender for retirees and male gender for survivors. No retired members were reported with an invalid date of birth.

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

Unknown data for certain members (Concluded)	Data for members receiving benefits: There were 11 members reported without a benefit. Due to the small number of members with missing benefits, we made no adjustment to the reported data for members receiving benefits. There were 27 survivor members reported with a certain and life option but with a certain end date prior to the valuation date. These members were excluded from the valuation. There were 117 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 (i.e., bounce back) if applicable. There were 136 retirees reported with a bounceback annuity but were not reported with a reasonable 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 retired members reported with a survivor option and an invalid or missing survivor gender (2,863 members) and/or survivor date of birth (2,444 members). We used the valuation assumptions if the survivor gender or date of birth was missing or invalid.
Changes in actuarial assumptions	The adjustments applied to the mortality table rates were modified slightly, and the mortality improvement scale was updated from MP-2019 to MP-2021. Assumed rates of salary increases were modified as recommended in the experience study dated June 29, 2023. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the recent experience study. The changes result in slightly higher unreduced (Normal) retirement rates, slightly lower Rule of 90 rates, slightly higher early retirement rates for Tier 1 members, and slightly lower early retirement rates for Tier 2 members. Assumed rates of withdrawal were changed as recommended in the recent experience study. The changes result in slightly more assumed terminations for males and fewer terminations for females. Assumed rates of disability were lowered. Assumed percent married for male retirees was changed from 80% to 75% and for female retirees 60% to 65%. Minor changes to form of payment assumptions and missing participant data assumptions were made as recommended in the recent experience study.

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

	Percent of Members Dying Each Year*					
	Healthy Post-Retirement Mortality**		Healthy Pre-Retirement Mortality**		Disability Mortality**	
Age in 2024	Male	Female	Male	Female	Male	Female
20	0.04%	0.02%	0.04%	0.01%	0.47%	0.30%
25	0.03%	0.01%	0.03%	0.01%	0.36%	0.24%
30	0.05%	0.02%	0.05%	0.02%	0.55%	0.42%
35	0.08%	0.04%	0.07%	0.03%	0.77%	0.67%
40	0.09%	0.05%	0.09%	0.04%	0.98%	0.89%
45	0.13%	0.07%	0.11%	0.05%	1.22%	1.12%
50	0.29%	0.22%	0.14%	0.08%	1.67%	1.57%
55	0.42%	0.31%	0.21%	0.12%	2.20%	1.98%
60	0.65%	0.43%	0.32%	0.19%	2.79%	2.34%
65	0.95%	0.64%	0.47%	0.28%	3.35%	2.50%
70	1.46%	1.01%	0.65%	0.42%	3.94%	2.90%
75	2.44%	1.79%	0.96%	0.70%	5.01%	4.05%
80	4.38%	3.32%	1.53%	1.20%	7.13%	6.32%
85	8.10%	6.36%	6.55%	4.97%	10.78%	10.17%
90	14.16%	11.97%	13.62%	10.89%	16.60%	15.15%

* *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-2021 from a base year of 2010.*

	Percent of Members Decrementing Each Year	
	Disability Retirement	
Age	Male	Female
20	0.01%	0.00%
25	0.01	0.00
30	0.01	0.00
35	0.01	0.01
40	0.03	0.02
45	0.05	0.05
50	0.11	0.11
55	0.16	0.17
60	0.23	0.25
65	0.00	0.00

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

	Percent Retiring Each Year		
Age	Rule of 90 Eligible	Hired prior to 7/1/1989	Hired after 6/30/1989
55	15.0%	3.0%	3.5%
56	15.0	3.0	3.5
57	11.0	3.0	3.5
58	11.0	6.0	4.0
59	12.0	7.0	4.5
60	15.0	8.0	5.0
61	15.0	9.0	6.0
62	22.0	15.0	12.0
63	22.0	15.0	13.0
64	20.0	15.0	14.0
65	35.0	35.0	22.0
66	35.0	35.0	35.0
67	35.0	35.0	35.0
68	30.0	30.0	30.0
69	25.0	25.0	25.0
70	30.0	30.0	30.0
71+	100.0	100.0	100.0

Actuarial Basis

Summary of Actuarial Assumptions (Concluded)

Salary Scale		Percent of Members Terminating (Withdrawing) Each Year		
Year	Increase	Year	Males	Females
1	11.75%	1	20.00%	20.50%
2	7.50	2	15.00	16.50
3	5.65	3	10.50	12.50
4	5.50	4	8.25	9.75
5	5.20	5	7.00	9.00
6	5.00	6	6.50	8.00
7	4.80	7	5.50	7.50
8	4.60	8	4.50	6.25
9	4.50	9	4.25	5.25
10	4.30	10	3.75	4.75
11	4.20	11	3.50	4.50
12	4.10	12	3.25	4.25
13	4.00	13	3.00	4.00
14	3.90	14	2.50	3.75
15	3.70	15	2.40	3.25
16	3.60	16	2.30	3.25
17	3.50	17	2.20	3.00
18	3.40	18	2.10	2.75
19	3.40	19	2.00	2.50
20	3.40	20	1.75	2.50
21	3.30	21	1.75	2.50
22	3.20	22	1.75	2.50
23	3.20	23	1.75	2.25
24	3.20	24	1.50	1.75
25	3.20	25	1.50	1.75
26	3.20	26	1.25	1.75
27	3.00	27	1.00	1.50
28	3.00	28	1.00	1.50
29	3.00	29	1.00	1.00
30+	3.00	30+	1.00	1.00

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.

Plan Year	July 1 through June 30.
Eligibility	State employees, non-academic staff of the University of Minnesota and employees of certain Metro level government units, unless excluded by law.
Contributions	Shown as a percent of salary:

Effective as of	Member	Employer
July 1, 2023	5.50%	6.25%
July 1, 2025	6.00%	6.25%

Member contributions are "picked up" according to the provisions of Internal Revenue Code 414(h).

Allowable Service	Service during which member contributions were made. May also include certain leaves of absence, military service and periods while temporary Worker's Compensation is paid. Excludes lump sum vacation and severance pay at termination.
Average Salary	Average of the five highest successive years of Salary. Average Salary is based on all Allowable Service if less than five years.
Salary	Includes wages, allowances and fees. Excludes lump sum payments at separation, employer contributions to deferred compensation and tax-sheltered annuity plans and benevolent vacation and sick leave donation programs.
Retirement	
Normal retirement benefit	
Age/Service requirement	First hired before July 1, 1989: (a.) Age 65 and three years of Allowable Service. (b.) Proportionate Retirement Annuity is available at age 65 and one year of Allowable Service. First hired after June 30, 1989: (a.) The greater of age 65 or the age eligible for full Social Security retirement benefits (but not higher than age 66) and three years of Allowable Service. (b.) Proportionate Retirement Annuity is available at normal retirement age and one year of Allowable Service.
Amount	1.70% of Average Salary for each year of Allowable Service.

Actuarial Basis

Summary of Plan Provisions (Continued)

Retirement (Continued)

Early retirement

Age/Service requirement

First hired before July 1, 1989:

(a.) Age 55 and three years of Allowable Service.

(b.) Any age with 30 years of Allowable Service.

(c.) Rule of 90: Age plus Allowable Service totals 90.

First hired after June 30, 1989:

(a.) Age 55 and three years of Allowable Service.

Amount

First hired before July 1, 1989:

The greater of (a) or (b):

(a.) 1.20% of Average Salary for each of the first ten years of Allowable Service and 1.70% of Average Salary for each subsequent year with reduction of 0.25% for each month the member is under age 65 at time of retirement or under age 62 if 30 or more years of Allowable Service. No reduction if age plus years of Allowable Service totals 90.

(b.) 1.70% of Average Salary for each year of Allowable Service assuming augmentation to age 65 at 3.00% per year and actuarial reduction for each month the member is under age 65. Augmentation adjustment is phased out over a five-year period starting July 1, 2019, resulting in no augmentation adjustment after June 30, 2024.

First hired after June 30, 1989:

1.70% of Average Salary for each year of Allowable Service assuming augmentation to the age eligible for full Social Security retirement benefit (but not higher than age 66) at 3.00% (2.50% if hired after June 30, 2006) per year and actuarial reduction for each month the member is under the normal retirement age. Augmentation adjustment is phased out over a five-year period starting July 1, 2019, resulting in no augmentation adjustment after June 30, 2024.

Form of payment

Life annuity with return on death of any balance of member contributions over aggregate monthly payments. Actuarially equivalent options are:

(a.) 50%, 75%, or 100% Joint and Survivor with bounce back feature without additional reduction.

(b.) 15-year Certain and Life.

Actuarial Basis

Summary of Plan Provisions (Continued)

Retirement (Continued)	
Benefit increases	1.5% 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. Prior to 2002, members who retired under the laws in effect before July 1, 1973, received an additional lump sum payment each year. In 1989, this lump sum payment was the greater of $25 times each full year of Allowable Service or $400 per full year of service less any Social Security benefits received or annuity from a Minnesota public employee pension plan. In each following year, the lump sum payment was increased by the same percentage increase that was applied to regular annuities paid from the Minnesota Post Retirement Investment Fund. Effective January 1, 2002, the annual lump sum payment was divided by 12 and paid as a monthly life annuity in the annuity form elected.
Disability	
Disability benefit	
Age/Service requirement	Total and permanent disability before normal retirement age with three years of Allowable Service.
Amount	Normal Retirement benefit based on Allowable Service and Average Salary at disability without reduction for commencement before normal retirement age. Payments stop if disability ceases or death occurs. Payments revert to a retirement annuity at normal retirement age. Benefits may be reduced on resumption of partial employment.
Retirement after disability	
Age/Service requirement	Normal retirement age with continued disability.
Amount	Any optional annuity continues. Otherwise, a normal retirement benefit equal to the disability benefit paid before normal retirement age, or an actuarially equivalent optional annuity.
Form of payment	Same as for retirement.
Benefit Increases	Same as for retirement.

Actuarial Basis

Summary of Plan Provisions (Continued)

Death

Surviving spouse optional benefit

Age/Service requirement	Member or former member who dies before retirement or disability benefits commence with three years of Allowable Service. If a former member dies before age 55 and has less than 30 years of Allowable Service, benefits commence when the former member would have been age 55. If an active member dies, benefits may commence immediately, regardless of age.
Amount	Surviving spouse receives the 100% joint and survivor benefits using the Normal Retirement formula above. If commencement is prior to age 55, the appropriate early retirement formula described above applies except that one-half the monthly reduction factor is used from age 55 to the commencement age and the Rule of 90 does not apply. In lieu of this benefit, the surviving spouse may elect a refund of member contributions with interest or an actuarially equivalent term certain annuity. If a member dies prior to July 1, 1997, and the beneficiary was not eligible to commence a survivor benefit as of July 1, 1997, an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Benefit increases	Same as for retirement.

Surviving dependent children's benefit

Age/Service requirement	If no surviving spouse, all children (biological or adopted) below age 20 who are dependent for more than half of their support on deceased member.
Amount	Actuarially equivalent 100% joint and survivor annuity to surviving spouse payable to the later of age 20 or five years. The amount is proportionally divided among surviving children.
Benefit increases	Same as for retirement.

Refund of contributions

Age/Service requirement	Active member dies and survivor benefits are not payable or a former member dies before annuity begins or former member who is not entitled to an annuity dies.
Amount	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 (Continued)

Death (Continued)	
Refund of contributions (Continued)	
Age/Service requirement	Retired or disabled annuitant who did not select an optional annuity dies, or the remaining recipient of an option dies.
Amount	The excess of the member's contributions over all benefits paid.
Unclassified Plan Provision	Eligible members credited with employee shares in the Unclassified Plan may elect to terminate participation in the Unclassified Plan and be covered by the State Employees Retirement Fund prior to termination of covered employment assuming that the member has acquired at least 10 years of allowable state service (no more than seven years of service if hired after June 30, 2010).
Termination	
Refund of contributions	
Age/Service requirement	Termination of state service.
Amount	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.
Deferred benefit	
Age/Service requirement	Three years of Allowable Service
Amount	Benefit computed under law in effect at termination and increased by the following annual augmentation percentage: (a.) 0.00% before July 1, 1971; (b.) 5.00% from July 1, 1971 to January 1, 1981; (c.) 3.00% thereafter (2.50% if hired after June 30, 2006) until January 1 of the year following attainment of age 55 or January 1, 2012, whichever is earlier; (d.) 5.00% thereafter until the annuity begins (2.50% if hired after June 30, 2006), but before January 1, 2012; (e.) 2.00% from January 1, 2012 through December 31, 2018; and (f.) 0.00% from January 1, 2019, thereafter. Amount is payable at normal or early retirement. Generally, members active with a public employer the day prior to the privatization of the employer become vested immediately and receive enhanced augmentation. 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%.

Actuarial Basis

Summary of Plan Provisions (Concluded)

Combined Service Annuity	Members are eligible for combined service benefits if they: (a.) Have sufficient allowable service in total that equals or exceeds the applicable service credit vesting requirement of the retirement plan with the longest applicable service credit vesting requirement; (b.) Have at least six months of allowable service credit in each plan worked under; and (c.) Are not in receipt of a benefit from another plan, or have applied for benefits with an effective date within one year. Members who meet the above requirements must have their benefit based on the following: (a.) Allowable service in all covered plans is combined in order to determine eligibility for early retirement. (b.) Average salary is based on the high five consecutive years during their entire service in all covered plans.
Actuarial Equivalent Factors	Actuarially equivalent factors based on Pub-2010 mortality for healthy annuitants, reflecting projected mortality improvements using Scale MP-2021 from a base year of 2010, with male rates multiplied by a factor of 1.04 and female rates multiplied by a factor of 1.10, blended 50% males and 50% females, 5.42% post-retirement interest, and 7.0% pre-retirement interest. Based upon statutory requirements; Joint and Survivor factors are based on an interest assumption of 6.50%. Early Retirement Factors will be phased in over three years, beginning July 1, 2024.
Changes in Plan Provisions	The actuarial equivalent factors were updated to reflect changes in assumptions.

Additional Schedules

Schedule of Funding Progress[1] *(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)
7-1-1995	$ 3,462,098	$ 3,795,926	$ 333,828	91.21%	$ 1,514,177	22.05%
7-1-1996	3,975,832	4,087,273	111,441	97.27%	1,560,369	7.14%
7-1-1997	4,664,519	4,519,542	(144,977)	103.21%	1,568,747	(9.24)%
7-1-1998	5,390,526	5,005,165	(385,361)	107.70%	1,557,880	(24.74)%
7-1-1999	5,968,692	5,464,207	(504,485)	109.23%	1,649,469	(30.58)%
7-1-2000	6,744,165	6,105,703	(638,462)	110.46%	1,733,054	(36.84)%
7-1-2001	7,366,673	6,573,193	(793,480)	112.07%	1,834,042	(43.26)%
7-1-2002	7,673,028	7,340,397	(332,631)	104.53%	1,915,350	(17.37)%
7-1-2003	7,757,292	7,830,671	73,379	99.06%	2,009,975	3.65%
7-1-2004	7,884,984	7,878,363	(6,621)	100.08%	1,965,546	(0.34)%
7-1-2005	8,081,736	8,455,336	373,600	95.58%	1,952,320	19.14%
7-1-2006	8,486,756	8,819,161	332,405	96.23%	2,016,588	16.48%
7-1-2007	8,904,517	9,627,305	722,788	92.49%	2,095,310	34.50%
7-1-2008	9,013,456	9,994,602	981,146	90.18%	2,256,528	43.48%
7-1-2009	9,030,401	10,512,760	1,482,359	85.90%	2,329,499	63.63%
7-1-2010	8,960,391	10,264,071	1,303,680	87.30%	2,327,398	56.01%
7-1-2011	9,130,011	10,576,481	1,446,470	86.32%	2,440,580	59.27%
7-1-2012	9,162,301	11,083,227	1,920,926	82.67%	2,367,160 [2]	81.15%
7-1-2013	9,375,780	11,428,641	2,052,861	82.04%	2,483,000 [2]	82.68%
7-1-2014	10,326,272	12,445,126	2,118,854	82.97%	2,620,660 [2]	80.85%
7-1-2015	11,223,285	13,092,702	1,869,417	85.72%	2,714,418 [3]	68.87%
7-1-2016	11,676,370	14,316,886	2,640,516	81.56%	2,797,345 [3]	94.39%
7-1-2017	12,364,957	14,509,150	2,144,193	85.22%	2,939,455 [3]	72.95%
7-1-2018	13,035,350	14,679,489	1,644,139	88.80%	3,031,382 [3]	54.24%
7-1-2019	13,489,773	15,179,140	1,689,367	88.87%	3,168,870 [4]	53.31%
7-1-2020	13,954,562	15,183,843	1,229,281	91.90%	3,298,283 [5]	37.27%
7-1-2021	15,197,610	15,646,401	448,791	97.13%	3,325,417 [5]	13.50%
7-1-2022	16,045,475	16,068,758	23,283	99.86%	3,434,267 [5]	0.68%
7-1-2023	16,745,486	17,605,809	860,323	95.11%	3,648,167 [5]	23.58%
7-1-2024	17,658,084	18,171,621	513,537	97.17%	4,062,909 [3]	12.64%

[1] *Information prior to 2012 provided by prior actuaries. See prior reports for additional detail.*
[2] *Assumed equal to actual member contributions divided by 5.00%.*
[3] *Assumed equal to actual member contributions divided by 5.50%*
[4] *Assumed equal to actual member contributions divided by 5.75%.*
[5] *Assumed equal to actual member contributions divided by 6.00%.*

Additional Schedules

Schedule of Contributions from the Employer and Other Contributing Entities[1]

(Dollars in Thousands)

Plan Year Ended June 30	Actuarially Required Contribution Rate (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Contributions [(a)x(b)] - (c) = (d)	Actual Employer Contributions[2] (e)	Percentage Contributed (e)/(d)
1995	9.15%	$ 1,514,177	$ 61,627	$ 76,920	$ 63,161	82.11%
1996	8.05%	1,560,369	63,507	62,103	65,557	105.56%
1997	7.21%	1,568,747	63,848	49,259	66,568	135.14%
1998	7.13%	1,557,880	62,901	48,176	62,315	129.35%
1999	6.48%	1,649,469	66,823	40,063	65,979	164.69%
2000	6.12%	1,733,054	70,378	35,685	69,322	194.26%
2001	7.12%	1,834,042	74,364	56,220	73,362	130.49%
2002	6.79%	1,915,350	79,487	50,565	76,614	151.52%
2003	8.34%	2,009,975	83,850	83,782	80,399	95.96%
2004	9.43%	1,965,546	82,103	103,248	78,622	76.15%
2005	9.33%	1,952,323	83,101	99,051	80,312	81.08%
2006	10.55%	2,016,588	85,379	127,371	82,645	64.88%
2007	10.11%	2,095,310	89,447	122,389	86,492	70.67%
2008	11.76%	2,256,528	99,280	166,088	96,746	58.25%
2009	12.39%	2,329,499	108,866	179,759	107,211	59.64%
2010	14.85%	2,327,398	115,180	230,439	113,716	49.35%
2011	10.99%	2,440,580	122,029	146,191	118,563	81.10%
2012	11.03%	2,367,160	118,358	142,740	115,159	80.68%
2013	12.32%	2,483,000	124,150	181,756	121,673	66.94%
2014	12.45%	2,620,660	131,033	195,239	128,037	65.58%
2015	12.82%	2,714,418 [4]	149,293	198,695	146,333	73.65%
2016	12.44%	2,797,345 [4]	153,854	194,136	151,168	77.87%
2017	14.49%	2,939,455 [4]	161,670	264,257	158,352	59.92%
2018	13.24%	3,031,382 [4]	166,726	234,629	164,233	70.00%
2019	11.53%	3,168,870 [5]	182,210	183,161	182,939	99.88%
2020	11.58%	3,298,283 [6]	197,897	184,044	204,006	110.85%
2021	10.56%	3,325,417 [6]	199,525	151,639	206,381	136.10%
2022	9.13%	3,434,267 [6]	206,056	107,493	212,759	197.93%
2023	8.33%	3,648,167 [6]	218,890	85,002	227,175	267.26%
2024	10.56%	4,062,909 [4]	223,460	205,583	328,980	160.02%
2025	10.09%	N/A	N/A	N/A	N/A	N/A

[1] *Information prior to 2012 provided by prior actuary. See prior reports for additional detail.*
[2] *Includes contributions from other sources (if applicable).*
[3] *Assumed equal to actual member contributions divided by 5.00%.*
[4] *Assumed equal to actual member contributions divided by 5.50%.*
[5] *Assumed equal to actual member contributions divided by 5.75%.*
[6] *Assumed equal to actual member contributions divided by 6.00%.*

Glossary of Terms

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

Glossary of Terms (Continued)

Amortization Method	A method for determining the Amortization Payment. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. The stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.
Amortization Period	The period used in calculating the Amortization Payment.
Annual Required Contribution (ARC)	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The ARC consists of the Employer Normal Cost and Amortization Payment.
Annual Valuation Earnings	Reported salary at valuation date annualized for members with less than one year of service earned during the year.
Augmentation	Annual increases to deferred benefits.
Closed Amortization Period	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
Current Benefit Obligations	The present value of benefits earned to the valuation date, based on current service and including future salary increases to retirement (comparable to a Projected Unit Credit measurement).
Employer Normal Cost	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
Expected Assets	The present value of anticipated future contributions intended to fund benefits for current members.
Experience Gain/Loss	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience; e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, losses are the result of unfavorable experience; i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.
GASB	Governmental Accounting Standards Board.
GASB Statements No. 25 and No. 27	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. Statement No. 27 sets the accounting and financial reporting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves. These statements remain in effect only for pension plans that are not administered as trusts or equivalent arrangements. Please refer to the definition of GASB Statements No. 67 and No. 68 on the following page.

Glossary of Terms (Concluded)

GASB Statement No. 50	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.
GASB Statements No. 67 and No. 68	Statements No. 67 and No. 68, issued in June 2012, replace the requirements of Statements No. 25, No. 27 and No. 50, respectively, for pension plans administered as trusts. Statement No. 68, effective for the fiscal year beginning July 1, 2014, sets the accounting and financial reporting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67, effective for the fiscal year beginning July 1, 2013, sets the rules for the systems themselves. Accounting and financial reporting information prepared according to Statements No. 67 and No. 68 is provided in a separate report beginning with the June 30, 2014 actuarial valuation.
GASB Statement No. 82	Statement No. 82, issued in March 2016, is an amendment to Statements No. 67, No. 68, and No. 73, and is intended to improve consistency in the application of the accounting statements.
Normal Cost	The annual cost assigned, under the Actuarial Cost Method, to the current plan year.
Projected Annual Earnings	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.
Projected Benefit Funding Ratio	The ratio of the sum of Actuarial Value of Assets and Expected Assets to the Actuarial Present Value of Projected Benefits. A ratio less than 100% indicates that contributions are insufficient.
Unfunded Actuarial Accrued Liability	The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.
Valuation Date	The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.