An experience study for the General Employees Retirement Plan for the period from July 1, 2014 through June 30, 2018 will be completed soon. A quadrennial study for that plan is a requirement under Minnesota Statutes. The next experience study for the Police & Fire Plan covering the period from July 1, 2015 through June 30, 2019 will be completed next year. There is not a statute requirement for the Police & Fire Plan, but it has been done consistently on a periodic basis.

A study is also not mandated for the Correctional Plan. However the absence of a recent study was noted by the Office of the Legislative Auditor during their most audit of PERA's financial statements. The last Correctional Plan experience study was performed in 2012 and covered the period from July 1, 2006 through June 30, 2011.

Information on the financial status of the Correctional Plan is provided on the following pages. As of July 1, 2018, the plan was 98 percent funded on a market value of assets basis. An accurate measure of funded status is critical for this plan because it may impact postretirement benefit adjustments. If the funding status, measured on an actuarial value of assets basis, declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum postretirement increase will be lowered from 2.5 percent to 1.5 percent for all years thereafter.

The likelihood of a funding status decline below the above stated thresholds is unlikely in the short term. Nevertheless, keeping current on both economic and demographic assumptions via the use of regular experience studies is a good practice to implement for the Correctional Plan.

**Staff Recommendation**

Staff recommends that the Fund's actuary perform an experience study for the Local Government Correctional Service Plan.
Public Employees Retirement Association of Minnesota

Correctional Plan – Cash Flow

- 4,000 Active
- Employee: $12M
- Employer: $18M
- Total Contributions: $30M
- FY17 Assets: $602M
- FY18 Assets: $680M
- Total Benefit Payments: $15M
- 1,200 Retirees
Correctional Plan – Current Contribution Allocation

5.83% + 8.75% = 14.58%

- 9.1% for normal or reduced early retirement benefits with 1% annual increases
- 1.5% for future COLAs > 1%
- 2.7% for disability benefits
- 0.7% for survivor and termination benefits
- 0.1% for operating expenses
- 0.5% for improved future benefit security and progress towards full funding
Correctional Plan – Funding Projections

July 1, 2018 Projection

2016 2021 2026 2031 2036 2041 2046

50% 60% 70% 80% 90% 100% 110% 120%
Correctional Plan – What’s Next?

- Total Contributions
- Funding Ratio
- Estimated COLA

- Today
- Future?