



Date: December 9, 2021
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Amy Streng, Policy Coordinator
Subject: Investment Return Assumption Move to *Standards for Actuarial Work*

Standards for Actuarial Work adopted by the Legislative Commission on Pensions and Retirement (LCPR) contain the appropriate standards for Minnesota's Pension Plans valuations. All actuarial work must be prepared in accordance with these standards.

The purpose of these *Standards* are to ensure that sound actuarial procedures are utilized in developing actuarial assumptions, actuarial valuations, and cost estimates for proposed legislation for all of the state's retirement plans. The *Standards* establish sufficient uniformity of actuarial procedure. Lastly, the standards facilitate the development of sound public policy decision making by the LCPR. The LCPR approves any changes to the *Standards*.

The types of assumptions currently included in Appendix A of the *Standards* are economic assumptions and demographic assumptions. An example of economic assumptions is payroll growth. An example of demographic assumptions is rate of mortality.

Currently, the investment return assumption located in Minnesota Statute is set by the Legislature. As noted, any change in the investment return assumption requires action by the whole Legislature. Moving the investment return assumption from statute to the *Standards* allows the investment return assumption to be consistent with the other assumptions that govern the Plans.

Recommendation

Staff recommends that PERA Board of Trustees support removing the investment return assumption from Minnesota Statutes and moving the assumption to Appendix A in the LCPR's Standards for Actuarial Work.