Responses to Questions about MN public pensions raised at 2/3/2011 hearings of House State Government Finance Committee

Submitted by MSRS, PERA and TRA

1. **If the assumed investment return for the retirement system were lowered, what would be the financial impact on the retirement systems?**
   Actuarial analysis done by the systems' actuary, Mercer, shows that if the investment return assumption of 8.5% were lowered to 8.0%, the cost impact would be as follows:

MSRS General	2.1% of payroll (FY2010 estimate)
PERA General	1.8% of payroll (FY2010 estimate)
TRA	2.9% of payroll (FY2008 estimate)

2. **The 2010 Pension Reform legislation saved $5.947 billion in liabilities for all plans (including public safety and correctional plans). What portion of that savings results from changes made in post-retirement adjustments? How do the $5.97 billion in savings compare with total system liabilities?**

	Savings from 2010 legislation (1)	Total Liabilities (FY 2009) (2)	Savings as % of total FY2009 liabilities (1) ÷ (2)	Savings from changes in post-retirement adjs. for current & future retirees (3)	Post-retirement adj savings for current & future retirees, as % of total savings (3) ÷ (1)
MSRS General	$ 0.65 billion	$ 10.5 billion	6.2%	$ 0.44 billion	68%
PERA General	$ 2.80 billion	$ 18.8 billion	14.9%	$ 2.2 billion	78%
TRA General	$ 1.75 billion	$ 23.1 billion	7.6%	$ 1.5 billion	86%
Total – General Plans only	$ 5.20 billion	$ 52.4 billion	9.9%	$ 4.14 billion	80%

Sources: MSRS, PERA, TRA Actuarial Valuations, FY 2010, Mercer Consulting.

3. **How do the contribution rates of Minnesota's pension funds compare to private sector 401(k) or profit sharing plans? What is the specific source of this information?**
   According the annual *401(k) Benchmarking Survey, 2009 Edition* published jointly by Deloitte Consulting and the International Foundation on Employee Benefit Plans, the median private sector employee contribution to 401(k) plans by non-highly compensated employees was 5.65%; the median rate for highly compensated employees was 7%. With respect to employer contributions, the Benchmarking Survey showed that 59% of private sector employers paid matching contributions, 5% paid profit sharing contributions, and 27% paid both matching and profit sharing contributions. The survey shows that the most common private sector employer 401(k) matching contribution is 50% of employee contributions up to 6% of pay and the average employer contribution to profit sharing plans is 4.7% of compensation. A copy of this study can be accessed

at: http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_consulting_401(k)AnnualBenchmarkingSurvey2009_081409.pdf

According a paper published by the Center for Retirement Research (Munnell and Soto, November 2007), the average employer contribution rate for private sector defined benefit plans in 2006 was 8% and the employee contribution rate was 0%, as private sector defined benefit plans are typically totally employer funded. This same study found that the average employer contribution rate in private sector defined contribution plans was 3% and the average employee contribution rate was 6%.