SBI manages $95 billion of which $68 billion is pension funds. Returns for fiscal year 2018 (6/30/18) were 10.3%. Returns for fiscal year 2019 are 3.5% with less than 4 months to go. Returns for this calendar year so far is -2.9%

Ratings agencies Fitch and Standard and Poor’s gave Minnesota a AAA rating. The 2018 pension bill was the driver of the ratings hike. What still concerns the rating agencies is Minnesota’s assumed rate of return which was lowered to 7.5% from 8.5% but is still above the median of 7.25% for all public plans.

Another item of concern for the rating agencies is the Annual Contribution Rate (ARC) which is the percent of payroll employees and employers contribute to fund pensions. Many states can change the ARC each year, Minnesota ARC can only be changed by statute.

The reasons for the recent pension underfunding prior to 2018 were:
- The great recession,
- Lower mortality (Minnesota has second longest life expectancy of any state),
- The assumed rate of return was changed from 8.5% to 7.5% which increased liability.

Underfunding was addressed in 2018 by:
- Eliminating augmentation for those on deferred status,
- Increasing the penalty for retiring before normal retirement date,
- COLA reduced from 2% to 1% for five years then to 1.5%,
- Employees now contribute 6% of salary,
- Employers now contribute 6.25% of salary.

The contribution rates of 6% plus 6.25% gives a total of 12.25%. After expenses, there is left a sufficiency of 1.15% to increase funding and problems in the future. Current MSRS General Plan funding is 90.6% and on a positive trajectory.

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