



St. Paul Teachers' Retirement Fund Association – Overview of Actuarial Factors

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Actuarial Factors

- ◆ Actuarially equivalent factors are used to administer the plan
 - ▶ Optional forms of payment (joint and survivor benefits, etc.)
 - ▶ Early retirement benefits for members hired after June 30, 1989 who retire before their normal retirement age
- ◆ Actuarial factors are periodically reviewed and updated



Actuarial Factors

- ◆ For example, a member retiring early could choose to receive \$1,000 a month beginning at age 66, or \$700 a month beginning at age 60. Based on specific assumptions, the two options have equal value.
- ◆ Another example: A member could choose to receive \$1,000 a month payable for the member's lifetime only, or \$800 a month payable during the member's lifetime and the surviving spouse's lifetime. Based on specific assumptions, the two options have equal value.

*These examples are hypothetical and are not based on
3 SPTRFA benefits or factors*



Actuarial Factors

- ◆ “Actuarial Equivalent” means the condition of one annuity or benefit having an equal present value as another annuity or benefit, based on appropriate mortality and interest assumptions
 - MN Statutes 354A.011 Subdivision 3a
- ◆ Minnesota Statutes require consistency between the valuation assumptions and the actuarial factor assumptions



Actuarial Factors

- ◆ Actuarial factors are based on the following assumptions and plan provisions:
 - ▶ Life expectancy (mortality assumption) reflecting combined male and female experience
 - ▶ Interest
 - ▶ COLA
 - ▶ Augmentation
- ◆ There have been a number of significant changes in the plan provisions and assumptions that impact actuarial factors



Actuarial Factors

- ◆ After an extensive review, GRS recommended the following changes to actuarial factors:
 - ▶ Update the mortality assumption to reflect longer life expectancies
 - ▶ Update the interest rate to reflect the current COLA of 1%
 - ▶ Update the actuarial methodology to appropriately recognize the actual augmentation rate
- ◆ These recommended changes, if they had been implemented, would have significantly reduced early retirement benefits



Actuarial Factors

- ◆ The SPTRFA Board introduced legislation in 2013 to lessen the negative impact of the early retirement factor changes
- ◆ The legislation was passed and new factors were implemented effective July 1, 2013 for new retirees
- ◆ Optional form factors were also updated to reflect changes in assumptions
 - ▶ New optional form factors are slightly higher after changes



Actuarial Factors

- ◆ Members retiring at age 62 or later after June 30, 2013 will see little change in early retirement benefits due to the factor change
- ◆ Members retiring before age 62 after June 30, 2013 will receive benefits that are greater than what they would have been without the 2013 legislation, but lower than what the previous tables provided
- ◆ The new factors offer an incentive to retire after age 62 with 30 years



Actuarial Factors

Age at Retirement	Current Early Retirement Factors (based on 3% augmentation)		Under Age 62 or less than 30 Years of Service		Age 62 with 30 Years of Service	
	<u>Normal Retirement Age</u>		<u>Normal Retirement Age</u>		<u>Normal Retirement Age</u>	
	<u>65</u>	<u>66</u>	<u>65</u>	<u>66</u>	<u>65</u>	<u>66</u>
55	0.60	0.57	0.54	0.46		
56	0.63	0.60	0.57	0.50		
57	0.66	0.63	0.61	0.54		
58	0.69	0.66	0.64	0.57		
59	0.73	0.69	0.67	0.61		
60	0.77	0.72	0.74	0.67		
61	0.81	0.76	0.79	0.74		
62	0.85	0.80	0.85	0.79	0.88	0.84
63	0.90	0.84	0.90	0.85	0.92	0.88
64	0.95	0.89	0.95	0.90	0.96	0.92
65	1.00	0.94	1.00	0.95	1.00	0.96
66		1.00		1.00		1.00



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