

Introduction

The Board of Trustees adopts this policy to improve and maintain the funded status of MPERS. This policy recognizes that imprudent benefit changes or inadequate contributions undermine the stability, soundness and funded status of MPERS.

Funded Status

The funded status goal (ratio of actuarial value of assets to actuarial accrued liability) of MPERS is 100%. In years in which the funded status is not 100% (whether higher or lower), the Board will establish contributions to the System that are approximately level (as a percentage of covered payroll) and result in the funded status gradually trending toward 100% according to sound actuarial standards. Under state law the Board may not adopt or implement newly enacted benefit enhancements when MPERS is less than 80% funded and may not adopt or implement newly enacted benefit enhancements that would cause MPERS to be less than 75% funded. Unfunded actuarial changes associated with benefit enhancements shall be amortized over a period not to exceed 20 years for purposes of determining contributions. In the event MPERS is less than 60% funded, the actuary will prepare an accelerated contribution schedule based on a descending amortization period for inclusion in the actuarial valuation.¹

Contribution Rate Determination²

The Board will certify the actuarially determined contribution rate by October first of each year.³ The determination of contribution rates requires regular actuarial valuations, which shall be made by MPERS' actuary using assumptions and methods adopted by the Board after consultation with the actuary. Such assumptions and methods include, but are not limited to, the asset smoothing method, unfunded accrued liability amortization period, demographic assumptions, and economic assumptions.⁴ The contribution rate will fund the liabilities of the System in a manner that will remain approximately level from one generation to the next as determined by the actuary, in accordance with accepted actuarial principles, and based on entry age-normal cost valuation plus level percentage of payroll financing of all MPERS' unfunded liabilities.

The Board's actuarial assumptions and methods are adopted pursuant to a five-year experience study performed by the actuary and in accordance with the law. The Board will review and update, if necessary, the actuarial assumptions and methods at least once every five years, taking into account the results of the following: 1) a current experience study; 2) the recommendations of the actuary; and 3) the current condition of the System. The Board will order an actuarial valuation annually in accordance with accepted actuarial procedures.⁵ By practice, the Board also consults with others, such as the Executive Director, Chief Investment Officer and general investment consultant with respect to the economic assumptions to be used in the actuarial valuations.

The Board will consult with the General Counsel and retain outside counsel, if necessary, in the event a certified contribution is not timely paid to ensure the System's interest is represented appropriately in the proper forum.

¹ Section 105.684, RSMo.

² Revised September 25, 2014; revised June 20, 2019.

³ Section 104.1066, RSMo – the specified date assures the rate is certified 90 days prior to the regular legislative session.

⁴ Revised June 20, 2019.

⁵ Section 105.664, RSMo.

Validation of the Work of the Retained Actuary⁶

An actuarial audit report shall be prepared by an actuarial firm (other than the retained actuary) selected by the Board. The purpose of this report is to provide the Board with an independent assessment of the quality of the work of the retained actuary with respect to both process and reasonableness of assumptions and results and the reasonableness of the related fees. Such an audit shall be conducted periodically as directed by the Board.

The Executive Director may recommend changes to the contract with the actuarial firm that currently provides actuarial services to the Board or the issuance of a request for proposal from additional actuarial firms based on the information provided in the actuarial audit report, or whenever the Executive Director determines it is appropriate to do so.

Overall Conformance with Professional Standards of Practice⁷

The work of the actuary in connection with this policy shall conform to actuarial standards of practice for public employee retirement plans promulgated by the Actuarial Standards Board and shall satisfy the requirements of the Governmental Accounting Standards Board (GASB) with respect to the development of information needed by the System and by employers for financial reporting purposes.

MPERS will take responsibility for delivering to all participating employers the information needed for pension information disclosures in their annual financial statements. Modifications to GASB requirements (statements 67 and 68) will change disclosure requirements in financial statements for public pension plans and their covered employers prospectively. These changes are not to be confused with MPERS' funding policy as described in this policy.

Permanent Funding Policy⁸

Effective July 1, 2006, MPERS will use a closed financing period of 30 years and reduce by one each year.

Temporary Accelerated Funding Policy⁹

As a result of the economic crisis of 2008 and 2009, the Board recognized a need for accelerated funding to address the diminished funded status of the plan. The following policy was adopted in September 2009, and effective with the Fiscal Year 2010 contribution rates:

- The total contribution is based on the normal cost plus a 15-year amortization period for unfunded retiree liabilities and a 30-year amortization period for other unfunded liabilities. Both amortization periods are closed periods starting July 1, 2010.
- The temporary accelerated policy will remain in effect until such time as the retiree liability becomes 100% funded or the permanent policy produces a higher contribution rate.

⁶ Revised September 25, 2014.

⁷ Revised September 25, 2014.

⁸ Revised June 20, 2019.

⁹ Revised September 25, 2014.