MPERS
Serving those who keep us safe.

The HR Connection

We work better, when we work together….

October 2016

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Annual Actuarial Valuation

The annual actuarial valuation is designed to measure the overall financial condition of the retirement system. During FY2016, the funding status of MPERS increased from 52.9% to **55.5%**.

The annual valuation also provides the basis for determining employer contribution rates for the next fiscal year. The contribution rate, as approved by the Board, for FY2018 will remain at 58% of payroll. During a period when investment returns were low relative to actuarial assumptions, one would normally expect contributions rates to increase and the funded status to drop. This was not the case for this period due to the Board's decision a few years ago to adopt the contribution rate stabilization reserve fund. This fund served to further accelerate the funding of MPERS and offer downside protection when returns are lower than anticipated. The contribution rate is comprised as illustrated in the following table.

FY2018 Employer Contribution Rates Expressed as % of Active Payroll for Total Benefits	
	Combined Rate (System Total)
Normal Cost	11.72%
Unfunded Liability	44.55%
Expenses	1.20%
Subtotal	57.47%
Disability Insurance	0.53%
Total	**58.00%**

The normal cost is the basic cost of the benefits our members enjoy. This contrasts with the unfunded liability, which is the "catch up" payment for those benefits that were not properly funded by either contributions or investment returns in the past.

Benefit Statements

As a reminder, October is usually a very busy month for us. A main contributor to this fact is that all eligible Closed Plan payees receive their annual cost-of-living adjustment (COLA) during the month of October. This currently effects around 5,000 members. The COLA rate for 2016 is 0.095%. This is the amount granted to all Year 2000 Plan members and any Closed Plan members that have already reached their 65% COLA cap or who were hired on or after August 28, 1997.

Any time a member's net benefit changes, MPERS notifies the member in writing of the change. Most months when a change occurs, a member will receive a letter, either via mail or email, telling them why their benefit changed, and the new net amount that will be deposited into their account each month. However, each year in the month they receive their COLA, members receive a Benefit Statement from MPERS. The Benefit Statement provides detailed information on the COLA received, and the member's new payment information going forward. Also listed in the Benefit Statement are the member's current primary beneficiary(ies), as well as the survivor option chosen. In addition, the statements also show the member's current tax withholdings and provide information pertaining to common changes that occur after retirement including marriage, divorce, death, and reemployment.

Since these statements do contain a large amount of information, they tend to generate an increase in phone calls (especially when sending out over 5,000 at once). We try to have the statements (and letters) mailed out around the 20th of each month (after all changes have been received and keyed, and the payroll has been balanced). Please feel free to direct any calls you may receive to our office as we are more than happy to answer any questions our members may have on the information we send them.

Staff Changes

Periodically, after distributing ***The HR Connection***, I receive a return email that the recipient's address is no longer valid. This is usually due to the staff member either leaving employment or retiring. When this occurs, I remove the staff member from the distribution listing; however, I very rarely receive a notice telling me who has replaced this person and should be added to the distribution listing. Supervisors, please take some time to ensure that any necessary staff are included in our distribution of this newsletter. Also, please remember to notify MPERS when a change occurs so that we can keep our listing up to date.

2016 Board Meeting Schedule

November 17, 2016