

Resolution and Recommendations of the MDJA Benefits Committee

April 20, 2012
(Amended May 18, 2012)

Whereas, Minnesota judges have been without a raise since 2008, resulting in a ranking of 31st in compensation and an adjusted for cost of living rank for 34th in the nation¹; and

Whereas, as a result of the recent recession, the judges' pension fund is at 60% market-value funding and 59% actuarial-value funding; and

Whereas, the judges' pension fund was unfunded until 1991; and

Whereas, the failure to fund prior to 1991 and the recent recession have resulted in a deficiency to the fund requiring an increase in contributions equal to 5.2% of judicial salary; and

Whereas, the increased longevity of retired judges and their spouses covered by the plan has resulted in an additional deficiency to the fund requiring an increase in contributions equal to an additional 4.9% of judicial pay; and

Whereas, the Legislature has proposed to reduce the return-on-investment assumption incorporated in Minn. Stat. § 356.215, subd. 8, from 8.5% to 8% for a period of five years, resulting in an additional deficiency of 0.6% of judicial salary, and

Whereas the total deficiency, considering all of the foregoing factors, with other adjustments, is 10.6%,² which results in a deficiency of 7.6% if the fund is to reach a target funding goal of 80% by 2038, and

Whereas, the Minnesota State Retirement System will be required, as fiduciary for the judges' pension fund, to formulate a plan for addressing the deficiency in contributions if the judicial branch fails to do so;

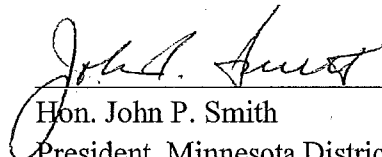
Now, therefore, the Board of Directors of the Minnesota District Judges Association makes the following recommendations to the Minnesota Judicial Council for incorporation in the budget to be submitted to the legislature for FY 14-15:

¹ "Survey of Judicial Salaries" National Center for State Courts, Vol. 36, No. 2 (July 1, 2011). The NCSC also reports that the adjusted for cost of living salary for a trial judge in Minnesota would be \$140,162. As recently as 2004 Minnesota ranked 16th among the states in judicial compensation (Survey, Vol. 29, No. 1, April 1, 2004). In 2005 it still ranked 15th, and in 2006 ranked 19th (Survey, Vol. 30, No.1; Vol. 31, No. 1)

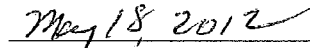
² It should be noted that covering this deficiency in a one-time appropriation would cost approximately \$34 million.

- 1) That judicial salaries be increased by 4% in each half of the next biennium;
- 2) That the Employer contribution to the Judicial Pension Fund be increased by 2% from 20.5% to 22.5%;
- 3) That the Judicial (Employee) contribution to the Judicial Pension Fund be increased by 1% from 8% to 9%;
- 4) That a new multiplier of 2.50% be applied for new judges taking office after July 1, 2013, with a 7% contribution rate;
- 5) That the age at which judges taking office after July 1, 2013 may retire with full benefits be increased from 65 to 66; and
- 6) That post-retirement increases be reduced from 2.0% to 1.75% until such time as the fund is 70% funded (based upon market value).

Adoption of these recommendations would satisfy the Minnesota State Retirement System's Administration and would result in elimination of the deficiency with a modified funding target of 80% rather than 100% in 2038.



Hon. John P. Smith
President, Minnesota District Judges Association



Date