

Agency Purpose

Established by legislative act in 1931, the Public Employees Retirement Association (PERA) of Minnesota administers four public employee retirement plans in accordance with M.S. sections 353, 353A, 353D, 353E and 356. PERA's membership includes more than 250,000 employees of cities, counties, schools, other local governments, and retired annuitants. It also includes 2,100 separate governmental employers within the state, as defined in M.S. 353.01 subd. 6.

PERA's purpose is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services. PERA's vision for the next five years is to provide on-demand access to reliable pension information and superior customer service.

Core Functions

The agency employs 91 full-time staff and is under the direction of an executive director responsible to a policy-setting 11-member Board of Trustees. Core functions include:

- ◆ collecting and retirement contributions;
- ◆ collecting and managing member information;
- ◆ issuing benefit and refund payments; and
- ◆ delivering education and training.

Operations

PERA administers four separate funds. Each has specific membership, contribution, benefit, and pension provisions.

- ⇒ The Public Employees Retirement Fund (PERF) encompasses two plans. The Basic plan includes employees who are not covered by Social Security, and was closed to new members in 1968. The Coordinated plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security.
- ⇒ The Public Employees Police and Fire Fund (PEPFF), originally established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all police officers and firefighters hired since 1980.
- ⇒ The Local Government Correctional Service Retirement Fund (PECF), created in 1999, covers correctional officers serving in county and regional adult and juvenile correctional facilities.
- ⇒ The Public Employees Defined Contribution Plan was established in 1987 to provide a retirement plan for ambulance service personnel, but has been expanded to encompass physicians and elected officials, except county sheriffs.

Contributions

Member contributions, employer contributions, and investment earnings cover the liability for present and future benefits. Each membership category within the association has a specific contribution rate set by statute.

At A Glance

PERA is the administrator of three cost-sharing, multiple-employer retirement plans, and one multiple-employer deferred compensation plan.

PERA does not receive direct state appropriations. Income is derived solely from member and employer contributions plus investment earnings. Income exceeding benefits paid is reinvested in the plan to cover future benefits.

Annual Business Processes:

Benefits Paid (in thousands)	
Benefits	\$890,452
Refunds	20,337
Membership Counts	
Active members	159,378
Deferred members	33,476
Annuitants	58,871
Funding Ratio	
PERA Coordinated	81.3%
Police & Fire Fund	107.3%
Correctional Fund	90.3%

(As reported in the Fiscal Year 2003 CAFR).

Fund	Employee Contribution	Employer Contribution
PERA Basic Plan	8.75%	11.43%
PERA Coordinated Plan	5.10%	5.53%
Police & Fire Fund	6.20%	9.30%
Correctional Fund	5.83%	5.75%

Pension Benefits

Each membership category has similar benefits. Retirement, survivor, and disability pensions are available to members who meet certain eligibility requirements defined by their plan. In addition, refunds of contributions are available at any time to members who leave public service and are not receiving a pension.

Key Measures

Two important measures of the health of a retirement system are the level of funding and the contribution sufficiency or deficiency. The better the level of funding, the larger the ratio of assets to accrued liabilities and a higher degree of assurance that promised pension benefits are secure. A contribution sufficiency means that member and employer contribution rates are high enough to fully fund the promised pension benefits by the date set in statute while a contribution deficiency indicates that the rates do not cover the cost of the promised pension benefit.

Fund	Funding Ratio	Sufficiency/Deficiencies
PERA Basic & Coordinated Plan	81.3%	(1.24)%
Police & Fire Fund	107.3%	(4.02)%
Correctional Fund	90.3%	0.45%

Budget

PERA operates within a dedicated pension trust fund designed for the exclusive use of its members and beneficiaries. The commissioner of Finance maintains an open appropriation account to fund expenditures. PERA FY 2005 expenditures are budgeted at \$665 million for the PERF, \$221 million for the PEPFF, \$1.2 million for the PECF, and \$1.0 million for the PEDCP. Over 98% of the expenditure budget is for the payment of benefits and refunds. The PERA Board of Trustees annually approves an operating budget for administrative expenses. For FY 2005, administrative expenses are budgeted at \$10.6 million. PERA revenues for FY 2005 are expected to be about \$500 million, exclusive of investment income that may be earned.

Contact

Public Employees Retirement Association
60 Empire Drive, Suite 200
Saint Paul, Minnesota 55103

1 (800) 652-9026
Phone: (651) 296-7460

Or visit our web site at www.mnpera.org

Dollars in Thousands

	Current		Forecast Base		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Open Appropriations					
Public Employees Retirement	721,048	800,000	880,000	980,000	1,860,000
Pera Correctional Plan	1,402	1,600	2,000	2,500	4,500
Police And Fire	238,636	275,000	325,000	375,000	700,000
Statutory Appropriations					
Pera Defined Contribution Plan	1,155	1,300	1,350	1,400	2,750
Retirement System Building	942	1,352	1,352	1,352	2,704
Total	963,183	1,079,252	1,209,702	1,360,252	2,569,954
<u>Expenditures by Category</u>					
Total Compensation	5,992	6,362	6,362	6,362	12,724
Other Operating Expenses	3,296	5,870	5,870	5,870	11,740
Capital Outlay & Real Property	82	0	0	0	0
Other Financial Transactions	953,813	1,067,020	1,197,470	1,348,020	2,545,490
Total	963,183	1,079,252	1,209,702	1,360,252	2,569,954
<u>Expenditures by Program</u>					
Public Empl Retr Asn	963,183	1,079,252	1,209,702	1,360,252	2,569,954
Total	963,183	1,079,252	1,209,702	1,360,252	2,569,954
Full-Time Equivalent (FTE)	89.8	89.8	89.8	89.8	