

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 employees of cities, counties, schools, other local governments, and retired annuitants. In addition, PERA works with 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 is to provide on-demand access to reliable pension information and superior customer service.

Core Functions

PERA is under the direction of an executive director responsible to a policy-setting 11-member Board of Trustees. Core functions include:

- ◆ collecting and managing 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, elected officials (except county sheriffs), city managers, and volunteer fire fighters.

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. The rates for the Coordinated Plan and Police and Fire Fund are scheduled to increase incrementally beginning 1/1/2006 until 1/1/2010. Contribution rates as of 6/30/2005 were:

At A Glance

(As Reported in the Fiscal Year 2005 CAFR)

PERA is the administrator of three cost-sharing, multiple-employer retirement plans, and one multiple-employer defined contribution 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	\$967,513
Refunds	207,274

Membership Counts	
Active members	155,890
Deferred members	37,610
Annuitants	63,445

Funding Ratio	
PERA Coordinated	74.5%
Police and Fire Fund	97.2%
Correctional Fund	90.1%

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

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 benefits. The figures shown are as of 6/30/05 and do not reflect future contribution rate increases.

Fund	Funding Ratio	Sufficiency/Deficiencies
PERA Basic & Coordinated Plan	74.5%	(1.67)%
Police & Fire Fund	97.2%	(7.74)%
Correctional Fund	90.1%	1.53%

Budget

PERA operates within a dedicated pension trust fund designed for the exclusive use of its members and beneficiaries. The commissioner of the Department of Finance maintains an open appropriation account to fund expenditures. PERA FY 2007 expenditures are budgeted at \$900 million for the PERF, \$350 million for the PEPFF, \$2.3 million for the PECF, and \$1.4 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 2007, administrative expenses are budgeted at \$11.4 million. PERA revenues for FY 2007 are expected to be about \$624 million, exclusive of investment income that may be earned.

Contact

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Dollars in Thousands

	Current		Forecast Base		Biennium 2008-09
	FY2006	FY2007	FY2008	FY2009	
<u>Expenditures by Fund</u>					
Open Appropriations					
Public Employees Retirement	786,303	980,000	980,000	980,000	1,960,000
Pera Correctional Plan	1,968	2,500	2,500	2,500	5,000
Police And Fire	265,665	375,000	375,000	375,000	750,000
Statutory Appropriations					
Pera Defined Contribution Plan	1,391	1,400	1,400	1,400	2,800
Retirement System Building	910	1,303	1,303	1,303	2,606
Total	1,056,237	1,360,203	1,360,203	1,360,203	2,720,406
<u>Expenditures by Category</u>					
Total Compensation	6,112	6,773	6,773	6,773	13,546
Other Operating Expenses	3,821	5,241	5,241	5,241	10,482
Other Financial Transactions	1,046,304	1,348,189	1,348,189	1,348,189	2,696,378
Total	1,056,237	1,360,203	1,360,203	1,360,203	2,720,406
<u>Expenditures by Program</u>					
Public Empl Retr Asn	1,056,237	1,360,203	1,360,203	1,360,203	2,720,406
Total	1,056,237	1,360,203	1,360,203	1,360,203	2,720,406
Full-Time Equivalent (FTE)	88.7	88.7	88.7	88.7	

PUBLIC EMPLOYEES RETIRE ASSOC

Agency Revenue Summary

Dollars in Thousands

	Actual FY2006	Budgeted FY2007	Current Law		Biennium 2008-09
			FY2008	FY2009	
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
Pera Defined Contribution Plan	2,658	4,000	4,000	4,000	8,000
Public Employees Retirement	493,982	500,000	500,000	500,000	1,000,000
Pera Correctional Plan	19,438	20,000	20,000	20,000	40,000
Police And Fire	112,805	100,000	100,000	100,000	200,000
Total Non-Dedicated Receipts	628,883	624,000	624,000	624,000	1,248,000
<u>Dedicated Receipts:</u>					
Other Revenues:					
Retirement System Building	865	1,303	1,303	1,303	2,606
Total Dedicated Receipts	865	1,303	1,303	1,303	2,606
Agency Total Revenue	629,748	625,303	625,303	625,303	1,250,606