

# Management Letter

## Public Employees Retirement Association of Minnesota

For the Year Ended  
June 30, 2014

Management and Members of the Board of Trustees  
Public Employees Retirement Association of Minnesota

We have audited the schedule of employer allocations of the Public Employees Retirement Association of Minnesota (PERA) General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, Public Employees Correctional Fund Pension Plan, and Minneapolis Employees Retirement Fund Pension Plan as of and for the year ended June 30, 2014, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the PERA General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, Public Employees Correctional Fund Pension Plan, and Minneapolis Employees Retirement Fund Pension Plan as of and for the year ended June 30, 2014, and the related notes. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 20, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### **Our Responsibility under Generally Accepted Auditing Standards in the United States of America**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the schedules prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the schedules does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the schedules are free of material misstatement. As part of our audit, we considered the internal control over financial reporting (internal control) of PERA. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

#### **Significant Audit Findings**

In planning and performing our audit of the schedules, we considered PERA's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the schedules, but not for the purpose of expressing an opinion on the effectiveness of PERA's internal control. Accordingly, we do not express an opinion on the effectiveness of PERA's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of PERA's schedules will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

#### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you.

## **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by PERA are described in Note 2 to the schedules. This is the first year of implementation for reporting information to employers to be used from compliance with GASB Statement No. 68. We noted no transactions entered into by PERA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the schedules in the proper period.

Accounting estimates are an integral part of the schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the schedules and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the schedules were as follows:

- Management's estimate of its actuarially calculated pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form of annuity payment upon retirement.

We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the schedules taken as a whole. The disclosures in the schedules are neutral, consistent, and clear. Certain disclosures are particularly sensitive because of their significance to users of the schedules.

## **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the schedules taken as a whole.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Management Representations**

We have requested certain representations from management that are included in the management representations letter dated August 24, 2015.

## **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to PERA's schedules or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **Other Audit Findings or Issues**

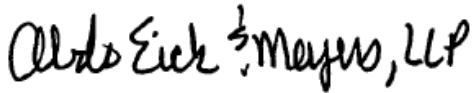
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as PERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

\* \* \* \* \*

This communication is intended solely for the information and use of management, members of the Board of Trustees, PERA Plan employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
August 24, 2015