

Table of Contents
Public Employees Retirement Association

<i>Agency Profile</i>	1
Agency Expenditure Overview	4
Agency Financing by Fund	5
Agency Change Summary	7

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AT A GLANCE

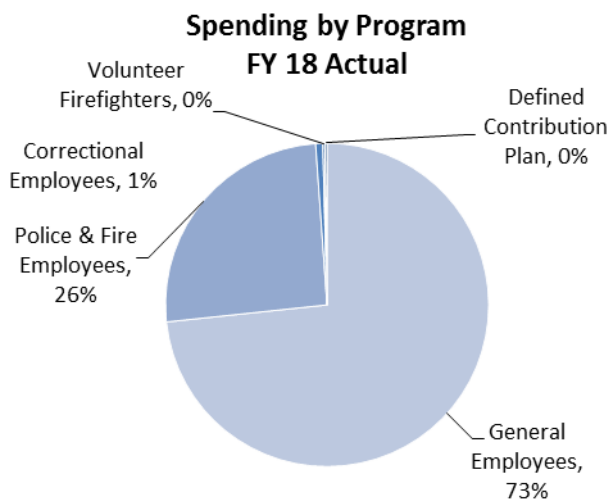
- The Public Employees Retirement Association (PERA) was established in 1931.
- PERA administers four defined benefit retirement plans, one defined contribution retirement plan, and one agency fund in accordance with Minnesota Statutes Chapters 353, 353A, 353D, 353E, 353G and 356.
- PERA issued over \$2.0 billion in annuity payments during fiscal year 2018.
- PERA issued over \$50 million in lump-sum refund payments to terminated members in fiscal year 2018.
- PERA had 172,000 defined benefit fund members, 209,000 inactive members, and 114,000 annuitants receiving benefits at the end of fiscal year 2018.
- PERA has over 2,000 total participating employers including townships, cities, counties, schools and other miscellaneous local governments as defined in M.S. 353.01, subdivision 6.
- PERA manages a fiscal year 2019 administrative budget of \$19.4 million

Source: PERA 2018 Comprehensive Annual Financial Report

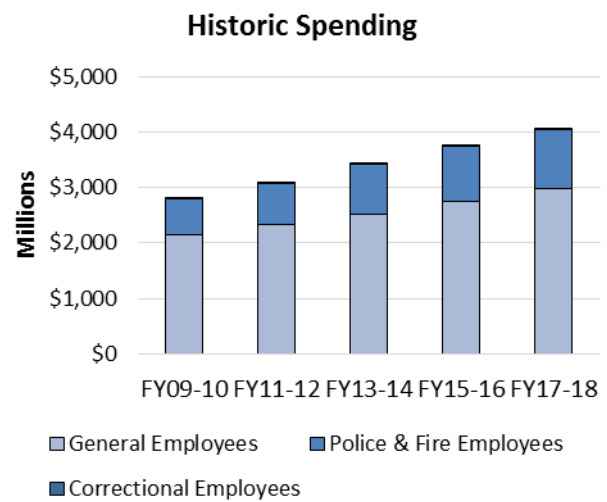
PURPOSE

PERA’s overarching goal is to ensure that contributions collected from members and employers and the investment earnings on those contributions will be sufficient to provide promised benefits to benefit recipients, allowing public employees the opportunity to achieve a successful and secure retirement without relying on the State for financial support. Investment income accounts for about 64 percent of PERA’s revenues. Member contributions account for another 16 percent and employer contributions from local governments make up the difference of 20 percent.

BUDGET



Source: PERA 2018 Comprehensive Annual Financial Report



Source: PERA 2018 Comprehensive Annual Financial Report

The State of Minnesota contributed \$16 million annually in fiscal years 2018 and 2019. Annually thereafter, the State will contribute \$6 million per year until the year 2031 to help pay off the unfunded liability that existed when MERF was consolidated into PERA in 2010. PERA also receives \$9 million each year for the Minneapolis

Police and Minneapolis Fire funds that consolidated with the PERA Police & Fire plan in 2012. The Police & Fire plan receives an additional \$4.5 million annually in FY 2018 and FY 2019 and \$9 million annually thereafter, continuing through the earlier of FY 2048 or when the fund reaches a 100% funded ratio on an actuarial value of assets basis.

STRATEGIES

PERA’s core functions include collecting, recording and maintaining the accounting of retirement contributions; collecting and managing member information; issuing benefit and refund payments; and delivering education and training through counseling, workshops and publications. Benefit payments have a financial impact on the state’s economy and provide benefit recipients and their families the opportunity to lead healthy, productive lives during their retirement years. Over the past 30 years, the State Board of Investment has reported an annualized rate of return of 9.1 percent, allowing contribution rates to remain relatively stable. PERA’s administrative costs are also less than five hundredths of one percent of assets.

RESULTS

PERA pays over \$170 million each month in annuity benefits to 110,000 benefit recipients, of which more than 90 percent live in the State of Minnesota. This results in an annual economic benefit of nearly \$3 billion to the State of Minnesota in the biennium.

The most important measures of the health of a defined benefit retirement system are: (1) the level of funding and (2) is the legislatively established contribution rate sufficient (or deficient) to amortize the unfunded liability by the full-funding date. While all three plans are on track to be fully funded at some point in the future, Minnesota Statutes require that the unfunded liability be amortized over a closed period. The full funding amortization date for the General Plan, the Police & Fire Plan, and the Correctional Plan is 2048.

Three measures of a defined benefit plan’s financial health are:

- **Funded Ratio** – This ratio is the percent of a retirement fund’s net assets, calculated for actuarial purposes, that is available to pay the present value of benefits that employees already earned. The higher the ratio, the better positioned the retirement plan is to pay future benefits when they become due.
- **Contribution Sufficiency/(Deficiency) Rate** – This rate is the difference between the actuary’s computation of required employer and employee contributions rates and the statutory contribution rates, expressed as a percent of payroll. A sufficiency indicates that the plan is on target to reach a 100% funded ratio before its full funding date; conversely, a deficiency means the retirement system is not collecting enough contributions to meet its full funding target date.
- **Unfunded Actuarial Accrued Liability** – This is the difference between the actuary’s valuation of assets and the present value of member’s future benefits.

<i>Type of Measure</i>	<i>Performance Measure - Market Value of Assets</i>	<i>06/30/17</i>	<i>06/30/18</i>
Quality	PERA General Plan Funding Ratio	78.5%	79.5%
Quality	PERA General Plan Contribution Sufficiency/(Deficiency)	(1.3)%	1.5%
Quality	PERA General Plan Unfunded Actuarial Accrued Liability	\$5.5 Billion	\$5.5 Billion
Quality	PERA Police & Fire Plan Funding Ratio	86.1%	88.8%
Quality	PERA Police & Fire Plan Contribution Sufficiency/(Deficiency)	(0.7)%	3.3%
Quality	PERA Police & Fire Plan Unfunded Actuarial Accrued Liability	\$1.3 Billion	\$1.1 Billion

<i>Type of Measure</i>	<i>Performance Measure - Market Value of Assets</i>	<i>06/30/17</i>	<i>06/30/18</i>
Quality	PERA Correctional Plan Funding Ratio	95.7%	97.6%
Quality	PERA Correctional Plan Contribution Sufficiency/(Deficiency)	(0.3)%	0.1%
Quality	PERA Correctional Plan Unfunded Actuarial Accrued Liability	\$27 Million	\$16 Million

New retirees who apply for benefits and employees that terminate employment expect to receive payments promptly. PERA's goal is to pay initial benefit applications within two weeks of the applicant's first benefit eligible date and to pay terminated employees within 60 days of the receipt of the application.

<i>Type of Measure</i>	<i>Performance Measure</i>	<i>06/30/17</i>	<i>06/30/18</i>
Quality	Receipt of First Annuity Check within two weeks	96%	96%
Quality	Receipt of Lump-Sum Payment within 60 days	99%	99%

PERA is governed by Minnesota Statutes Chapters 353 (<https://www.revisor.mn.gov/statutes/?id=353>), 353D (<https://www.revisor.mn.gov/statutes/?id=353D>), and 353E (<https://www.revisor.mn.gov/statutes/?id=353E>).

Public Employees Retirement Association

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<u>Expenditures by Fund</u>								
7100 - Public Employees Retirement	1,287,391	1,347,438	1,413,332	1,568,121	1,631,000	1,695,369	1,631,000	1,695,369
7110 - Police and Fire	501,718	515,712	531,571	555,635	577,835	600,923	577,835	600,923
7120 - PERA Correctional Plan	10,417	12,564	14,613	14,049	14,609	15,191	14,609	15,191
7130 - Minneapolis Employee Ret Plan	127,621	123,454	119,202	115,097	111,133	107,306	111,133	107,306
7140 - Volunteer Firefighter Ret Plan	1,716	2,881	4,367	4,550	4,730	4,950	4,730	4,950
7190 - PERA Defined Contribution Plan	3,769	5,290	4,464	6,005	6,245	6,494	6,245	6,494
7401 - Retirement System Building	1,455	849	1					
Total	1,934,087	2,008,189	2,087,549	2,263,457	2,345,552	2,430,233	2,345,552	2,430,233
Biennial Change				408,730		424,779		424,779
Biennial % Change				10		10		10
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Program

Public Employee Retirement Asn	1,934,087	2,008,189	2,087,549	2,263,457	2,345,552	2,430,233	2,345,552	2,430,233
Total	1,934,087	2,008,189	2,087,549	2,263,457	2,345,552	2,430,233	2,345,552	2,430,233

Expenditures by Category

Compensation	8,435	8,935	9,504	10,158	11,023	11,392	11,023	11,392
Operating Expenses	6,132	6,224	5,390	8,763	8,777	8,777	8,777	8,777
Capital Outlay-Real Property		7						
Other Financial Transaction	1,919,520	1,993,023	2,072,655	2,244,536	2,325,752	2,410,064	2,325,752	2,410,064
Total	1,934,087	2,008,189	2,087,549	2,263,457	2,345,552	2,430,233	2,345,552	2,430,233

Full-Time Equivalent

	92.70	93.62	98.37	100.00	105.00	105.00	105.00	105.00
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Public Employees Retirement Association

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
7100 - Public Employees Retirement								
Open Appropriation	1,288,151	1,348,197	1,414,091	1,568,886	1,631,761	1,696,135	1,631,761	1,696,135
Transfers Out	760	759	759	765	761	766	761	766
Expenditures	1,287,391	1,347,438	1,413,332	1,568,121	1,631,000	1,695,369	1,631,000	1,695,369
Biennial Change in Expenditures				346,623		344,916		344,916
Biennial % Change in Expenditures				13		12		12
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	92.70	93.62	98.37	100.00	105.00	105.00	105.00	105.00

7110 - Police and Fire

Open Appropriation	501,718	515,712	531,571	555,635	577,835	600,923	577,835	600,923
Expenditures	501,718	515,712	531,571	555,635	577,835	600,923	577,835	600,923
Biennial Change in Expenditures				69,776		91,552		91,552
Biennial % Change in Expenditures				7		8		8
Governor's Change from Base								0
Governor's % Change from Base								0

7120 - PERA Correctional Plan

Open Appropriation	10,417	12,564	14,613	14,049	14,609	15,191	14,609	15,191
Expenditures	10,417	12,564	14,613	14,049	14,609	15,191	14,609	15,191
Biennial Change in Expenditures				5,680		1,138		1,138
Biennial % Change in Expenditures				25		4		4
Governor's Change from Base								0
Governor's % Change from Base								0

7130 - Minneapolis Employee Ret Plan

Open Appropriation	127,621	123,454	119,202	115,097	111,133	107,306	111,133	107,306
Expenditures	127,621	123,454	119,202	115,097	111,133	107,306	111,133	107,306
Biennial Change in Expenditures				(16,776)		(15,860)		(15,860)
Biennial % Change in Expenditures				(7)		(7)		(7)
Governor's Change from Base								0
Governor's % Change from Base								0

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
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7140 - Volunteer Firefighter Ret Plan

Open Appropriation	1,716	2,881	4,367	4,550	4,730	4,950	4,730	4,950
Expenditures	1,716	2,881	4,367	4,550	4,730	4,950	4,730	4,950
Biennial Change in Expenditures				4,320		763		763
Biennial % Change in Expenditures				94		9		9
Governor's Change from Base								0
Governor's % Change from Base								0

7190 - PERA Defined Contribution Plan

Open Appropriation	3,769	5,290	4,464	6,005	6,245	6,494	6,245	6,494
Expenditures	3,769	5,290	4,464	6,005	6,245	6,494	6,245	6,494
Biennial Change in Expenditures				1,410		2,270		2,270
Biennial % Change in Expenditures				16		22		22
Governor's Change from Base								0
Governor's % Change from Base								0

7401 - Retirement System Building

Balance Forward In	5,443	5,581	5,409					
Receipts	1,581	675						
Balance Forward Out	5,569	5,407						
Expenditures	1,455	849	1					
Biennial Change in Expenditures				(2,303)		(1)		(1)
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

Public Employees Retirement Association

Agency Change Summary

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Open				
Fund: 7100 - Public Employees Retirement				
FY2019 Appropriations	1,500,000	1,500,000	1,500,000	3,000,000
Base Adjustments				
Forecast Open Appropriation Adjustment	68,886	131,761	196,135	327,896
Forecast Base	1,568,886	1,631,761	1,696,135	3,327,896
Total Governor's Recommendations	1,568,886	1,631,761	1,696,135	3,327,896
Fund: 7110 - Police and Fire				
FY2019 Appropriations	600,000	600,000	600,000	1,200,000
Base Adjustments				
Forecast Open Appropriation Adjustment	(44,365)	(22,165)	923	(21,242)
Forecast Base	555,635	577,835	600,923	1,178,758
Total Governor's Recommendations	555,635	577,835	600,923	1,178,758
Fund: 7120 - PERA Correctional Plan				
FY2019 Appropriations	14,000	14,000	14,000	28,000
Base Adjustments				
Forecast Open Appropriation Adjustment	49	609	1,191	1,800
Forecast Base	14,049	14,609	15,191	29,800
Total Governor's Recommendations	14,049	14,609	15,191	29,800
Fund: 7130 - Minneapolis Employee Ret Plan				
FY2019 Appropriations	130,000	130,000	130,000	260,000
Base Adjustments				
Forecast Open Appropriation Adjustment	(14,903)	(18,867)	(22,694)	(41,561)
Forecast Base	115,097	111,133	107,306	218,439
Total Governor's Recommendations	115,097	111,133	107,306	218,439
Fund: 7140 - Volunteer Firefighter Ret Plan				
FY2019 Appropriations	4,000	4,000	4,000	8,000
Base Adjustments				
Forecast Open Appropriation Adjustment	550	730	950	1,680
Forecast Base	4,550	4,730	4,950	9,680
Total Governor's Recommendations	4,550	4,730	4,950	9,680
Fund: 7190 - PERA Defined Contribution Plan				
FY2019 Appropriations	5,500	5,500	5,500	11,000
Base Adjustments				
Forecast Open Appropriation Adjustment	505	745	994	1,739

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Forecast Base	6,005	6,245	6,494	12,739
Total Governor's Recommendations	6,005	6,245	6,494	12,739
Revenue Change Summary				
Non-Dedicated				
Fund: 7100 - Public Employees Retirement				
Forecast Revenues	2,310,064	2,425,567	2,546,846	4,972,413
Total Governor's Recommendations	2,310,064	2,425,567	2,546,846	4,972,413
Fund: 7110 - Police and Fire				
Forecast Revenues	842,773	884,911	929,156	1,814,067
Total Governor's Recommendations	842,773	884,911	929,156	1,814,067
Fund: 7120 - PERA Correctional Plan				
Forecast Revenues	44,335	46,552	48,879	95,431
Total Governor's Recommendations	44,335	46,552	48,879	95,431
Fund: 7130 - Minneapolis Employee Ret Plan				
Forecast Revenues	148,423	142,872	137,598	280,470
Total Governor's Recommendations	148,423	142,872	137,598	280,470
Fund: 7140 - Volunteer Firefighter Ret Plan				
Forecast Revenues	15,000	15,000	15,000	30,000
Total Governor's Recommendations	15,000	15,000	15,000	30,000
Fund: 7190 - PERA Defined Contribution Plan				
Forecast Revenues	11,000	11,000	11,000	22,000
Total Governor's Recommendations	11,000	11,000	11,000	22,000