Public Employees Retirement Association of Minnesota

Public Employees Police & Fire Plan

Actuarial Valuation Report as of July 1, 2020

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November 13, 2020

Public Employees Retirement Association of Minnesota
Trustees of the Public Employees Police & Fire Plan
St. Paul, Minnesota

Dear Trustees of the Public Employees Police & Fire Plan:

The results of the July 1, 2020 annual actuarial valuation of the Public Employees Police & Fire Plan are presented in this report. This report was prepared at the request of the Board and is intended for use by the Board and staff and those designated or approved by the Board. This report may be provided to parties other than the Board and staff only in its entirety and only with permission of the Board. GRS is not responsible for unauthorized use of this report.

The purpose of the valuation is to measure the Plan's funding progress and to determine the required contribution rate for the fiscal year beginning July 1, 2020 according to the prescribed assumptions. Note that the impact of GASB Statements No. 67 and No. 68 is provided in a separate report.

Actuarial assumptions, including discount rates, mortality tables and others identified in this report, are prescribed by Minnesota Statutes Section 356.215, the Legislative Commission on Pensions and Retirement (LCPR), and the Trustees. These parties are responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in the Actuarial Basis section of this report. PERA is solely responsible for communicating to GRS any changes required thereto.

In a 2019 analysis of long-term rate of investment return and inflation assumptions, GRS determined that an investment return assumption of 7.50% was reasonable. Please see our experience study report dated June 27, 2019 for additional information. This report also concluded that the probability of exceeding the current 7.50% assumption over 10 years is 44%. If capital market assumptions decline from present levels, the 7.50% return assumption might not comply with actuarial standards for the July 1, 2021 valuation. For informational purposes, results based on a 6.50% assumption are shown on page 4.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in the Actuarial Basis section of this report. This report includes risk metrics on pages 5 through 8, but does not include a more robust assessment of the risks of future experience differing materially from the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment.

The valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The findings in this report are based on data and other information through June 30, 2020. The valuation was based upon information furnished by the Public Employees Retirement Association of Minnesota (PERA), concerning benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by PERA.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

This report does not fully reflect the recent and still developing impact of COVID-19, which is likely to influence demographic and investment experience, at least in the short term. We will continue to monitor these developments and their impact on the plan.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report should not be relied on for any purpose other than the purpose described herein. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Brian B. Murphy and Bonita J. Wurst are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. In addition, Mr. Murphy meets the requirements of "approved actuary" under Minnesota Statutes Section 356.215, Subdivision 1, Paragraph (c).

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge and belief the information contained in this report is accurate and fairly presents the actuarial position of the Public Employees Police & Fire Plan as of the valuation date and was performed in accordance with the requirements of Minnesota Statutes Section 356.215, and the requirements of the Standards for Actuarial Work established by the LCPR. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable statutes.

We are available to answer any questions or provide further details.

Respectfully submitted,

Brian B. Murphy, FSA, EA, FCA, MAAA, PhD

Bonita J. Wurst, ASA, EA, FCA, MAAA

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Other Observations

General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's contribution allocation procedure, if there are no changes in benefits or contributions and all actuarial assumptions are met (including the assumption of the plan earning 7.50%), it is expected that:

(1) The normal cost of the plan is expected to remain approximately level as a percent of pay,
(2) The funded status of the plan is expected to gradually improve and is expected to be 100% funded within the next 28 years, and
(3) The unfunded liability will grow initially as a dollar amount before beginning to decline.

Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the actuarial value of assets. Unless otherwise indicated, with regard to any funded status measurements presented in this report:

(1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, in other words, of transferring the obligations to an unrelated third party in an arm's length market value type transaction.
(2) The measurement is dependent upon the actuarial cost method which, in combination with the plan's amortization policy, affects the timing and amounts of future contributions. The amounts of future contributions will most certainly differ from those assumed in this report due to future actual experience differing from assumed experience based upon the actuarial assumptions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. If the funded status were 100%, the plan would still require future normal cost contributions (i.e., contributions to cover the cost of the active membership accruing an additional year of service credit).
(3) The measurement would produce a different result if the market value of assets were used instead of the actuarial value of assets.

Limitations of Project Scope

Actuarial standards do not require the actuary to evaluate the ability of the plan sponsor or other contributing entity to make required contributions to the plan when due. Such an evaluation was not within the scope of this project and is not within the actuary's domain of expertise. Consequently, the actuary performed no such evaluation.

Contents

Summary of Valuation Results

Contributions

The following table summarizes important contribution information as described in the Development of Costs section.

Contributions	Actuarial Valuation as of July 1, 2020	Actuarial Valuation as of July 1, 2019
Statutory Contributions - Chapter 353 (% of Payroll)	31.84%	30.92%
Required Contributions - Chapter 356 (% of Payroll)	27.71%	28.18%
Sufficiency / (Deficiency)	4.13%	2.74%

Statutory contributions are defined in statutes as a fixed percentage of payroll, plus any supplemental contributions, and represent the amount that is actually contributed to the fund. Required contributions are defined in statutes and the LCPR Standards for Actuarial Work, and represent the amount needed to fully fund the plan within 28 years (normal cost, expenses and a payment to amortize the unfunded liability).

The contribution sufficiency referenced above is based on the current snapshot of statutory contributions for the fiscal year ending June 30, 2021. The statutory contribution sufficiency increased from 2.74% of payroll to 4.13% of payroll. The increase is primarily due to the increase in statutory contributions, including additional member and employer contribution increases phased in during the year, and state contributions increasing from $13.5 million to $18.0 million as of July 1, 2020.

Based on the actuarial value of assets, scheduled contribution rates, and actuarial assumptions described in this report, statutory contributions are expected to bring the plan to full funding within the 28-year amortization period.

The Plan Assets section provides detail on the plan assets used for the valuation including a development of the Actuarial Value of Assets (AVA). The Market Value of Assets (MVA) earned approximately 4.2% for the plan year ending June 30, 2020. The AVA earned approximately 7.2% for the plan year ending June 30, 2020 as compared to the assumed rate of 7.50%.

Participant reconciliation and statistics are detailed in the Membership Data section. The Actuarial Basis section includes a summary of plan provisions and actuarial methods and assumptions used for the calculations in this report.

Accounting information prepared according to the Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68 will be provided in a separate report.

Summary of Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in plan provisions, actuarial assumptions or valuation methods and procedures between the two valuations are described after the summary.

	Actuarial Valuation as of	
	July 1, 2020	**July 1, 2019**
Contributions (*% of Payroll*)		
Statutory - Chapter 353	31.84%	30.92%
Required - Chapter 356	27.71%	28.18%
Sufficiency / (Deficiency)	4.13%	2.74%
Funding Ratios (*dollars in thousands*)		
Assets		
- Current assets (AVA)	$ 9,036,069	$ 8,661,613
- Current assets (MVA)	$ 8,973,460	$ 8,844,552
Accrued Benefit Funding Ratio		
- Current benefit obligations	$ 9,989,354	$ 9,616,108
- Funding ratio (AVA)	90.46%	90.07%
- Funding ratio (MVA)	89.83%	91.98%
Accrued Liability Funding Ratio		
- Actuarial accrued liability	$ 10,291,567	$ 9,909,153
- Funding ratio (AVA)	87.80%	87.41%
- Funding ratio (MVA)	87.19%	89.26%
Projected Benefit Funding Ratio		
- Current and expected future assets	$ 13,106,004	$ 12,363,376
- Current and expected future benefit obligations	$ 12,360,807	$ 11,886,836
- Projected benefit funding ratio (AVA)	106.03%	104.01%
Participant Data		
Active members		
- Number	12,025	11,763
- Actual covered payroll *(000s)* *	$ 1,069,481	$ 1,011,421
- Projected annual earnings *(000s)* *	$ 1,094,484	$ 1,037,888
- Average projected annual earnings *	$ 91,040	$ 88,256
- Average age	40.4	40.4
- Average service	12.4	12.4
Service retirements	7,793	7,718
Survivors	1,931	1,900
Disability retirements	1,477	1,413
Deferred retirements	1,686	1,620
Terminated other non-vested	894	1,145
Total	**25,806**	**25,559**

** These values exclude 3 members (3 in 2019) who were merged into PERA P&F in 2012 from the Minneapolis Police and Minneapolis Fire Retirement Funds whose benefits are not pay related.*

Summary of Valuation Results

Effects of Changes

The following changes in plan provisions, actuarial assumptions, and methods were recognized as of July 1, 2020:

- The mortality projection scale was updated from MP-2018 to MP-2019

Refer to the Actuarial Basis section of this report for a complete description of this change. The impact of the above change was to decrease the accrued liability by $25 million and decrease the required contribution by 0.14% of pay, as follows:

	Before Changes	Reflecting Assumption Changes
Normal Cost Rate, % of Pay	20.66%	20.65%
Amortization of Unfunded Accrued Liability, Level % of pay to 2048	7.10%	6.97%
Expenses (% of Pay)	0.09%	0.09%
Total Required Contribution, % of Pay	27.85%	27.71%
Accrued Liability Funding Ratio	87.6%	87.8%
Projected Benefit Funding Ratio	105.8%	106.0%
Unfunded Accrued Liability (in billions)	$1.3	$1.3

Summary of Valuation Results

Sensitivity Tests

During the 2017 legislative session, the Legislative Commission on Pensions and Retirement (LCPR) enacted a new sensitivity disclosure requirement for PERA's valuations. Per the LCPR's requirement, we have calculated the liabilities associated with the following scenarios:

1) 6.50% interest rate assumption
2) 8.50% interest rate assumption

In each case, all other assumptions were unchanged from those used to develop the final valuation results in this report. Note that we believe the 8.50% interest rate assumption would not comply with Actuarial Standards of Practice.

$ in billions	Final Valuation Assumptions	Final Valuation Assumptions with 6.5% Interest	Final Valuation Assumptions with 8.5% Interest
Normal Cost Rate, % of Pay	20.65%	26.21%	16.48%
Amortization of Unfunded Accrued Liability, Level % of Pay to 2048	6.97%	12.76%	1.06%
Expenses (% of Pay)	0.09%	0.09%	0.09%
Total Required Contribution, % of Pay	27.71%	39.06%	17.63%
Contribution Sufficiency/(Deficiency), % of Pay	4.13%	(7.22)%	14.21 %
Accrued Liability Funding Ratio	87.8%	77.9%	98.1%
Present Value of Projected Benefits	$12.4	$14.4	$10.7
Present Value of Future Normal Costs	$2.1	$2.8	$1.5
Actuarial Accrued Liability	$10.3	$11.6	$9.2
Unfunded Accrued Liability	$1.3	$2.6	$0.2

Summary of Valuation Results

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

Summary of Valuation Results

The Required Contribution rate shown on page 1 may be considered as a minimum contribution rate that complies with Minnesota Statutes and the requirements of the Standards for Actuarial Work published by the LCPR. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

PLAN MATURITY MEASURES

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following. Additional maturity measures are shown on the following page.

	2020	2019
Ratio of market value of assets to total payroll	8.39	8.74
Ratio of actuarial accrued liability to total payroll	9.62	9.80
Ratio of actives to retirees and beneficiaries	1.07	1.07
Ratio of net cash flow to market value of assets	-2.7%	-2.8%
Approximate modified duration* of:		
▪ Total projected benefits:	14.95	14.95
▪ Actuarial accrued liability:	11.62	11.64
▪ Retiree liability:	8.63	8.66

** Based on 7.50% interest.*

RATIO OF MARKET VALUE OF ASSETS TO PAYROLL

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 5.0 times the payroll, a return on assets 5% different than assumed would equal 25% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

RATIO OF ACTUARIAL ACCRUED LIABILITY TO PAYROLL

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

The ratio of liability to payroll may also be used as a measure of sensitivity of contribution rates to liability gains and losses. For example, if the actuarial accrued liability is 5.0 times the payroll, a change in liability 2% other than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

Summary of Valuation Results

RATIO OF ACTIVES TO RETIREES AND BENEFICIARIES

A young plan with many active members and few retirees will have a high ratio of active to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

RATIO OF NET CASH FLOW TO MARKET VALUE OF ASSETS

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means benefits and expenses exceed contributions and existing funds may be used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

DURATION OF LIABILITIES

The modified duration (as opposed to the Macaulay duration) may be used to approximate the sensitivity of the Liability to a small change in the assumed rate of return. For example, a modified duration of 10 indicates that the liability would change by approximately 10% if the assumed rate of return were changed by 1% (i.e., from 7.5% to 6.5%).

ADDITIONAL RISK ASSESSMENT

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

Summary of Valuation Results

Risk Measures Summary *(Dollars in Thousands)*

Valuation Date (6/30)	(1) Accrued Liabilities (AAL)	(2) Market Value of Assets	(3) Market Value Unfunded AAL	(4) Actual Covered Payroll	(5) Market Value Funded Ratio (2)/(1)	(6) Retiree Liabilities	(7) RetLiab/ AAL (6)/(1)	(8) AAL/ Payroll (1)/(4)	(9) Assets/ Payroll (2)/(4)
2011	$ 6,363,546	$ 5,317,032	$ 1,046,514	$ 775,806	83.6%	$ 3,529,604	55.5%	820.2%	685.4%
2012	$ 7,403,295	$ 5,772,047	$ 1,631,248	$ 794,417	78.0%	$ 4,366,115	59.0%	931.9%	726.6%
2013	$ 7,304,032	$ 6,346,741	$ 957,291	$ 796,188	86.9%	$ 4,333,475	59.3%	917.4%	797.1%
2014	$ 8,151,328	$ 7,273,100	$ 878,228	$ 820,333	89.2%	$ 4,888,411	60.0%	993.7%	886.6%
2015	$ 8,460,477	$ 7,348,704	$ 1,111,773	$ 845,076	86.9%	$ 5,000,871	59.1%	1001.1%	869.6%
2016	$ 8,417,621	$ 7,098,090	$ 1,319,531	$ 881,222	84.3%	$ 5,066,605	60.2%	955.2%	805.5%
2017	$ 9,199,208	$ 7,918,879	$ 1,280,329	$ 944,296	86.1%	$ 5,532,560	60.1%	974.2%	838.6%
2018	$ 9,552,804	$ 8,486,907	$ 1,065,897	$ 976,657	88.8%	$ 5,780,590	60.5%	978.1%	869.0%
2019	$ 9,909,153	$ 8,844,552	$ 1,064,601	$ 1,011,421	89.3%	$ 6,022,997	60.8%	979.7%	874.5%
2020	$10,291,567	$ 8,973,460	$ 1,318,107	$ 1,069,481	87.2%	$ 6,164,792	59.9%	962.3%	839.0%

Valuation Date (6/30)	(10) Portfolio StdDev	(11) Std Dev % of Pay (9) x (10)	(12) Unfunded / Payroll	(13) Non-Investment Cash Flow (NICF)	(14) NICF/ Assets (13)/(2)	(15) Market Rate of Return	(16) 5-Year Trailing Average	(17) 10-Year Trailing Average
2011			134.9%	$ (161,687)	-3.0%	23.0%	N/A	N/A
2012			205.3%	$ (190,432)	-3.3%	2.3%	2.3%	N/A
2013			120.2%	$ (230,072)	-3.6%	14.2%	6.2%	N/A
2014			107.1%	$ (232,048)	-3.2%	18.5%	14.5%	N/A
2015	14.1%	122.6%	131.6%	$ (242,036)	-3.3%	4.4%	12.2%	N/A
2016	14.1%	113.6%	149.7%	$ (241,668)	-3.4%	-0.1%	7.6%	N/A
2017	14.1%	118.2%	135.6%	$ (238,177)	-3.0%	15.2%	10.2%	6.2%
2018	14.1%	122.5%	109.1%	$ (245,996)	-2.9%	10.4%	9.5%	7.8%
2019	14.3%	125.0%	105.3%	$ (251,921)	-2.8%	7.3%	7.3%	10.9%
2020	14.3%	120.0%	123.2%	$ (240,301)	-2.7%	4.2%	7.3%	9.7%

(5). The Funded ratio is the most widely known measure of a plan's financial strength, but the trend in the funded ratio is much more important than the absolute ratio. The funded ratio should trend to 100%. As it approaches 100%, it is important to re-evaluate the level of investment risk in the portfolio and potentially to re-evaluate the assumed rate of return.

(6) and (7). The ratio of Retiree liabilities to total accrued liabilities gives an indication of the maturity of the system. As the ratio increases, cash flow needs increase, and the liquidity needs of the portfolio change. A ratio on the order of 50% indicates a maturing system.

(8) and (9). The ratios of liabilities and assets to payroll gives an indication of both maturity and volatility. Many systems have ratios between 500% and 700%. Ratios significantly above that range may indicate difficulty in supporting the benefit level as a level % of payroll.

(10) and (11). The portfolio standard deviation measures the volatility of investment return. When multiplied by the ratio of assets to payroll it gives the effect of a one standard deviation asset move as a percent of payroll. This figure helps users understand the difficulty of dealing with investment volatility and the challenges volatility brings to sustainability.

(12). The ratio of unfunded liability to payroll gives an indication of the plan sponsor's ability to actually pay off the unfunded liability. A ratio above approximately 300% or 400% may indicate difficulty in discharging the unfunded liability within a reasonable time frame.

(13) and (14). The ratio of Non-Investment Cash Flow to assets is an important measure of sustainability. Negative ratios are common and expected for a maturing system. In the longer term, this ratio should be on the order of approximately -4%. A ratio that is significantly more negative than that for an extended period could be a leading indicator of potential exhaustion of assets.

(15), (16) and (17). Investment return is probably the largest single risk that most systems face. The year by year return and the 5-year and 10-year geometric average give an indicator of past performance. Of course, past performance is not a guarantee of future results, and may not ever be reflective of potential future results.

Supplemental Information

The remainder of the report includes information supporting the results presented in the previous sections.

- **Plan assets** presents information about the plan's assets as reported by the Public Employees Retirement Association of Minnesota. The assets represent the portion of total fund liabilities that have been funded.
- **Membership data** presents and describes the membership data used in the valuation.
- **Development of costs** shows the liabilities for plan benefits and the derivation of the contribution amount.
- **Actuarial basis** describes the plan provisions, as well as the methods and assumptions used to value the plan. The valuation is based on the premise that the plan is ongoing.
- **Additional schedules** shows the Schedule of Funding Progress and Schedule of Contributions.
- **Glossary** defines the terms used in this report.

Plan Assets

Statement of Fiduciary Net Position *(Dollars in Thousands)*

Assets in Trust	Market Value June 30, 2020		Market Value June 30, 2019	
Cash, equivalents, short term securities	$ 389,655		$ 246,498	
Fixed income	$ 1,826,327		$ 1,798,789	
Equity	$ 5,347,942		$ 5,499,553	
Private Markets	$ 1,402,246		$ 1,286,444	
Other	$ -		$ -	
Total Assets in Trust	**$ 8,966,170**		**$ 8,831,284**	
Assets receivable	$ 13,148	*	$ 19,164	*
Amounts payable	$ (5,858)		$ (5,896)	
Net Assets Held in Trust for Pension Benefits	**$ 8,973,460**		**$ 8,844,552**	

* *Includes $7.679 million contribution receivable from Minneapolis to be paid by July 15.*

Plan Assets

Reconciliation of Plan Assets *(Dollars in Thousands)*

The following exhibit shows the revenue, expenses and resulting assets of the Fund as reported by the Public Employees Retirement Association for the prior two fiscal years.

Change in Assets		**Market Value**		
Year Ending		**June 30, 2020**		**June 30, 2019**
1.	Fund balance at market value at beginning of year	**$ 8,844,552**		**$ 8,486,907**
2.	Contributions			
	a. Member	$ 123,525		$ 111,762
	b. Employer	$ 193,819	*	$ 174,817 *
	c. Other sources (State contribution)	$ 13,500		$ 13,500
	d. Total contributions	$ 330,844		$ 300,079
3.	Investment income			
	a. Investment income/(loss)	$ 377,183		$ 617,935
	b. Investment expenses	$ (8,234)		$ (8,423)
	c. Net subtotal	$ 368,949		$ 609,512
4.	Other	$ 260		$ 54
5.	**Total income:** *(2.d.) + (3.c.) + (4.)*	**$ 700,053**		**$ 909,645**
6.	Benefits Paid			
	a. Annuity benefits	$ (567,040)		$ (547,699)
	b. Refunds	$ (3,181)		$ (3,283)
	c. Total benefits paid	$ (570,221)		$ (550,982)
7.	Expenses			
	a. Other	$ -		$ -
	b. Administrative	$ (924)		$ (1,018)
	c. Total expenses	$ (924)		$ (1,018)
8.	**Total disbursements:** *(6.c.) + (7.c.)*	**$ (571,145)**		**$ (552,000)**
9.	**Fund balance at market value at end of year**	**$ 8,973,460**		**$ 8,844,552**
10.	Approximate return on market value of assets	4.2%		7.3%

* *Includes $7.679 million contribution receivable from Minneapolis to be paid by July 15.*

Plan Assets

Actuarial Asset Value *(Dollars in Thousands)*

	June 30, 2020	June 30, 2019
1. Market value of assets available for benefits	**$ 8,973,460**	**$ 8,844,552**
2. Determination of average balance		
a. Total assets available at beginning of year	$ 8,844,552	$ 8,486,907
b. Total assets available at end of year	$ 8,973,460	$ 8,844,552
c. Net investment income for fiscal year	$ 368,949	$ 609,512
d. Average balance *[a. + b. - c.] / 2*	$ 8,724,532	$ 8,360,974
3. Expected return *[7.5% x 2.d.]*	$ 654,340	$ 627,073
4. Actual return	$ 368,949	$ 609,512
5. Current year asset gain/(loss) *[4. - 3.]*	$ (285,391)	$ (17,561)
6. Unrecognized asset returns		

	Original Amount	Unrecognized Amount	
a. Year ended June 30, 2020	$ (285,391)	$ (228,313)	N/A
b. Year ended June 30, 2019	$ (17,561)	$ (10,537)	$ (14,049)
c. Year ended June 30, 2018	$ 190,293	$ 76,117	$ 114,176
d. Year ended June 30, 2017	$ 500,621	$ 100,124	$ 200,248
e. Year ended June 30, 2016	$ (587,179)	N/A	$ (117,436)
f. Unrecognized return adjustment		$ (62,609)	$ 182,939

7. **Actuarial value at end of year** *(1. - 6.f.)*	**$ 9,036,069**	**$ 8,661,613**
8. Approximate return on actuarial value of assets during fiscal year	7.2%	7.2%
9. Ratio of actuarial value of assets to market value of assets	1.01	0.98

Membership Data

Distribution of Active Members**

	Years of Service as of June 30, 2020									
Age	**<3***	**3 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30 - 34**	**35+**	**Total**
< 25	380	19	1							**400**
Avg. Earnings	$ 51,161	$ 69,095	$ 90,145							**$ 52,110**
25 - 29	746	466	213							**1,425**
Avg. Earnings	$ 60,269	$ 76,735	$ 80,631							**$ 68,697**
30 - 34	466	359	782	147						**1,754**
Avg. Earnings	$ 59,904	$ 77,461	$ 82,869	$ 89,142						**$ 76,187**
35 - 39	263	217	642	847	207					**2,176**
Avg. Earnings	$ 62,545	$ 76,558	$ 84,654	$ 90,228	$ 94,237					**$ 84,256**
40 - 44	109	86	285	470	741	182				**1,873**
Avg. Earnings	$ 60,423	$ 73,654	$ 85,450	$ 90,990	$ 95,641	$100,284				**$ 90,315**
45 - 49	50	35	136	260	461	908	110			**1,960**
Avg. Earnings	$ 51,595	$ 74,128	$ 81,166	$ 91,551	$ 95,130	$103,343	$108,106			**$ 96,734**
50 - 54	28	18	86	140	241	593	501	124		**1,731**
Avg. Earnings	$ 72,344	$ 77,653	$ 82,543	$ 88,226	$ 95,058	$104,359	$109,284	$114,334		**$102,020**
55 - 59	10	9	26	40	79	149	138	101	8	**560**
Avg. Earnings	$ 36,718	$ 59,825	$ 80,137	$104,227	$101,807	$102,465	$107,701	$112,462	$108,956	**$102,788**
60 - 64	3	5	9	12	22	29	17	13	13	**123**
Avg. Earnings	$ 35,754	$111,147	$ 74,029	$ 96,522	$ 96,500	$ 95,573	$112,035	$111,393	$125,910	**$100,583**
65 - 69	1	1	3	4	3	1	1	1	3	**18**
Avg. Earnings	$ 81,473	$ 14,501	$ 64,315	$ 44,824	$123,086	$137,073	$ 46,545	$131,174	$ 89,580	**$ 78,945**
70+	1		1							**2**
Avg. Earnings	$ 13,055		$ 22,230							**$ 17,643**
Total	**2,057**	**1,215**	**2,184**	**1,920**	**1,754**	**1,862**	**767**	**239**	**24**	**12,022**
Avg. Earnings	**$ 58,594**	**$ 76,484**	**$ 83,274**	**$ 90,601**	**$ 95,596**	**$103,194**	**$108,809**	**$113,453**	**$115,717**	**$ 86,712**

* *This exhibit does not reflect service earned in other PERA funds or service earned in a Combined Service Annuity arrangement. It should not be relied upon as an indicator of non-vested status.*

** *This exhibit excludes three members who were merged into PERA P&F in 2012 from the Minneapolis Fire Retirement Fund whose benefits are not pay related.*

In each cell, the top number is the count of active participants for the age/service combination and the bottom number is average valuation earnings for the fiscal year ending on the valuation date.

Membership Data

Distribution of Service Retirements

	Years Retired as of June 30, 2020							
Age	**<1**	**1 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25+**	**Total**
<50								
Avg. Benefit								
50 - 54	63	181						**244**
Avg. Benefit	$ 39,016	$ 42,264						**$ 41,425**
55 - 59	145	611	484					**1,240**
Avg. Benefit	$ 69,593	$ 62,531	$ 51,132					**$ 58,908**
60 - 64	35	335	738	349				**1,457**
Avg. Benefit	$ 52,171	$ 61,732	$ 61,168	$ 50,067				**$ 58,423**
65 - 69	14	104	388	542	409	17		**1,474**
Avg. Benefit	$ 71,682	$ 53,071	$ 58,333	$ 57,313	$ 50,194	$ 65,109		**$ 55,533**
70 - 74		16	109	241	574	458	4	**1,402**
Avg. Benefit		$ 36,472	$ 52,877	$ 50,005	$ 54,662	$ 55,282	$ 67,265	**$ 53,753**
75 - 79	1	2	18	43	136	602	72	**874**
Avg. Benefit	$ 11,973	$ 2,873	$ 29,192	$ 34,517	$ 45,175	$ 60,331	$ 51,857	**$ 55,176**
80 - 84			4	4	33	321	249	**611**
Avg. Benefit			$ 36,509	$ 22,068	$ 33,288	$ 63,163	$ 59,946	**$ 59,795**
85 - 89			3	2	2	109	210	**326**
Avg. Benefit			$ 32,409	$ 27,676	$ 31,643	$ 61,749	$ 58,510	**$ 58,999**
90+			2			25	138	**165**
Avg. Benefit			$ 27,431			$ 62,700	$ 58,786	**$ 58,999**
Total	**258**	**1,249**	**1,746**	**1,181**	**1,154**	**1,532**	**673**	**7,793**
Avg. Benefit	**$ 59,653**	**$ 58,163**	**$ 56,764**	**$ 52,681**	**$ 51,309**	**$ 59,607**	**$ 58,438**	**$ 56,361**

In each cell, the top number is the count of retired participants for the age/years retired combination and the bottom number is the average annual benefit amount.

Membership Data

Distribution of Survivors

	Years Since Death as of June 30, 2020							
Age	**<1**	**1 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25+**	**Total**
<45	17	39	48	27	6	2		**139**
Avg. Benefit	$ 18,626	$ 16,833	$ 14,116	$ 13,041	$ 16,817	$ 29,021		**$ 15,552**
45 - 49	2	8	8	9	1	1		**29**
Avg. Benefit	$ 39,055	$ 32,105	$ 35,913	$ 30,798	$ 21,356	$ 32,430		**$ 32,869**
50 - 54	3	7	9	4	6	3	1	**33**
Avg. Benefit	$ 41,730	$ 42,697	$ 38,160	$ 36,532	$ 40,773	$ 44,293	$ 49,072	**$ 40,613**
55 - 59	2	14	17	15	4	3	4	**59**
Avg. Benefit	$ 80,567	$ 42,822	$ 42,477	$ 37,968	$ 35,937	$ 30,720	$ 35,230	**$ 41,171**
60 - 64	10	31	18	17	13	8	7	**104**
Avg. Benefit	$ 50,078	$ 32,664	$ 28,896	$ 37,579	$ 38,481	$ 36,022	$ 47,151	**$ 36,450**
65 - 69	13	50	52	22	12	13	18	**180**
Avg. Benefit	$ 32,689	$ 32,506	$ 34,684	$ 33,555	$ 35,747	$ 41,188	$ 36,441	**$ 34,513**
70 - 74	24	57	47	41	24	30	40	**263**
Avg. Benefit	$ 38,777	$ 30,772	$ 37,314	$ 33,650	$ 32,825	$ 38,277	$ 37,481	**$ 35,184**
75 - 79	23	67	71	45	39	44	31	**320**
Avg. Benefit	$ 33,026	$ 35,582	$ 30,524	$ 33,465	$ 32,134	$ 37,549	$ 34,896	**$ 33,762**
80 - 84	21	65	61	32	24	43	41	**287**
Avg. Benefit	$ 35,444	$ 35,973	$ 33,045	$ 36,828	$ 30,689	$ 32,788	$ 36,129	**$ 34,510**
85 - 89	10	44	50	34	29	46	42	**255**
Avg. Benefit	$ 40,223	$ 35,012	$ 31,683	$ 32,575	$ 32,145	$ 32,795	$ 32,215	**$ 33,052**
90+	4	26	37	28	31	64	72	**262**
Avg. Benefit	$ 25,958	$ 35,490	$ 31,465	$ 34,050	$ 28,290	$ 30,479	$ 29,350	**$ 30,859**
Total	**129**	**408**	**418**	**274**	**189**	**257**	**256**	**1,931**
Avg. Benefit	**$ 35,252**	**$ 32,816**	**$ 31,194**	**$ 32,288**	**$ 31,887**	**$ 34,275**	**$ 34,002**	**$ 32,813**

In each cell, the top number is the count of survivors for the age/years since death combination and the bottom number is the average annual benefit amount.

Membership Data

Distribution of Disability Retirements

	Years Disabled* as of June 30, 2020							
Age	**<1**	**1 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25+**	**Total**
< 45	23	91	36	8	2			**160**
Avg. Benefit	$ 48,582	$ 40,941	$ 37,793	$ 29,377	$ 28,273			**$ 40,595**
45 - 49	21	67	35	8	6			**137**
Avg. Benefit	$ 49,120	$ 44,408	$ 40,925	$ 35,078	$ 31,612			**$ 43,136**
50 - 54	25	78	54	26	19	9	1	**212**
Avg. Benefit	$ 59,995	$ 53,556	$ 44,125	$ 39,221	$ 35,367	$ 33,195	$ 42,528	**$ 47,609**
55 - 59	36	76	10	13	33	17	4	**189**
Avg. Benefit	$ 51,348	$ 50,573	$ 49,320	$ 41,948	$ 38,936	$ 36,624	$ 40,557	**$ 46,563**
60 - 64	7	27	15	36	44	28	1	**158**
Avg. Benefit	$ 38,668	$ 46,080	$ 53,551	$ 44,373	$ 41,983	$ 45,308	$ 49,936	**$ 44,819**
65 - 69	2	9	14	48	101	35	6	**215**
Avg. Benefit	$ 40,065	$ 40,185	$ 44,883	$ 48,414	$ 48,892	$ 44,945	$ 45,766	**$ 47,348**
70 - 74		7	6	17	94	114	8	**246**
Avg. Benefit		$ 46,685	$ 61,112	$ 38,926	$ 51,524	$ 56,383	$ 54,559	**$ 53,100**
75+			3	8	14	72	63	**160**
Avg. Benefit			$ 58,123	$ 61,149	$ 46,677	$ 55,973	$ 56,041	**$ 55,486**
Total	**114**	**355**	**173**	**164**	**313**	**275**	**83**	**1,477**
Avg. Benefit	**$ 51,299**	**$ 46,914**	**$ 44,171**	**$ 43,616**	**$ 46,278**	**$ 51,712**	**$ 54,173**	**$ 47,732**

** Based on effective date as provided by PERA; "Years Disabled" may reflect years since age 65 for members over age 65.*

In each cell, the top number is the count of disabled participants for the age/years disabled combination and the bottom number is the average annual benefit amount.

Membership Data

Reconciliation of Members

		Terminated		Recipients			
	Actives	Deferred Retirement	Other Non-Vested	Service Retirement	Disability Retirement	Survivor	Total
Members on 7/1/2019	**11,763**	**1,620**	**1,145**	**7,718**	**1,413**	**1,900**	**25,559**
New members	782						782
Return to active	61	(28)	(32)	0	(1)	0	0
Terminated non-vested	(80)	0	80	0	0	0	0
Service retirements	(178)	(84)	0	262	0	0	0
Terminated deferred	(189)	189	0	0	0	0	0
Terminated refund/transfer	(40)	(24)	(190)	0	0	0	(254)
Deaths	(10)	(4)	(4)	(188)	(36)	(106)	(348)
New beneficiary	0	0	0	0	0	143	143
Disabled	(84)	0	0	0	84	0	0
Data adjustments	0	17	(105)	1	17	(6)	(76)
Net change	262	66	(251)	75	64	31	247
Members on 6/30/2020	**12,025**	**1,686**	**894**	**7,793**	**1,477**	**1,931**	**25,806**

Summary of Membership

Active Member Statistics	Total
Number	12,025
Average age	40.4
Average service	12.4
Average salary	$ 86,712

Terminated Member Statistics	Deferred Retirement	Other Non-Vested	Total
Number	1,686	894	2,580
Average age	45.3	44.6	45.1
Average service	7.6	0.8	5.2
Average annual benefit, with augmentation to December 31, 2018 and 33% Combined Service Annuity (CSA) load	$21,744	N/A	$21,744
Average refund value, with 33% CSA load (2% CSA load for Non-Vested)	$47,015	$3,145	$31,814

Retiree & Survivor Member Statistics	Service Retirees	Disabled Retirees	Survivors	Total
Number	7,793	1,477	1,931	11,201
Average age	68.6	60.3	73.3	68.3
Average annual benefit	$ 56,361	$ 47,732	$ 32,813	$ 51,164

Development of Costs

Actuarial Valuation Balance Sheet *(Dollars in Thousands)*

The actuarial balance sheet is based on the principle that the long-term projected benefit obligations of the plan should be ideally equal to the long-term resources available to fund those obligations. **A Projected Benefit Funding Ratio less than 100% indicates that contributions are insufficient.** The resources available to meet projected obligations for current members consist of current Fund assets plus the present value of anticipated future contributions intended to fund benefits for current members. In the exhibit below, B.2 is the estimated present value of contributions to fund the normal cost rate for current members until their respective termination dates. Item B.1 is the present value of the total 31.84% statutory contribution net of normal cost and anticipated plan expenses during the period from the valuation date to the statutory unfunded amortization date.

The contributions made in excess of amounts required for current benefit payments are accumulated as a reserve to help meet benefit payments in later years. It is this reserve system which permits the establishment of a level rate of contribution each year.

				June 30, 2020
A. Actuarial Value of Assets				$ 9,036,069
B. Expected Future Assets				
1. Present value of expected future statutory supplemental contributions*				$ 2,000,695
2. Present value of future normal cost contributions				$ 2,069,240
3. Total expected future assets: *(1.) + (2.)*				$ 4,069,935
C. Total Current and Expected Future Assets *(A.+ B.3)*				$ 13,106,004
D. Current Benefit Obligations**				
1. Benefit recipients	**Non-Vested**	**Vested**	**Total**	
a. Service retirements	$ -	$ 4,789,947	$ 4,789,947	
b. Disability retirements	$ -	$ 865,774	$ 865,774	
c. Survivors	$ -	$ 509,071	$ 509,071	
2. Deferred retirements with augmentation	$ -	$ 282,570	$ 282,570	
3. Former members without vested rights	$ 1,305	$ -	$ 1,305	
4. Active members	$ 201,492	$ 3,339,195	$ 3,540,687	
5. Total current benefit obligations	$ 202,797	$ 9,786,557	$ 9,989,354	
E. Expected Future Benefit Obligations				$ 2,371,453
F. Total Current and Expected Future Benefit Obligations***				$ 12,360,807
G. Unfunded Current Benefit Obligations: *(D.5.) - (A.)*				$ 953,285
H. Unfunded Current and Future Benefit Obligations: *(F.) - (C.)*				$ (745,197)
I. Accrued Benefit Funding Ratio: *(A.)/(D.5.)*				90.46%
J. Projected Benefit Funding Ratio: *(C.)/(F.)*				106.03%

* *Per the LCPR Standards for Actuarial Work, calculated assuming the current contribution toward the unfunded liability continues for the entire amortization period.*

** *Present value of credited projected benefits (projected compensation, current service).*

*** *Present value of projected benefits (projected compensation, projected service).*

Development of Costs

Determination of Unfunded Actuarial Accrued Liability and Supplemental Contribution Rate *(Dollars in Thousands)*

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability (AAL)			
1. Active members			
a. Retirement annuities	$ 5,033,350	$ 1,488,483	$ 3,544,867
b. Disability benefits	$ 560,143	$ 343,555	$ 216,588
c. Survivor's benefits	$ 121,205	$ 72,279	$ 48,926
d. Deferred retirements	$ 177,224	$ 140,408	$ 36,816
e. Refunds*	$ 20,218	$ 24,515	$ (4,297)
f. Total	$ 5,912,140	$ 2,069,240	$ 3,842,900
2. Deferred retirements with future augmentation	$ 282,570	$ -	$ 282,570
3. Former members without vested rights	$ 1,305	$ -	$ 1,305
4. Annuitants	$ 6,164,792	$ -	$ 6,164,792
5. Total	$ 12,360,807	$ 2,069,240	$ 10,291,567

B. Determination of Unfunded Actuarial Accrued Liability (UAAL)	
1. Actuarial accrued liability	$ 10,291,567
2. Current assets (AVA)	$ 9,036,069
3. Unfunded actuarial accrued liability	$ 1,255,498
C. Determination of Supplemental Contribution Rate**	
1. Present value of future payrolls through the amortization date of June 30, 2048	$ 18,024,283
2. Supplemental contribution rate: *(B.3.) / (C.1.)*	6.97% ***

* *Includes non-vested refunds and non-married survivor benefits only.*

** *The amortization of the Unfunded Actuarial Accrued Liability (UAAL) using the current amortization method results in initial payments less than the "interest only" payment on the UAAL. Payments less than the interest only amount will result in the UAAL increasing for an initial period of time.*

*** *The amortization factor as of July 1, 2020 is 16.468293.*

Development of Costs

Changes in Unfunded Actuarial Accrued Liability (UAAL) *(Dollars in Thousands)*

	Year Ending June 30, 2020		
	Actuarial Accrued Liability	Current Assets	Unfunded Actuarial Accrued Liability
A. Unfunded actuarial accrued liability at beginning of year	$ 9,909,153	$ 8,661,613	$ 1,247,540
B. Changes due to interest requirements and current rate of funding			
1. Normal cost, including expenses	$ 218,051	$ -	$ 218,051
2. Benefit payments	$ (570,221)	$ (570,221)	$ -
3. Contributions	$ -	$ 330,844	$ (330,844)
4. Interest on A., B.1., B.2. and B.3.	$ 729,980	$ 640,644	$ 89,336
5. Total *(B.1. + B.2. + B.3. + B.4.)*	$ 377,810	$ 401,267	$ (23,457)
C. Expected unfunded actuarial accrued liability at end of year *(A. + B.5.)*			$ 1,224,083
D. Increase (decrease) due to actuarial losses (gains) because of experience deviations from expected			
1. Age and service retirements			$ (3,600)
2. Disability retirements			$ 9,327
3. Death-in-service benefits			$ 1,071
4. Withdrawals			$ 1,950
5. Salary increases			$ 22,484
6. Investment income			$ 26,811
7. Mortality of annuitants			$ (302)
8. Other items			$ (1,541)
9. Total			$ 56,200
E. Unfunded actuarial accrued liability at end of year before plan amendments and changes in actuarial assumptions *(C. + D.9.)*			$ 1,280,283
F. Change in unfunded actuarial accrued liability due to changes in plan provisions			$ -
G. Change in unfunded actuarial accrued liability due to changes in actuarial assumptions			$ (24,785)
H. Change in unfunded actuarial accrued liability due to changes in methodology			$ -
I. Unfunded actuarial accrued liability at end of year *(E. + F. + G. + H.)**			$ 1,255,498

* *The unfunded actuarial accrued liability on a market value of assets basis is $1,318,107.*

Development of Costs

Determination of Contribution Sufficiency/(Deficiency) *(Dollars in Thousands)*

The required contribution is defined in Minnesota statutes as the sum of normal cost, a supplemental contribution to amortize the UAAL, and an allowance for expenses. The dollar amounts shown are for illustration purposes and equal percent of pay multiplied by projected annual payroll.

	Percent of Payroll		Dollar Amount
A. Statutory contributions - Chapter 353			
1. Employee contributions	11.80%	$	129,149
2. Employer contributions	17.70%	$	193,724
3. Minneapolis Police contributions***	0.41%	$	4,490
4. Minneapolis Fire contributions***	0.29%	$	3,189
5. State contributions****	1.64%	$	18,000
6. Total	31.84%	$	348,552
B. Required contributions - Chapter 356			
1. Normal cost			
a. Retirement benefits	14.90%	$	163,078
b. Disability benefits	3.45%	$	37,760
c. Survivors	0.73%	$	7,990
d. Deferred retirement benefits	1.38%	$	15,104
e. Refunds*	0.19%	$	2,080
f. Total	20.65%	$	226,012
2. Supplemental contribution amortization of Unfunded Actuarial Accrued Liability by June 30, 2048	6.97%	$	76,286
3. Allowance for expenses	0.09%	$	985
4. Total	27.71% **	$	303,283
C. Contribution Sufficiency/(Deficiency) *(A.6. - B.4.)*	4.13%	$	45,269

Note: Projected annual payroll for fiscal year beginning on the valuation date: $1,094,484 (determined by increasing reported pay for each member by one full year's assumed pay increase according to the actuarial salary scale, as prescribed by the LCPR Standards for Actuarial Work).

* *Includes non-vested refunds and non-married survivor benefits only.*

** *The required contribution on a market value of assets basis is 28.05% of payroll.*

*** *Contributions due July 15, 2021; 2020 contributions are included in assets as receivable contributions.*

**** *$9.0 million contributions paid until both PERA P&F and MSRS State Patrol reach 90% funding (on an Actuarial Value of Assets basis), or July 1, 2048, if earlier. In addition, $9.0 million starting in fiscal year 2021, paid each year until the plan reaches 100% funding (on an Actuarial Value of Assets basis), or July 1, 2048, if earlier.*

Development of Costs

Consolidated Groups

The Minneapolis Police Relief Association (MPRA) and Minneapolis Firefighters' Relief Association (MFRA) were consolidated with the P&F Plan on December 30, 2011, per 2011 legislation. Until July 15, 2018, each employer contributed annually an amount to amortize the unfunded liability by December 31, 2031. Beginning July 15, 2019, the employer will contribute $4,489,837 for MPRA and $3,188,735 for MFRA, each July 15th through 2031.

	As of June 30, 2020					
	MPRA			MFRA		
Group	Number	Annual Benefits	Average Age	Number	Annual Benefits	Average Age
Active Members	0	N/A	N/A	3	N/A	64.4
Service Retirements	367	$ 23,771	77.7	219	$ 14,566	77.6
Disability Retirements	13	$ 767	74.5	31	$ 1,988	76.5
Survivors	196	$ 7,101	80.2	144	$ 5,263	80.7
Total	**576**	**$ 31,639**	**78.5**	**397**	**$ 21,817**	**78.5**

Actuarial Basis

Actuarial Methods

All actuarial methods are prescribed by Minnesota Statutes, the Legislative Commission on Pensions and Retirement, or the Board of Trustees. Different methodologies may also be reasonable and results based on other methodologies would produce different results.

Actuarial Cost Method

An actuarial cost method is a set of techniques used by the actuary to develop contribution levels under a retirement plan. The actuarial cost method used in this valuation for all purposes is the Entry Age Actuarial Cost Method. Under this method, a normal cost is developed by amortizing the actuarial value of benefits expected to be received by each active participant (as a level percentage of pay) over the total working lifetime of that participant, from hire to termination. Age as of the valuation date was calculated based on the dates of birth provided by the Fund. Entry age for valuation purposes was calculated as the age on the valuation date minus the provided years of service on the valuation date.

To the extent that current assets and future normal costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued Liability ("UAAL") develops. The UAAL is amortized over the statutory amortization period using level percent-of-payroll assuming payroll increases. The total contribution developed under this method is the sum of normal cost, expenses, and the payment toward the UAAL.

Funding Objective

The fundamental financing objective of the Plan is to establish contribution rates which, when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding.

Actuarial Basis

Actuarial Methods (Concluded)

Asset Valuation Method

The assets are valued based on a five-year moving average of expected and market values (five-year average actuarial value) and determined as follows:

- At the end of each plan year, an average asset value is calculated as the average of the market asset value at the beginning and end of the fiscal year net of investment income for the fiscal year;
- The investment gain or (loss) is taken as the excess of actual investment income over the expected investment income based on the average asset value as calculated above;
- The investment gain or (loss) so determined is recognized over five years at 20% per year; and
- The asset value is the sum of the market asset value plus the scheduled recognition of investment gains or (losses) during the current and the preceding four fiscal years.

Payment on the Unfunded Actuarial Accrued Liability

Payment equals a level percentage of payroll each year to the statutory amortization date of June 30, 2048 assuming payroll increases of 3.25% per annum. If there is a negative Unfunded Actuarial Accrued Liability, the surplus amount is amortized over 30 years as a level percentage of payroll. If the unfunded liability increases due to changes in benefits, assumptions, or methods, the statutory amortization date may be extended.

As required by the Standards for Actuarial Work, projected payroll is 1) determined by increasing reported payroll for each member by one full year's assumed pay increase according to the actuarial salary scale and 2) multiplied by 0.962 in the determination of the present value of future payroll to account for timing differences. This statutory method produces a required contribution that is similar to, but slightly below, the contribution that would be produced by more common actuarial methods.

Changes in Methods Since Prior Valuation

There have been no changes in actuarial methods since the prior valuation.

Actuarial Basis

Summary of Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the plan. All actuarial assumptions are prescribed by Minnesota Statutes, the Legislative Commission on Pensions and Retirement (LCPR), or the Board of Trustees. These parties are responsible for selecting the assumptions used for this valuation. Unless noted otherwise, the assumptions prescribed are based on the last experience study, dated August 30, 2016. An experience study for the 2015-2019 period was issued on July 14, 2020. This report recommended changes to the economic and demographic assumptions, expected to be effective at a future date. The Allowance for Combined Service Annuity assumptions are based on an analysis completed by the LCPR actuary and documented in a report dated October 2016.

Investment return	7.50% per annum.
Salary increases	Reported salary at valuation date increased according to the rate table, to current fiscal year and annually for each future year. Prior fiscal year salary is annualized for members with less than one year of service earned during the year.
Inflation	2.50% per year.
Payroll growth	3.25% per year.
Mortality rates	
Healthy pre-retirement	RP-2014 employee generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006.
Healthy post-retirement	RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.
Disabled	RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.
Notes	The RP-2014 employee mortality table as published by the Society of Actuaries (SOA) contains mortality rates for ages 18 to 80 and the annuitant mortality table contains mortality rates for ages 50 to 120. We have extended the annuitant mortality table as needed for members and beneficiaries younger than age 50 who are receiving a benefit by deriving rates based on the employee table and the juvenile table. Similarly, we have extended the employee table as needed for members older than age 80 by deriving rates based on the annuitant table.
Retirement	Members retiring from active status are assumed to retire according to the age-related rates shown in the rate table. Members who have attained the highest assumed retirement age are assumed to retire in one year. Note that plan changes reflected in this report may ultimately result in behavior changes that are not anticipated in the current retirement rates.
Withdrawal	Select and Ultimate rates based on actual experience. Ultimate rates after the third year are shown in the rate table. Select rates in the first three years are:

Year	Select Withdrawal Rates
1	3.00%
2	3.00%
3	3.00%

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

Disability	Age-related rates based on experience; see table of sample rates. All incidences are assumed to be duty-related.
Allowance for combined service annuity	Liabilities for former members are increased by 33.0% for vested members and 2.0% for non-vested members to account for the effect of some participants having eligibility for a Combined Service Annuity.
Administrative expenses	Prior year administrative expenses expressed as a percentage of prior year projected payroll.
Refund of contributions	Account balances accumulate interest until normal retirement date and are discounted back to the valuation date. All employees withdrawing after becoming eligible for a deferred benefit are assumed to take the larger of contributions accumulated with interest or the value of the deferred benefit.
Commencement of deferred benefits	Members receiving deferred annuities (including current terminated deferred members) are assumed to begin receiving benefits at age 55.
Percentage married	85% of male and 60% of female active members are assumed to be married. Actual marital status is used for members in payment status.
Age of spouse	Males are assumed to be two years older than females. For members in payment status, actual spouse date of birth is used, if provided.
Eligible children	Retiring members are assumed to have no dependent children.
Form of payment	Married members retiring from active status are assumed to elect subsidized joint and survivor form of annuity as follows: Males: 10% elect 25% Joint & Survivor option 20% elect 50% Joint & Survivor option 20% elect 75% Joint & Survivor option 35% elect 100% Joint & Survivor option Females: 20% elect 25% Joint & Survivor option 20% elect 50% Joint & Survivor option 10% elect 75% Joint & Survivor option 20% elect 100% Joint & Survivor option Remaining married members and unmarried members are assumed to elect the Straight Life option. Members receiving deferred annuities (including current terminated deferred members) are assumed to elect a straight life annuity.
Eligibility testing	Eligibility for benefits is determined based upon the age nearest birthday and service on the date the decrement is assumed to occur.
Decrement operation	Withdrawal decrements do not operate during retirement eligibility. Decrements are assumed to occur mid-fiscal year.
Service credit accruals	It is assumed that members accrue one year of service credit per year.

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

Pay Increases	Pay increases are assumed to happen at the beginning of the fiscal year. This is equivalent to assuming that reported earnings are pensionable earnings for the year ending on the valuation date.
Unknown data for certain members	To prepare this report, GRS has used and relied on participant data supplied by the Fund. Although GRS has reviewed the data in accordance with Actuarial Standards of Practice No. 23, GRS has not verified or audited any of the data or information provided. In cases where submitted data was missing or incomplete, the following assumptions, based on average results for applicable members at the time of the last experience study, were applied: <u>Data for active members:</u> There were 24 members reported with a salary less than $100. We used prior year salary (16 members), if available; otherwise high five salary with a 10% load to account for salary increases (7 members). If neither prior year salary nor high five salary was available, we assumed a value of $60,000. Note former members of Minneapolis Fire are excluded from these salary counts as salary is not used to calculate the benefit. There were also 163 members reported without a gender. We assumed male gender. There was 1 member reported without a date of birth. We assumed a date of birth of July 1, 1985. <u>Data for terminated members:</u> We calculated benefits for these members using the reported Average Salary and credited service. If Average Salary was not reported (1 member), we assumed a value of $24,000. If credited service was not reported (16 members), we used elapsed time from hire date to termination date (8 members); if elapsed time was not available, we assumed nine years of service. If termination date was invalid or not reported (9 members), we assumed the termination date was equal to the hire date plus credited service, otherwise the valuation date. If the reported termination date occurs prior to the reported hire date, the two dates were swapped. There were 8 members reported without a gender; male was assumed. There were no members reported without a date of birth. <u>Data for retired members:</u> There were no members with missing or invalid dates of birth or benefit amounts. There were 21 members reported without a gender. We assumed retirees are male and beneficiaries are female.

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

Unknown data for certain members (Continued)	Data for retired members (Continued): Because PERA reclassifies disabled members as retirees once the member reaches Normal Retirement Age, we compare the members that PERA reports as retirees to our disabled group from the last valuation. If a member was disabled in the prior valuation, we reclassify that member as a disabled retiree in this year's valuation. We reclassified 239 retirees as disabled retirees in this valuation.
Changes in actuarial assumptions	The mortality projection scale was changed from MP-2018 to MP-2019.

Actuarial Basis

Summary of Actuarial Assumptions (Continued)

Age in 2020	Percentage of Members Dying Each Year*					
	Healthy Post-Retirement Mortality		Healthy Pre-Retirement Mortality		Disability Mortality	
	Males	Females	Males	Females	Males	Females
20	0.04%	0.02%	0.05%	0.02%	0.04%	0.02%
25	0.07	0.04	0.06	0.02	0.07	0.04
30	0.11	0.08	0.06	0.03	0.11	0.08
35	0.17	0.14	0.08	0.04	0.17	0.14
40	0.24	0.20	0.08	0.05	0.24	0.20
45	0.30	0.23	0.11	0.07	0.30	0.23
50	0.40	0.28	0.17	0.11	0.40	0.28
55	0.56	0.39	0.29	0.18	0.56	0.39
60	0.80	0.60	0.50	0.28	0.80	0.60
65	1.14	0.87	0.89	0.40	1.14	0.87
70	1.67	1.31	1.44	0.64	1.67	1.31
75	2.65	2.14	2.39	1.10	2.65	2.14
80	4.49	3.68	4.06	1.94	4.49	3.68
85	7.88	6.60	8.00	5.16	7.88	6.60
90	13.87	11.78	14.62	11.36	13.87	11.78

* *Generally, mortality rates are expected to increase as age increases. These standard mortality rates have been adjusted slightly to prevent decreasing mortality rates. The adjustment has no material effect on these results.*

Age	Withdrawal Rates After Third Year		Rates of Disability Retirement	
	Males	Females	Males	Females
20	3.00%	3.00%	0.11%	0.11%
25	2.60	2.60	0.13	0.13
30	2.10	2.10	0.16	0.16
35	1.60	1.60	0.19	0.19
40	1.25	1.25	0.29	0.29
45	1.25	1.25	0.54	0.54
50	0.00	0.00	1.04	1.04
55	0.00	0.00	2.03	2.03
60	0.00	0.00	0.00	0.00

Actuarial Basis

Summary of Actuarial Assumptions (Concluded)

Rates of Service		Salary Scale	
Age	Retirement	Year	Increase
50	10.00%	1	12.25%
51	7.00	2	10.50%
52	7.00	3	8.75%
53	10.00	4	7.75%
54	10.00	5	6.25%
55	25.00	6	5.75%
56	22.50	7	5.25%
57	22.50	8	5.00%
58	22.50	9	4.75%
59	20.00	10	4.50%
60	22.50	11	4.25%
61	25.00	12	4.15%
62	30.00	13	4.05%
63	30.00	14	3.95%
64	30.00	15	3.85%
65	50.00	16	3.75%
66	50.00	17	3.75%
67	50.00	18	3.75%
68	50.00	19	3.75%
69	50.00	20	3.75%
70+	100.00	21	3.65%
		22	3.55%
		23	3.45%
		24	3.35%
		25+	3.25%

Actuarial Basis

Summary of Plan Provisions – Police & Fire Plan

Following is a summary of the major plan provisions used in the valuation of this report. PERA is solely responsible for the validity, accuracy and comprehensiveness of this information. If any of the plan provisions shown below are not accurate and complete, the valuation results may differ significantly from those shown in this report and may require a revision of this report.

Plan year	July 1 through June 30.
Eligibility	All full-time and certain part-time police officers and fire fighters, and certain paramedics, who are not contributing to any other local retirement fund.
Contributions	<table><tr><th>Effective as of</th><th>Member</th><th>Employer</th><th>Total</th></tr><tr><td>Prior to January 1, 2019</td><td>10.80%</td><td>16.20%</td><td>27.00%</td></tr><tr><td>January 1, 2019</td><td>11.30%</td><td>16.95%</td><td>28.25%</td></tr><tr><td>January 1, 2020 and later</td><td>11.80%</td><td>17.70%</td><td>29.50%</td></tr></table> Member contributions are “picked up” according to the provisions of Internal Revenue Code 414(h).
State contributions	$9 million paid annually on October 1 until both PERA P&F and MSRS State Patrol become 90% funded (on an actuarial value of assets basis), or July 1, 2048, if earlier. In addition, $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100% funding on an actuarial value of assets basis, or July 1, 2048, if earlier.
Allowable service	Police and Fire service during which member contributions were made. May also include certain leaves of absence and military service.
Salary	Includes amounts deducted for deferred compensation or supplemental retirement plans, net income from fees and sick leave payments funded by the employer. Excludes unused annual leaves and sick leave payments, severance payments, Workers’ Compensation benefits and employer-paid flexible spending accounts, cafeteria plans, healthcare expense accounts, day-care expenses, fringe benefits and the cost of insurance coverage.
Average salary	Average of the five highest successive years of salary. Average Salary is based on all Allowable Service if less than five years.

Actuarial Basis

Summary of Plan Provisions – Police & Fire Plan (Continued)

Vesting		Vesting Percent if First Hired		
	Years of Service	Before 7/1/2010	After 6/30/2010 & before 7/1/2014	After 6/30/2014
	<3	0%	0%	0%
	3 – 4	100	0	0
	5	100	50	0
	6	100	60	0
	7	100	70	0
	8	100	80	0
	9	100	90	0
	10	100	100	50
	11	100	100	55
	12	100	100	60
	13	100	100	65
	14	100	100	70
	15	100	100	75
	16	100	100	80
	17	100	100	85
	18	100	100	90
	19	100	100	95
	20+	100	100	100

Actuarial Basis

Summary of Plan Provisions – Police & Fire Plan (Continued)

Retirement	
Normal retirement benefit	
Age/service requirement	Age 55 and at least partially vested. Proportionate Retirement Annuity is available at age 65 and one year of Allowable Service.
Amount	3.00% of Average Salary for each year of Allowable Service (up to 33 years if hired after June 30, 2014), pro-rata for completed months, adjusted for partial vesting if applicable. A pro-rata share of member contributions will be refunded at retirement for excess service.
Early retirement	
Age/service requirement	Age 50 and at least partially vested.
Amount	Normal Retirement Benefit based on Allowable Service and Average Salary at retirement date and 0.10% (0.20% for members enrolled in the plan after June 30, 2007) reduction for each month the member is under age 55. If the effective date of retirement is after June 30, 2019, the reduction is 5/12% for each month that the member is under age 55 at the time of retirement. The change in early retirement factors was phased in over a five-year period for retirements occurring between July 1, 2014 and June 30, 2019.
Form of payment	Life annuity with return on death of any balance of contributions over aggregate monthly payments. Actuarially equivalent options are: 25%, 50%, 75% or 100% Joint and Survivor with bounce back feature. The Joint and Survivor options are determined on an actuarially equivalent basis, but with no actuarial reduction for the bounce back feature.
Benefit Increases	Benefit recipients receive 1.00% increases each year in January. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years. Members retired under laws in effect before July 1, 1973 receive an additional lump sum payment each year. In 1989, this lump sum payment is the greater of $25 times each full year of Allowable Service or the difference between $400 times each full year of Allowable Service and the sum of benefits paid from any Minnesota public pension plan plus cash payments from the Social Security Administration for the preceding fiscal year July 1, 1988 through June 30, 1989. In each following year, the lump sum payment will increase by the same percentage increase that is applied to regular annuities paid from the Fund. Effective January 1, 2002, annual lump sum payment is divided by 12 and paid as a monthly life annuity in the annuity form elected.

Actuarial Basis

Summary of Plan Provisions – Police & Fire Plan (Continued)

Disability	
Duty disability benefit	
Age/service requirement	Physically or mentally unable to perform normal duties as a police officer or fire fighter as a direct result of an act of duty specific to protecting property and personal safety of others. Members age 55 or older with 20 or more years of Allowable Service are not eligible to apply for duty disability benefits.
Amount	60.0%, plus an additional 3.00% for each year of service in excess of 20 years, of Average Salary paid until Normal Retirement Age, or for 60 months, whichever is later. The retirement benefit is then recalculated but is never lower than the disability benefit. If a member became disabled prior to July 1, 1997 but did not commence their benefit before July 1, 1997, the benefit is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in post-retirement interest rates from 5.00% to 6.00%.
Regular disability benefit	
Age/service requirement	Physically or mentally unable to perform normal duties as a police officer or fire fighter with one year of Allowable Service. Members age 55 or older with 15 or more years of Allowable Service are not eligible to apply for regular disability benefits.
Amount	45.00% of Average Salary, paid until Normal Retirement Age, or for 60 months, whichever is later. The retirement benefit is then recalculated but is never lower than the disability benefit. Benefits for total and permanent regular disability are calculated as 3.00% of Average Salary for each year of Allowable Service, with a minimum of 45.00% of Average Salary. If a member became disabled prior to July 1, 1997 but did not commence his or her benefit before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in post-retirement interest rates from 5.00% to 6.00%.
Benefit increases	Same as for retirement.
Retirement benefit	
Age/service requirement	Upon cessation of disability benefits.
Amount	Any optional annuity continues. Otherwise, the larger of the disability benefit paid before age 55 or the normal retirement benefit available at age 55, or an actuarially equivalent optional annuity.
Form of payment	Same as for retirement.
Benefit increases	Same as for retirement.

Actuarial Basis

Summary of Plan Provisions – Police & Fire Plan (Continued)

Death

Surviving spouse benefit

Age/service requirement	Death of active member or regular disabled member with surviving spouse whose disability benefit accrued before July 1, 2007, who is vested at death (service requirement is waived if death occurs in the line of duty).
Amount	50.00% of salary (60.00% if death occurs in the line of duty after June 30, 2007) averaged over last six months. Benefit paid until spouse's death but no payments while spouse is remarried prior to July 1, 1991. If a member died prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Benefit increases	Same as for retirement.

Surviving dependent children's benefit

Age/service requirement	Non-duty related death of active member or regular disabled member with eligible dependent child.
Amount	10.00% of salary averaged over last six months for each child. Family benefit minimum (including spouse's benefit) of 50.00% of salary and maximum of 70.00% of salary. Benefits paid until child marries, dies, or attains age 18 (age 23 if full-time student).

Duty disability surviving spouse benefit

Age/service requirement	Member who is totally and permanently disabled who dies before age 55 or within five years of the effective date of the disability benefit, whichever is later.
Amount	60.00% of salary averaged over last six months. Benefits paid until spouse's death but no payments while spouse is remarried prior to July 1, 1991.
Benefit increases	Same as for retirement.

Death (Concluded)

Duty disability surviving dependent children's benefit

Age/service requirement	Death of a member with an eligible dependent child who was disabled in the line of duty and died as a direct result of the disability.
Amount	10.00% of salary averaged over last six months for each child. Family benefit minimum (including spouse's benefit) of 60.00% of salary and maximum of 80.00% of salary. Benefits paid until child marries, dies, or attains age 18 (age 23 if full-time student). If a member died prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

Surviving spouse optional annuity

Age/service requirement	Active member dies before age 55. Benefits commence when member would have been age 55 or as early as age 50 if qualified for early retirement, benefits commence immediately if member had 30 years of service.
Amount	Survivor's payment of the 100% joint and survivor benefit the member could have elected if terminated. Alternatively, spouse may elect refund of deceased's contributions with interest if there are no dependent children. If a member died prior to July 1, 1997 and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Benefit increases	Same as for retirement.

Actuarial Basis

Summary of Plan Provisions – Police & Fire Plan (Continued)

Termination	
Refund of contributions	
Age/service requirement	Termination of public service.
Amount	Member's contributions with 6.00% interest through June 30, 2011. Beginning July 1, 2011, a member's contributions increase at 4.00% interest. Beginning July 1, 2018, a member's contributions increase at 3.00% interest. If a member is vested, a deferred annuity may be elected in lieu of a refund.
Deferred benefit	Partially or fully vested.
Age/service requirement	
Amount	Benefit computed under law in effect at termination and increased by the following percentage (augmentation) compounded annually for terminations prior to 2012: (a.) 0.00% before July 1, 1971; (b.) 5.00% from July 1, 1971 to January 1, 1981; (c.) 3.00% (2.50% if hired after June 30, 2006) thereafter until the earlier of January 1 of the year following attainment of age 55 and January 1, 2012; (d.) 5.00% (2.50% if hired after June 30, 2006) thereafter until the earlier of the date the annuity begins and January 1, 2012; (e.) 1.00% from January 1, 2012 through December 31, 2018; and (f.) 0.00% from January 1, 2019, thereafter. Members who terminate after 2011 will receive no future augmentation. If a member terminated employment prior to July 1, 1997 but was not eligible to commence their pension before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997 and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Form of payment	Same as for retirement.
Actuarial equivalent factors	Effective July 1, 2019, actuarially equivalent factors based on the RP-2014 mortality table for healthy annuitants for a member turning age 55 in 2021, reflecting projected mortality improvements using Scale MP-2017, male rates multiplied by 0.96, blended 90% males, and 6.50% interest.

Actuarial Basis

Summary of Plan Provisions – Police & Fire Plan (Concluded)

Combined service annuity	Members are eligible for combined service benefits if they: (a.) Meet minimum retirement age for each plan participated in and total public service meets the vesting requirements of each plan; or (b.) Have three or more years of service under PERA and the covered fund(s) (if hired prior to July 1, 2010). Other requirements for combined service include: (a.) Member must have at least six months of allowable service credit in each plan worked under; and (b.) Member may not be in receipt of a benefit from another plan. Members who meet the above requirements must have their benefits based on the following: (a.) Allowable service in all covered plans is combined in order to determine eligibility for early retirement. (b.) Average salary is based on the high five consecutive years during their entire service in all covered plans.
Changes in plan provisions	There have been no changes in plan provisions since the prior valuation.

Actuarial Basis

Summary of Plan Provisions – Minneapolis Police Relief Association

Normal retirement benefit

Monthly benefits are equal to the number of units multiplied by the unit values described herein. Units are based on service, as follows:

Service	Units
20	35.0 units
21	36.6 units
22	38.2 units
23	39.8 units
24	41.4 units
25 or more	43.0 units

Members must be at least age 50 with 5 years of service to receive this benefit.

Unit values

Calendar Year	Unit Value
2012	$ 104.651
2013	109.011
2014	114.825
2015	124.031

Unit values after 2015 are assumed to increase the same percentage as the post-retirement benefit increase.

Surviving spouse's benefit

Annual benefit based on 23 units for the surviving spouse of an active or retired member. Upon retirement, members may choose an alternative form of payment that provides 50%, 75%, or 100% of their benefit to their spouse after their death. The units are adjusted if one of these alternate forms is selected.

Surviving children's benefit

Annual benefit based on 8 units for each surviving child of an active or retired member. Benefits continue to age 18 or if the child is a full-time student, to age 22. The total benefit for surviving children and spouse combined is limited to 41 units.

Contributions

Member and employer contributions equal to 8.00% of the monthly unit value multiplied by 80 are required for each member. After 25 years of service, member contributions are paid to a separate health insurance account.

Until July 15, 2018, the employer contributed annually an amount to amortize the unfunded liability by December 31, 2031. Beginning July 15, 2019, the employer will contribute $4,489,837 each July 15 through 2031.

Benefit increases

Benefit recipients receive 1.00% increases each year in January.

Actuarial Basis

Summary of Plan Provisions – Minneapolis Firefighters' Relief Association

Normal retirement benefit

Monthly benefits are equal to the number of units multiplied by the unit values described herein. Units are based on service, as follows:

Service	Units
15	25.0 units
16	26.6 units
17	28.2 units
18	29.8 units
19	31.4 units
20	35.0 units
21	36.6 units
22	38.2 units
23	39.8 units
24	41.4 units
25 or more	43.0 units

Members must be at least age 50 with 5 years of service to receive this benefit.

Members may choose among alternative survivor payment forms which modify the number of units payable to the member and their spouse. A member who is single at the time of retirement and who has at least 25 years of service may choose to receive 43.3 units on the condition of a reduced survivor payment to any future spouse.

Unit values

Calendar Year	Unit Value
2013	100.775
2014	104.264
2015	124.031

Unit values after 2015 are assumed to increase the same percentage as the post-retirement benefit increase.

Disability benefit

Annual benefit based on 41 units for the disabled member.

Surviving spouse's benefit

Annual benefit based on 23 units for the surviving spouse of an active or retired member and 22 units for the surviving spouse of a disabled member. Upon retirement, members may choose an alternative form of payment that provides 50%, 75% or 100% of their benefit to their spouse after their death. The units are adjusted if one of these alternate forms is selected.

Surviving children's benefit

Annual benefit based on 8 units for each surviving child of an active or retired member. Benefits continue to age 18 or if the child is a full-time student, to age 22. The total benefit for surviving children and spouse combined is limited to 43 units.

Contributions

Member and employer contributions equal to 8.00% of the monthly unit value multiplied by 80 are required for each member. After 25 years of service, member contributions are paid to a separate health insurance account.

Until July 15, 2018, the employer contributed annually an amount to amortize the unfunded liability by December 31, 2031. Beginning July 15, 2019, the employer will contribute $3,188,735 each July 15 through 2031.

Benefit increases

Benefit recipients receive 1.00% increases each year in January.

Additional Schedules

Schedule of Funding Progress[1] *(Dollars in Thousands)*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Actual Covered Payroll (Previous FY) (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
7-1-1998	$ 2,337,313	$ 1,741,344	$ (595,969)	134.22 %	$ 375,131	(158.87) %
7-1-1999	3,679,551	3,004,637	(674,914)	122.46	352,066	(191.70)
7-1-2000	4,145,351	3,383,187	(762,164)	122.53	392,796	(194.04)
7-1-2001	4,472,041	3,712,360	(759,681)	120.46	500,839	(151.68)
7-1-2002	4,672,679	3,886,311	(786,368)	120.23	522,153	(150.60)
7-1-2003	4,683,115	4,390,953	(292,162)	106.65	560,503	(52.12)
7-1-2004	4,746,834	4,692,190	(54,644)	101.16	551,266	(9.91)
7-1-2005	4,814,961	4,956,340	141,379	97.15	580,723	24.35
7-1-2006	5,017,951	5,260,564	242,613	95.39	618,435	39.23
7-1-2007	5,198,922	5,669,347	470,425	91.70	648,342	72.56
7-1-2008	5,233,015	5,918,061	685,046	88.42	703,701	97.35
7-1-2009	5,239,855	6,296,274	1,056,419	83.22	733,164	144.09
7-1-2010	5,188,339	5,963,672	775,333	87.00	740,101	104.76
7-1-2011	5,274,602	6,363,546	1,088,944	82.89	775,806	140.36
7-1-2012	5,797,868	7,403,295	1,605,427	78.31	794,417 [2]	202.09
7-1-2013	5,932,945	7,304,032	1,371,087	81.23	796,188 [2]	172.21
7-1-2014	6,525,019	8,151,328	1,626,309	80.05	820,333 [3]	198.25
7-1-2015	7,076,271	8,460,477	1,384,206	83.64	845,076 [4]	163.80
7-1-2016	7,385,777	8,417,621	1,031,844	87.74	881,222 [5]	117.09
7-1-2017	7,840,549	9,199,208	1,358,659	85.23	944,296 [5]	143.88
7-1-2018	8,320,094	9,552,804	1,232,710	87.10	976,657 [5]	126.22
7-1-2019	8,661,613	9,909,153	1,247,540	87.41	1,011,421 [6]	123.35
7-1-2020	9,036,069	10,291,567	1,255,498	87.80	1,069,481 [7]	117.39

[1] Information prior to 2012 provided by prior actuary. See prior reports for additional detail.
[2] Assumed equal to actual member contributions divided by 9.60%.
[3] Assumed equal to actual member contributions divided by 9.90%.
[4] Assumed equal to actual member contributions divided by 10.50%.
[5] Assumed equal to actual member contributions divided by 10.80%.
[6] Assumed equal to actual member contributions divided by 11.05%.
[7] Assumed equal to actual member contributions divided by 11.55%.

Additional Schedules

Schedule of Contributions from the Employer and Other Contributing Entities[1]

(Dollars in Thousands)

Plan Year Ended June 30	Actuarially Required Contribution Rate (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Contributions [(a)x(b)] - (c) = (d)	Actual Employer Contributions[5] (e)	Percentage Contributed (e)/(d)
1998	15.69%	$ 375,131	$ 28,552	$ 30,306	$ 42,786	141.18%
1999	12.32	352,066	30,897	12,478	46,280	370.89
2000	12.87	392,796	31,214	19,339	53,178	274.98
2001	12.21	500,839	31,341	29,811	52,960	177.65
2002	12.61	522,153	33,801	32,042	90,664	282.95
2003	15.52	560,503	34,751	35,424	50,917	143.74
2004	19.47	551,266	36,313	71,019	52,770	74.30
2005	21.99	580,723	37,873	89,828	55,802	62.12
2006	24.36	618,435	42,970	107,681	63,603	59.07
2007	25.76	648,342	50,688	116,325	74,707	64.22
2008	28.82	703,701	58,259	144,548	87,023	60.20
2009	28.41	733,164	67,701	140,591	101,548	72.23
2010	29.99	740,101	71,736	150,220	107,066	71.27
2011	25.52	775,806	73,702	124,284	109,604	88.19
2012	28.78	794,417 [2]	76,264	152,369	121,891	80.00
2013	33.37	796,188 [2]	76,434	189,254	125,995	66.57
2014	29.89	820,333 [3]	81,213	163,985	141,632	86.37
2015	33.85	845,076 [4]	88,733	197,325	153,317	77.70
2016	32.29	881,222 [6]	95,172	189,375	165,065	87.16
2017	28.30	944,296 [6]	101,984	165,252	175,329	106.10
2018	30.58	976,657 [6]	105,479	193,183	179,781	93.06
2019	28.20	1,011,421 [7]	111,762	173,459	188,317	108.57
2020	28.18	1,069,481 [8]	123,525	177,855	207,319	116.57
2021	27.71					

[1] *Information prior to 2012 provided by prior actuary. See prior reports for additional detail.*

[2] *Assumed equal to actual member contributions divided by 9.60%.*

[3] *Assumed equal to actual member contributions divided by 9.90%.*

[4] *Assumed equal to actual member contributions divided by 10.50%.*

[5] *Includes contributions from other sources (if applicable).*

[6] *Assumed equal to actual member contributions divided by 10.80%.*

[7] *Assumed equal to actual member contributions divided by 11.05%.*

[8] *Assumed equal to actual member contributions divided by 11.55%.*

Glossary of Terms

Accrued Benefit Funding Ratio	The ratio of assets to Current Benefit Obligations.
Accrued Liability Funding Ratio	The ratio of assets to Actuarial Accrued Liability.
Actuarial Accrued Liability (AAL)	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.
Actuarial Assumptions	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members; and other items.
Actuarial Cost Method	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of Future Normal Costs and the Actuarial Accrued Liability.
Actuarial Equivalent	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial Present Value (APV)	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
Actuarial Present Value of Projected Benefits	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, non-retired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial Valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB No. 25, such as the Funded Ratio and the Annual Required Contribution (ARC).
Actuarial Value of Assets	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially required contribution (ARC).

Glossary of Terms (Continued)

Amortization Method	A method for determining the Amortization Payment. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. The stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.
Amortization Payment	That portion of the plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
Amortization Period	The period used in calculating the Amortization Payment.
Annual Required Contribution (ARC)	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB No. 25. The ARC consists of the Employer Normal Cost and Amortization Payment.
Augmentation	Annual increases to deferred benefits.
Closed Amortization Period	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
Current Benefit Obligations	The present value of benefits earned to the valuation date, based on current service and including future salary increases to retirement (comparable to a Projected Unit Credit measurement).
Employer Normal Cost	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
Expected Assets	The present value of anticipated future contributions intended to fund benefits for current members.
Experience Gain/Loss	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience, e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, losses are the result of unfavorable experience, i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.

Glossary of Terms (Concluded)

GASB	Governmental Accounting Standards Board.
GASB No. 25 and GASB No. 27	These are the governmental accounting standards that previously set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.
GASB No. 50	The accounting standard governing a state or local governmental employer's accounting for pensions.
GASB No. 67 and GASB No. 68	Statements No. 67 and No. 68, issued in June 2012, replace the requirements of Statements No. 25 and No. 27, respectively. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves. Accounting information prepared according to Statements No. 67 and No. 68 will be provided in a separate report.
Normal Cost	The annual cost assigned, under the Actuarial Cost Method, to the current plan year.
Projected Benefit Funding Ratio	The ratio of the sum of Actuarial Value of Assets and Expected Assets to the Actuarial Present Value of Projected Benefits. A Ratio less than 100% indicates that contributions are insufficient.
Unfunded Actuarial Accrued Liability	The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.
Valuation Date	The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.