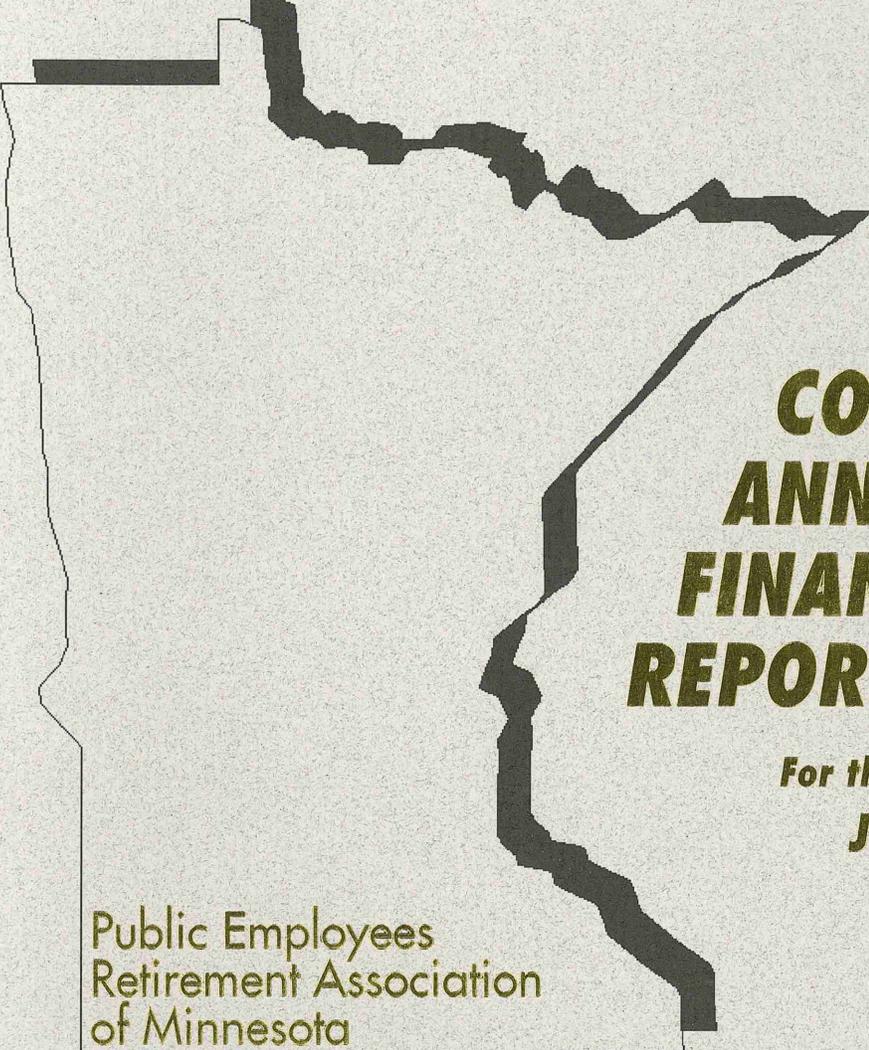




3 0307 00020 6576



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*For the Fiscal Year Ended  
June 30, 1997*

Public Employees  
Retirement Association  
of Minnesota



A Component Unit of the State of Minnesota

JK  
6160  
.P4  
P84e  
1997

Minn. Stat. 356.20

RECEIVED

JUN 11 2004

LEGISLATIVE REFERENCE LIBRARY  
STATE OFFICE BUILDING  
ST. PAUL, MN 55155

**66**  
*Years of  
Service  
to  
Minnesota's  
Public  
Employees*

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

*For the Fiscal Year Ended  
June 30, 1997*

Public  
Employees  
Retirement  
Association  
of Minnesota

A Component Unit of the State of Minnesota

## Board of Trustees

**Marian R. Larson** — Board President, Elected Membership Representative

**Walter C. Gray** — Board Vice President, Public Representative

**Judith H. Dutcher** — State Auditor

**Mary Ann Dixen** — School Board Representative

**Terri Heaton** — Cities Representative

**Dawn M. Hulmer** — Elected Membership Representative

**Robert D. McCubbin** — Elected Membership Representative

**Gary R. Norstrem** — Elected Retiree/Disabiltant Membership Representative

**Lois E. Riecken** — Annuitant Representative

**Michael G. Schwab** — Elected Police and Fire Representative

**Richard H. Stafford** — Counties Representative

## Executive Director

**Mary Most Vanek**

Report prepared by Finance, and Pension Services Division Staff:

**David DeJonge** — Manager of Finance

**Gary Hovland** — Senior Accounting Supervisor

**John Paulson** — Communications Specialist

**David Andrews** — Accounting Officer

**Sue Movrich** — Accounting Officer

Gallery Tower Office Building  
514 St. Peter Street, Suite 200  
St. Paul, Minnesota 55102-1090  
(612) 296-7460



Member of Government Finance Officers Association of the United States and Canada

# Table of Contents

	Page
<b>Introductory Section</b>	
Achievement Awards . . . . .	3
President's Report . . . . .	4
Letter of Transmittal . . . . .	5
PERA Office . . . . .	10
Administrative Organization. . . . .	11
Board of Trustees . . . . .	12
Summary of Retirement System Plan . . . . .	13
<b>Financial Section</b>	
Legislative Auditor's Report . . . . .	17
Basic Financial Statements:	
Statement of Plan Net Assets . . . . .	18
Statement of Changes in Plan Net Assets. . . . .	19
Notes to the Financial Statements . . . . .	20
Required Supplementary Information:	
Schedule of Funding Progress . . . . .	28
Schedule of Employer Contributions . . . . .	29
Notes to Required Supplementary Information. . . . .	30
Statement of Changes in Plan Net Assets—	
Public Employees Retirement Fund . . . . .	31
Public Employees Police and Fire Fund . . . . .	32
Police and Fire Consolidation Fund . . . . .	33
Statement of Changes in Assets and Liabilities —	
Public Employees Defined Contribution Plan . . . . .	34
Summary Schedule of Commissions and Payments to Consultants. . . . .	34
Schedule of Administrative Expenses . . . . .	35
<b>Investment Section</b>	
Investment Report . . . . .	36
Investment Results . . . . .	37
Asset Allocation . . . . .	37
List of Largest Assets Held . . . . .	39
Investment Summary . . . . .	40
Market Value of Assets . . . . .	42
<b>Actuarial Section</b>	
Actuary's Certification Letter . . . . .	43
Summary of Actuarial Assumptions and Methods . . . . .	44
Schedule of Recommended vs. Actual Contribution Rates . . . . .	45
Sample Annual Rates Per 100 Employees. . . . .	45
Solvency Test . . . . .	46
Schedule of Active Member Valuation Data . . . . .	47
Schedule of Retirees and Beneficiaries . . . . .	48
<b>Statistical Section</b>	
Schedule of Revenue by Source . . . . .	50
Schedule of Expense by Type . . . . .	51
Schedule of Benefit Expense by Type. . . . .	52
Revenues . . . . .	53
Schedule of Retired Members by Amount and Type of Benefit. . . . .	54
Schedule of Average Benefit Payments . . . . .	55
Participating Employers . . . . .	58

# Achievement Awards

## GFOA

The Government Finance Officers Association (GFOA) recognizes public retirement systems that meet its rigorous standards for financial reporting with its annual Certificate of Achievement for Excellence in Financial Reporting. It is the highest form of recognition for accounting and financial reporting in the public pension sector. This is the 12th time in the last 13 years PERA has been so honored.

### Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees Retirement Association of Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda K. Savitsky*  
President

*Jeffrey L. Esser*  
Executive Director



Public Pension Coordinating Council

Public Pension Principles  
1996 Achievement Award

Presented to

Public Employees Retirement Association-  
Public Employees Retirement Fund

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of  
Government Finance Officers Association (GFOA)  
National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

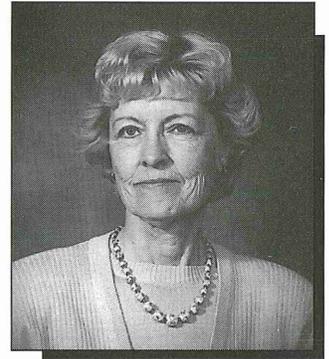
*Carlos Resendez*  
Carlos Resendez  
Chairman

## PPCC

PERA received the Public Pension Principles Achievement Award from the Public Pension Coordinating Council (PPCC) for FY'96 and FY'97. The award recognizes public pension systems that maintain high standards in the areas of benefit protection, actuarial valuations, finances, investment policies, financial reporting and disclosure of information.

# President's Report

Public Employees Retirement Association of Minnesota  
514 St. Peter Street, Suite 200  
St. Paul, Minnesota 55102  
(OFFICE) 612 296-7460  
(TOLL FREE) 1 800 652-9026  
(FAX) 612 297-2547



Marian R. Larson  
Board President

December 11, 1997

Dear Members, Annuitants, Beneficiaries and Governmental Employers:

This 66th annual financial report of the Public Employees Retirement Association (PERA) discloses financial, actuarial, and other related information about PERA and the funds it administers. On June 30, 1997, PERA's net assets available for benefits at fair value exceeded \$11 billion. This reflects a \$1.9 billion, or 20.4 percent, increase over net assets available for benefits at the beginning of the fiscal year.

Fiscal Year 1997 was yet another outstanding year at PERA. The continued bull market dramatically enhanced investment performance. The total rate of return for the assets of the active employees covered by PERA was 21.8 percent for the 12 months ended June 30, 1997. For the past five years, these investments outperformed the 14.2 percent composite market return benchmark, with a favorable annualized return of 14.4 percent. This rate of return is well above the fund's actuarial assumed interest rate of 8.5 percent per year. During this period, the increased value of the portfolio resulted from above index performance and the positive impact of the Minnesota State Board of Investment's periodic rebalancing of the portfolio back to its long-term asset allocation targets. This asset allocation has allowed SBI to benefit from the tremendous run of the equity markets.

The Minnesota Post Retirement Investment Fund (MPRIF) in which PERA has a pooled interest with other Minnesota statewide pension systems, increased the market value of its assets to \$14.2 billion at fiscal year end. The MPRIF supports the annuities payable to retirees and their joint annuitants, and also finances the annual post-retirement increases from investment earnings in excess of 6 percent. Since July 1, 1993, the MPRIF has outperformed the composite market return benchmark by four-tenths (0.4) of one percentage point, with an annualized return of 13.4 percent.

This is the fifth year of experience with a new formula that provides annual post-retirement benefit increases to annuitants. The formula, which bases increases on both inflation and investment returns of the MPRIF, provided an impressive 10.08 percent annual increase payable on January 1, 1998. This is the largest annual benefit increase awarded in the past 20 years. Over the past 15 years, post-retirement benefits have increased an average of 6.6 percent annually. The fund can safely pay an annual increase primarily because excess investment earnings are now being spread out over a 5-year period rather than being paid out entirely in the fiscal year in which they were earned. This post-retirement increase formula is intended to even out the peaks and valleys of year-to-year investment returns and resulting benefit increases.

PERA advanced rather dynamic pension legislation during the 1997 session of the Minnesota Legislature. The Pension Uniformity and Reform Bill, which was signed into law, increases the formula multiplier used to calculate benefits under our Coordinated, Basic, and Police and Fire plans. It also gives our retirees a one-time permanent increase. This change will result in substantially larger pensions early in retirement, placing us closer to the national average for public pension systems. Funding for the improvement is provided by a 1 percent decrease in future post-retirement pension increases. (After-retirement increases presently awarded by the Post Retirement Investment Fund are among the highest in the country.) This trade-off provides our members and retirees with greater control over their retirement futures because they will start retirement with a quantifiably larger pension rather than relying on sizable future increases to bring them on par with other public pension plans. Legislation was also passed changing mortality, salary and retirement age assumptions for the Police and Fire Fund, bringing these assumptions in line with the results of an experience study completed last year.

Customer service and technological advances were high priorities within the PERA office again this year. A new integrated telephone and computer system was put in place in an attempt to provide one-stop shopping for PERA's members, and an in-house training center was created to meet the educational requirements for our broadening outreach programs. PERA will now begin to develop more effective and efficient ways of collecting and managing the information needed to provide excellent customer service and benefits to members.

Exceptional market returns on our assets, increased benefits for our members, and customer service advances have indeed made fiscal year 1997 an exciting year at PERA.

As always, our commitment as trustees of the association is the preservation and growth of the assets of PERA's funds, and the protection and furtherance of the interests of our members, annuitants, beneficiaries, employer units and the State of Minnesota. I believe our efforts over the past year have amply illustrated this continuing dedication.

Sincerely,

Marian R. Larson  
President  
PERA Board of Trustees

ML/jp

# Letter of Transmittal

Public Employees Retirement Association of Minnesota  
514 St. Peter Street, Suite 200  
St. Paul, Minnesota 55102  
(OFFICE) 612 296-7460  
(TOLL FREE) 1 800 652-9026  
(FAX) 612 297-2547



Mary Most Vanek  
Acting Executive Director

December 10, 1997

Board of Trustees  
Public Employees Retirement Association of Minnesota  
514 St. Peter Street, Suite 200  
St. Paul, Minnesota 55102-1090

Dear Trustee:

We are pleased to present this Comprehensive Annual Financial Report of the Public Employees Retirement Association (PERA) for the fiscal year ended June 30, 1997—our 66th year of operation. The information contained in this report is accurate in all material respects and is intended to present fairly the financial status and results of operations of the association. The report consists of five sections:

**Introductory Section** contains this letter of transmittal, the president's report, a summary of the membership requirements and the benefit structures of PERA's funds, a directory of the Board of Trustees and a description of the administrative organization;

**Financial Section** includes the basic financial statements, supplementary information, supporting schedules, and the independent auditor's report on the financial statements;

**Investment Section** contains a summary of investment returns, asset allocation, a list of the association's largest assets, and asset cost and market values;

**Actuarial Section** includes the independent actuary's certification letter, summaries of the actuarial assumptions and methods used in the annual valuation, results of the July 1, 1997, actuarial valuation, and other actuarial information; and

**Statistical Section** contains tables and schedules of significant data pertaining to the Association and identifies affiliated employers and consolidated local relief associations.

Responsibility for the contents of this report, including the financial statements, rests solely with the management of the association. We trust you will find this publication is helpful in understanding PERA and its funds, and contains sufficient information to allow valid comparisons of our operating results with similar public employee retirement systems.

## Reporting Entity

For financial reporting purposes, PERA is considered a component unit of the State of Minnesota, since the state is financially accountable for PERA. Although the PERA Board of Trustees has significant independence in the operations and management of the association, the state auditor, serving on the board by virtue of elected office, and five trustees appointed by the governor of the state comprise a voting majority of the board and may significantly influence agency operations. The governor can further impose his will on PERA with his ability to remove an appointed member at any time for just cause.

# Letter of Transmittal

## (Continued)

PERA serves more than 2,000 separate governmental entities. These participating employers include cities, counties, townships, and school districts located throughout the state. On June 30, 1997, PERA's membership included 138,944 current, active employees and 43,108 retirees and beneficiaries.

### Accounting Systems and Reports

All financial statements are prepared in conformity with Statement 25 provisions and other generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements also comply with Minnesota Statutes, Section 356.20. PERA's transactions of its Public Employees Retirement Fund (PERF), Public Employees Police and Fire Fund (PEPFF) and Police and Fire Consolidation Fund (PFCF) are reported on the accrual basis of accounting. Transactions of the Public Employees Defined Contribution Plan (PEDCP) are reported on the modified accrual basis of accounting.

PERA's internal accounting controls are designed to provide reasonable assurance for the safekeeping of assets and the reliability of all financial records. Our independent auditors reported no material weaknesses in our internal control structure and no departures from finance-related legal provisions for fiscal year 1996.

### Revenue

Employer and employee contributions, income from investments and income from other miscellaneous sources provide the funds needed to cover the liability for present and future benefits. Income for the fiscal year (FY) ended June 30, 1997 totaled \$2,345,210,000. This represents a 73 percent increase from FY96 revenues, as shown in the table below.

The increase in employee and employer contributions resulted primarily from an increase in average annual earnings and in the number of members contributing to the PERF and PEPFF (see schedule on page 47). Statutory contribution rates for both employers and employees of PERA's defined benefit plans remain unchanged from the prior year, though contribution rates will change in January of 1998 for the PERF.

Revenue Source (in thousands)	FY 1997	FY 1996	Percent Inc./(Dec.)
Member Contributions	\$ 158,538	\$ 149,651	5.9%
Employer Contributions	189,703	180,894	4.9
Net Investment Income	1,962,130	1,013,654	93.5
Other Income	34,839	9,292	274.9
<b>Totals</b>	<b><u>\$2,345,210</u></b>	<b><u>\$1,353,491</u></b>	<b><u>73.2%</u></b>

Net investment income of the PERA funds accounted for the largest share—approximately 83.5 percent—of total revenue. Annualized rates of return on investments have soared the past few years. As the stock market continued to make record highs, the market value of PERA's portfolio grew tremendously. As shown in the table in the previous column, net investment income in FY96 includes investment income and realized gains and losses reduced by investment expenses. Net investment income in FY97 also includes unrealized gains and losses in accordance with GASB 25.

The increase in "Other Income" was due to initial assets being turned over to the PFCF by four local relief associations that consolidated with PERA during the fiscal year.

### Expenses

The annual expenses of PERA's defined benefit funds reflect the aggregate cost of monthly annuity and benefit payments to retired or disabled members and their survivors, refunds of employee contributions (plus interest) to terminated former members, and the cost of administration. Operating expenses during the fiscal year totaled \$457,400,000, an increase of 10.4 percent over such expenses in FY96, as shown below:

Expense Type (in thousands)	FY 1997	FY 1996	Percent Inc./(Dec.)
Benefits	\$432,522	\$391,484	10.5%
Refunds	17,208	15,607	10.3
Administrative	6,252	6,048	3.4
Other	1,418	1,128	25.7
<b>Totals</b>	<b><u>\$457,400</u></b>	<b><u>\$414,267</u></b>	<b><u>10.4%</u></b>

The increase in benefits reported for the fiscal year resulted mainly from the growth in the total number of benefit recipients and the higher average benefit payments (see schedules on pages 48-49). Though PERA is in the midst of upgrading its technological infrastructure and increasing the services provided to members, administrative expenses only increased 3.4 percent. PERA is able to administer the defined benefit plans for approximately 1/10 of 1 percent of assets.

### Investments

In accordance with Minnesota Statutes, Section 353.06, assets of the PERA Funds are invested by the Minnesota State Board of Investment (SBI). All investments undertaken by the SBI are governed by the common law prudent person rule and other standards codified in Chapter 11A of the Minnesota Statutes. The board is comprised of the state's elected officers: Governor Arne H. Carlson, State Auditor Judith H. Dutcher, State

Treasurer Michael A. McGrath, Secretary of State Joan Anderson Growe, and State Attorney General Hubert H. Humphrey III.

The SBI appoints a 17-member Investment Advisory Council (IAC) to advise the State Board on asset allocation and other policy matters relating to investments. The IAC also advises the SBI on methods to improve the rate of return while assuring adequate security of the assets under management. The executive director of PERA is a standing member of the IAC.

The IAC has formed four committees organized around broad investment subjects relevant to the board's decision making: asset allocation, domestic managers, international managers, and alternative investments. All proposed investment policies are reviewed by the appropriate committee and the full council before they are presented to the board for action.

Investment consultants are also employed by the SBI to monitor and evaluate the investment management firms' performance and to evaluate or suggest various alternatives for asset allocation and other investment policy matters.

Pension assets of the currently working members of the Association (see table below) are managed externally by private money managers retained under contract with the SBI. These assets are pooled with the assets of other active members of state-wide retirement funds into the Basic Retirement Fund. The greatest share of these assets, over 65 percent, is invested in domestic and international common stocks in order to maximize the long-term rate of return. Including international stocks in the asset mix allows the SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio. For the year ended June 30, 1997, the Basic Retirement Funds produced a total rate of return on active member assets of 21.8 percent.

**Market Value of Investments, June 30, 1997**  
(in thousands)

<u>Fund</u>	<u>Active Members</u>	<u>Retired Members</u>
PERF	\$3,422,839	\$4,466,879
PEPFF	1,625,311	600,130
PFCF	463,821	596,790
<b>Totals</b>	<b><u>\$5,511,971</u></b>	<b><u>\$5,663,799</u></b>

The SBI has one overriding responsibility in the management of these funds—to ensure that sufficient funds are available to finance promised retirement benefits. Within this context, SBI has established a long-term investment objective—to outperform a composite market index weighted to reflect the long-term asset allocation policy over a five-year period. Performance is measured net of all fees and costs to assure the SBI's focus is on true net return. The Basic Funds' five-year annualized rate of return at June 30, 1997 was 14.4 percent, above its target of 14.2 percent.

The SBI also has responsibility for investment of the assets of the Minnesota Post Retirement Investment Fund (MPRIF). When a member retires, a sum of money sufficient to finance a fixed monthly annuity is transferred from the Basic Retirement Fund to the MPRIF. Assets of the retired members of the Association and their joint annuitants (see table above) are

pooled in the MPRIF. These assets are also managed externally, sharing the same domestic stock, domestic bond, and international stock managers as the Basic Funds.

The SBI adopted a revised asset allocation strategy for the MPRIF in fiscal year 1993 to reflect the goals associated with the new post-retirement benefit increase formula. In order to maximize long-term rates of return in the equity markets, the SBI gradually allocated 50 percent of the assets to domestic stocks, and added allocations to international stocks and alternative assets. As of June 30, 1997, over 65 percent of the assets were invested in domestic and international stocks. The SBI's asset allocation strategy has been quite successful during this bull market run.

In contrast to the investment goals of the Basic Fund, invested for current working members, the MPRIF's goal is to ensure returns are adequate to meet the actuarially assumed return of 6 percent on its invested assets on an annualized basis and are sufficient to finance lifetime benefit increases.

The SBI measures performance of the MPRIF against a composite of market indices that is weighted to reflect its long-term asset allocation policy. The MPRIF is expected to exceed the composite index over a five-year period. Similar to the Basic Fund, MPRIF performance is reported net of all fees and costs to assure the SBI's focus is on true net return. Since the asset allocation changed dramatically beginning in 1993, performance against this standard is available only for fiscal years 1994-1997. For the four-year period since July 1, 1993, the MPRIF outperformed its composite index by four-tenths of one percent with an annualized return of 13.8 percent.

For the fourth year of experience with the new formula, we are pleased to announce the MPRIF will provide a benefit increase of 10.0876 percent for fiscal year 1997, payable January 1, 1998. This increase is comprised of two components:

- **Inflation adjustment of 2.1%.** This equals 100 percent of the reported Consumer Price Index for wage earners (CPI-W) for the 12 months ended June 30, 1997. This inflation component is always granted, regardless of investment performance. The formula sets a maximum, or cap, of 2.5 percent to maintain the actuarial soundness of the plan. This amount is the difference between the 8.5 percent return assumption for the Basic Funds and the 6 percent return assumption for the MPRIF.
- **Investment adjustment of 7.9876%.** This represents a portion of the investment gains that exceed the amount needed to finance the actuarial assumed rate of return (6%) and the inflation component (2.1%). The formula requires that investment gains and losses be spread forward over five years to adjust for the volatility of short-term returns. Also, all accumulated investment losses must be recovered before an investment adjustment is granted.

# Letter of Transmittal

(Continued)

## Economic Conditions and Outlook

The economy continued to perform exceptionally well in FY97. Minnesota's total nonagricultural payroll employment grew at a healthy pace, adding over 53,000 jobs in calendar year 1996. This growth rate was faster than the national rate. Minnesota's 3.2 percent unemployment rate in June 1997 continued to be well below the national unemployment rate of 5.0 percent.

FY97 was yet another stellar year for the markets. Unemployment rates were at their lowest levels since the early 1970's, yet there were few signs of increasing inflation. Rapid economic growth in the closing months of 1996 continued in the first quarter of 1997, with real GDP advancing almost 6 percent at an annual rate. Inflation, however, remained in check at 2.1 percent. Low interest rates and strong consumer confidence proved to be positive for the equity markets. This market performance carried over to the Basic Retirement Fund and the MPRIF, which produced annualized rates of return of 21.8 percent and 20.9 percent, respectively. This performance also reflects the asset allocation changes made by the Minnesota State Board of Investment over the past few years.

The economic outlook for fiscal year 1998 continues to be optimistic. The worldwide inflation rate has fallen to the best levels in 25 years due to committed central banks, privatization, technology advances, global competition, cost cutting and restructuring. The U.S. is operating near its full capacity. Household spending should rise only modestly due to record installment debt, though consumer confidence remains high. Wage growth should remain in check due to increased productivity and modest growth in fringe benefit costs. Domestic stocks should do well in a slow, steady growth environment, though most investment advisors believe the market is in need of a correction.

SBI's policy of diversification is designed to provide some insulation against high inflationary or deflationary environments, and to avoid excessive return volatility. As long as the Basic Retirement Fund earns the assumed annual rate of return of 8.5 percent, PERA's funding status will improve.

The continued strength and stability of the state's economy should translate to increased revenues for local governments. Consequently, the general fiscal well-being of the local public sector employees should yield a constant, rather than downsized, work force. As payroll growth and salary increases remain low, PERA's obligation for future retirement benefits will be minimized, thus positively impacting the association's funding status.

## Current Funding Ratios

The primary funding objectives of the Association are:

- 1) to establish contribution rates which, when expressed as a percentage of active members payroll, will remain level from generation to generation; and

- 2) to meet the required deadlines for full funding.

A pension fund is fully funded when it has present and projected assets sufficient to cover the liabilities for present and future annuities, benefits and refunds and the projected cost of fund administration. Minnesota Statutes, Section 356.215, subd. 4(g), requires that the PERF and PEPFF be fully funded by the year 2020. Minnesota Statutes, Section 353A.09, subd. 5(2)(b)(1), requires full funding for the PFCF by the year 2010. The actuarial funding method followed by PERA is the entry age normal, level contribution as a percent of payroll method.

An important measure of the health of a retirement system is the level of funding. The better the level of funding, the larger the ratio of assets to accrued liabilities and the greater the level of investment income potential. Also, a better level of funding gives the participants a higher degree of assurance that their pensions are secure.

The Association's progress towards meeting the full funding objective is displayed on the Schedule of Funding Progress on page 28. This report shows the funding levels using the entry age normal actuarial cost method. At the end of FY97, the ratio of assets to liabilities of the PERF was 82 percent. For the PEPFF and the PFCF, the ratios were 127 percent and 99 percent, respectively.

## Association's Status Report

Fiscal Year 1997 brings us into the third year of our strategic plan. The plan, embraced by the PERA Board of Trustees in 1995, promises to help us realize our vision and ensures that the mission

*"To create opportunities for members to achieve a successful and secure retirement by providing benefits and services of the highest quality that members will value and trust"*

will be fulfilled.

One significant accomplishment this year was the passage of the Pension Uniformity and Reform Proposal. Not only did this legislation improve benefits for all of PERA's members and beneficiaries, it made the benefits payable to the state's major pension plan members uniform among those plans. It also brought those benefits closer to the national average for similarly situated public employees throughout the country. The bill also provided funding to PERA's Coordinated and Basic Plans to ensure that our requirement to be fully funded by the year 2020 is attainable.

The PERA staff is to be complimented for the energy put forth in a year that continued to bring about not only significant legislative and benefit changes, but also substantial change in the way we deliver service to our members. Some of our most notable accomplishments for this fiscal year include:

- PERA successfully developed and is in the process of delivering a new Customer Service Center. This center provides “one-stop shopping” for all of our customers. Those who call our office will quickly be in contact with a knowledgeable service representative who will be able to update information, provide account balances, and answer almost any question. To be added in the coming fiscal year will be the ability to promptly give benefit estimates.
- To provide the tools needed by our service representatives to offer quick and accurate customer service, a new Pension Information Response System was developed. This new software application allows us to maintain customer information in a more efficient manner. It allows us to schedule appointments, send forms and publications, and soon, will include the ability to calculate benefit estimates quickly and accurately.
- In order for our “one-stop shopping” concept to work, we updated our telephone environment. We are now able to route PERA’s incoming calls electronically to the next available service representative. Rather than having all our calls routed through one receptionist, we will have up to 12 service representatives answering the phones. This will provide quicker access to information for our members.
- During FY97, PERA made huge advancements in our technological infrastructure. We put in place the client/server hardware and software components needed to begin the migration from our mainframe and its outdated software. We put a personal computer on every desk. We introduced office automation tools for electronic mail, word processing and spreadsheets. We converted member and employer data from multiple fragmented mainframe data files to a centralized client/server database. We even established links between our computers and those of the Teachers Retirement Association and the Minnesota State Retirement System.
- PERA completed rental and renovation of a new conference/training center. We are now offering more workshops for members, while avoiding the increased costs associated with renting hotel meeting room space. We are excited about the expanded programs we will now be able to accommodate. Soon we will be providing more employer seminars and reaching out to our younger members through life-planning programs geared to help them get a jump-start on preparing for successful retirement.
- PERA continues to invest in our most valued assets, our employees. We trained employees of the newly developed Pension Services Division on how to use their new PC’s and related software. We also developed a business and systems manual which covers the functions of the new software system and related business issues, and trained employees on how the system works.

This past year has been marked with intense activity and huge strides in advancing our strategic plan! But we still have a considerable way to go during the next year. We are encouraged by the way the staff continues to forge ahead during some very stressful times to ensure that our members indeed do receive the highest quality services and benefits.

## Professional Services

The FY96 actuarial valuation of the PERA defined benefit plans was conducted by Milliman & Robertson, Inc., and completed in November 1996. Actuarial consulting services during the fiscal year were provided by Gabriel, Roeder, Smith & Company of Detroit. In addition to providing a thorough review of Milliman & Robertson’s FY96 actuarial valuation, Gabriel Roeder developed cost estimates for a variety of legislative proposals. The firm also recommended actuarial assumption changes, based on a 1994 experience study, for the PEPFF that were adopted by the PERA board and state legislature.

With respect to other professional services, the State’s Attorney General continued to provide PERA with legal counsel and the State Board of Investment continued to manage and invest the assets of the PERA funds. CSC Consulting, Inc. assisted in the development of a customer service program and an information technology strategic plan. Finally, the State’s Legislative Auditor continued to provide professional financial auditing services. The comments of the Legislative Auditor are found on page 17 of this report.

## Reports to the Membership

This report is complemented by an annual financial newsletter that discloses, in summary form, the contents of this report. This financial newsletter is mailed in January of each year to all PERA members, and annuity and benefit recipients.

## National Recognition

Finally, PERA is justly proud of the abilities, knowledge, drive and dedication of its employees. PERA recently received national recognition as a leader in pension fund administration and disclosure of financial information by two groups.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERA for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1996. PERA has received this honor for 13 of the last 14 years.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily read and efficiently organized CAFR, whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe our current report continues to conform to the certificate requirements and we are submitting it to the GFOA.

# Letter of Transmittal

(Continued)

PERA was also honored with the Public Pension Principles Achievement Award (displayed on page 3) sponsored by the Public Pension Coordinating Council in 1997. The award, valid for a period of two years, recognizes public pension systems that maintain high standards in the areas of benefit protection, actuarial valuations, finances, investment policies, financial reporting, and disclosure of information.

the effectiveness of the Trustees' management and administration of PERA and its funds may be judged.

We are sure you join with us in expressing gratitude and appreciation to the staff and PERA's advisors for their efforts in producing this report and for their loyal and dedicated service to the Association and its members, annuitants, beneficiaries, and governmental unit employees.

Respectfully submitted,

## Acknowledgments

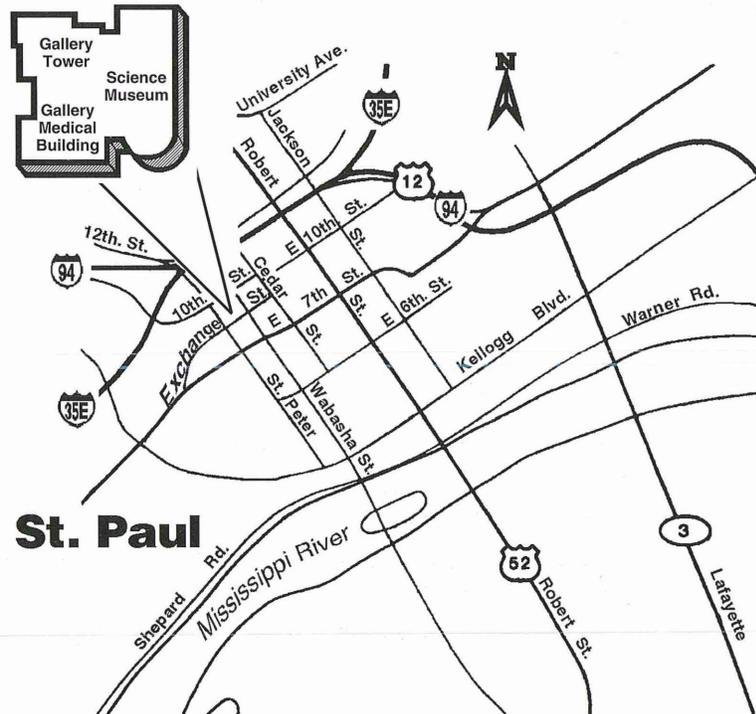
As a compendium of financial, actuarial and other statistical information, PERA's Comprehensive Annual Financial Report provides complete and reliable information on which management decisions may be based and through which compliance with statutory requirements may be assessed. In addition, the report serves as the primary source through which

**Mary Most Vanek**  
Executive Director

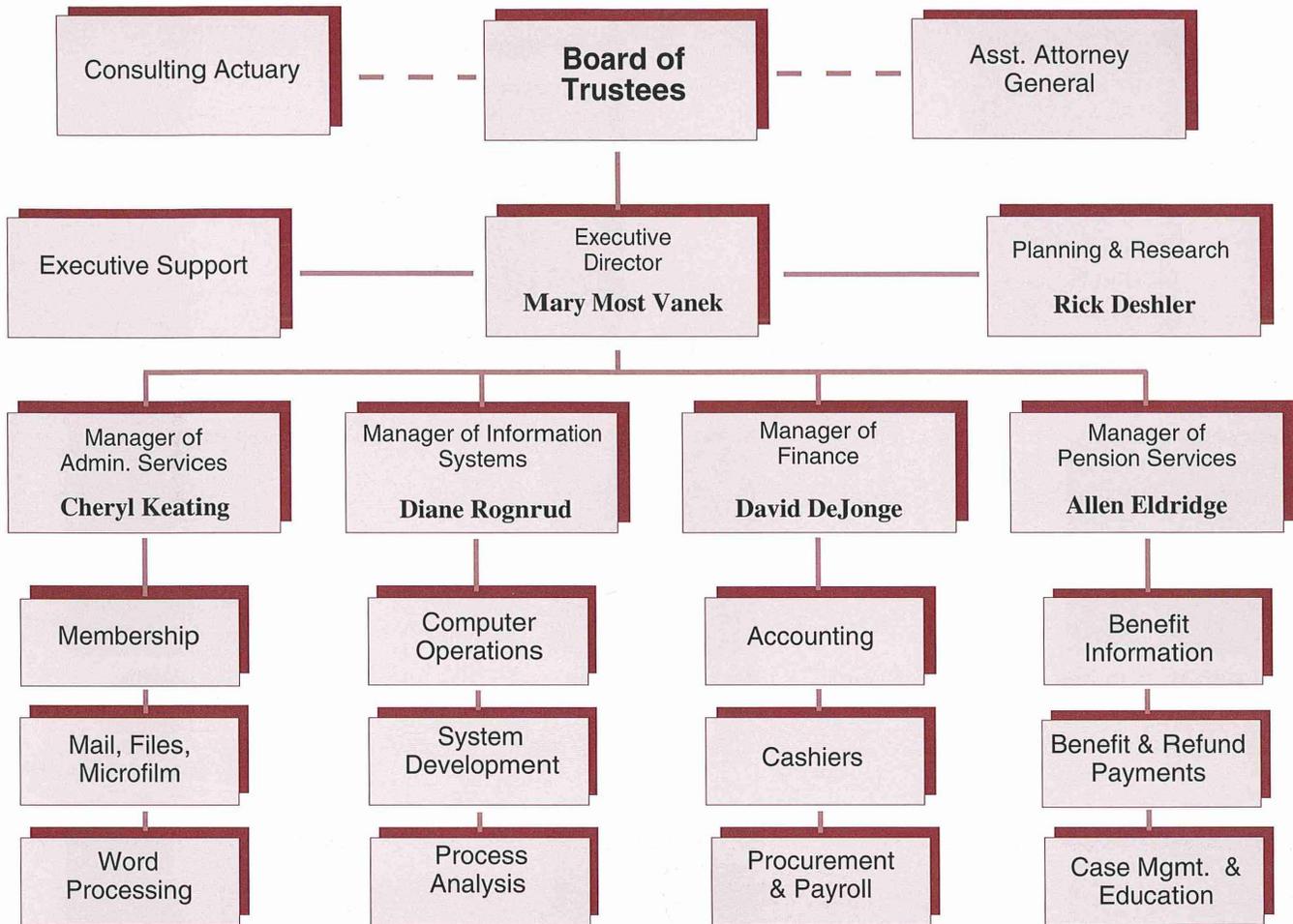
**David DeJonge**  
Manager of Finance

## PERA Office

PERA's office in St. Paul is located in the Gallery Towers Building, attached to the Omnitheatre of the Minnesota Science Museum. The address is 514 St. Peter Street, Suite 200, St. Paul. Office hours are from 8 a.m. to 4:30 p.m., Monday through Friday.



# Administrative Organization



## MISSION STATEMENT

**PERA's mission is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services, that members will value and trust.**

### PERA's Vision:

PERA is seen by its members as an important part of their retirement solution because we:

*Develop creative methods* that enable them to make sound retirement and life-planning decisions;

*Display relentless efforts* to protect the fund and provide the best public pension packages; and

*Deliver exceptional services* any time, any place!

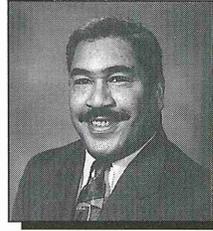
# Board of Trustees

## Board President

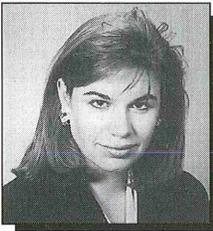


**Marian R. Larson**  
Elected Membership Representative  
c/o PERA  
514 St. Peter Street, Suite 200  
St. Paul, Minnesota 55102

## Board Vice President



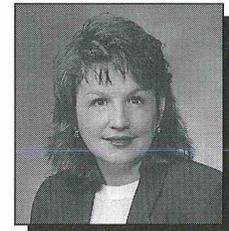
**Walter C. Gray**  
Public Representative  
8101 46th Ave. N, #110  
New Hope, Minnesota 55428



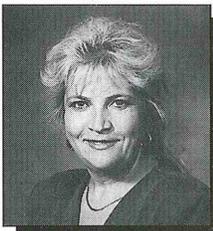
**Judith H. Dutcher**  
State Auditor  
525 Park Street, Suite 400  
Saint Paul, Minnesota 55103



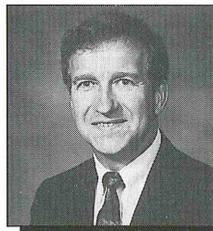
**Mary Ann Dixen**  
School Board Representative  
1428 Martin Road  
Albert Lea, Minnesota 56007



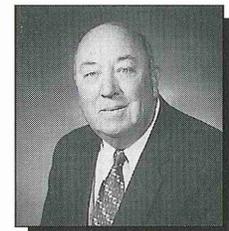
**Terri Heaton**  
Cities Representative  
City of Bloomington  
2215 W. Old Shakopee Rd.  
Bloomington, Minnesota 55431



**Dawn M. Hulmer**  
Elected Membership Representative  
City of Duluth  
City Hall, Room 105  
Duluth, Minnesota 55802



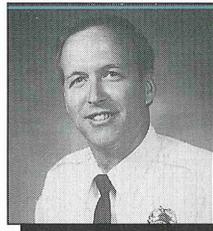
**Robert D. McCubbin**  
Elected Membership Representative  
City of Duluth  
City Hall, Room 211  
Duluth, Minnesota 55802



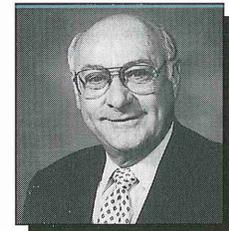
**Gary R. Norstrom**  
Elected Retiree/Disabilitant  
Membership Representative  
2080 Western Ave. N.  
Roseville, Minnesota 55113



**Lois E. Riecken**  
Annuitant Representative  
8794 100th Avenue  
Clear Lake, Minnesota 55319



**Michael G. Schwab**  
Elected Police and Fire Representative  
St. Paul Police Department  
100 E. 11th St.  
St. Paul, Minnesota 55101



**Richard H. Stafford**  
Counties Representative  
Washington County  
Government Center  
Stillwater, Minnesota 55082

# Summary of Retirement System Plan

## Public Employees Retirement Association of Minnesota

### Purpose

Established by the Minnesota Legislature in 1931, the Minnesota Public Employees Retirement Association (PERA) administers pension funds that serve approximately 190,000 county, school, and local public employees, benefit recipients, their survivors, and dependents.

Funds administered by the association provide a variety of retirement pensions, and survivor and disability benefits. In the case of Coordinated members, these pensions and benefits are in addition to those provided by Social Security.

The PERA Board of Trustees is responsible for administering these funds in accordance with statutes passed by the Minnesota Legislature and has a fiduciary obligation to PERA's members, the governmental employers, the state, and its taxpayers.

### Administration

The PERA Board of Trustees is composed of 11 members. The State Auditor is a member by statute. Five trustees are appointed by the Governor. Serving four-year terms, these five trustees represent cities, counties, school boards, retired annuitants, and the general public, respectively.

The remaining five board members are elected by the PERA membership at large to serve four-year terms. Three represent the general active membership, one trustee represents Police and Fire Fund members, and one trustee represents annuitants and benefit recipients. All five membership representatives were elected in January 1995.\*

The board appoints an executive director to serve as chief administrative officer of PERA. With approval of the board, the director develops the annual administrative budget, determines staffing requirements, contracts for actuarial and other services, and directs the day-to-day operations of the association. The director also serves as a member of the State Investment Advisory Council, which advises the Minnesota State Board of Investment on the management and investment of public pension funds and other assets.

### Multi-Employer Participation

Approximately 2,000 separate units of government in Minnesota participate in the PERA-administered retirement system. These units include counties, cities, townships, and school districts.

### Employee Membership

With certain statutory exceptions, an employee performing personal services for a governmental employer whose salary is paid, in whole or in part, from revenues derived from taxation, fees, assessments, or other sources, is a member of PERA. The type of membership depends upon which PERA plan covers the individual member's employment position. In the case of Basic members, it also depends upon when the individual was hired into public service. PERA has approximately 135,000 active members.

### Funds

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

**The Public Employees Retirement Fund** encompasses two plans — the PERA Coordinated Plan and the PERA Basic Plan. The Coordinated Plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security. The Basic Plan, established in 1931, is not coordinated with the federal program.\*\*

**The Public Employees Police and Fire Fund**, originally established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all Minnesota police officers and firefighters hired since 1980.

### Note:

\* This board of trustees composition reflects 1994 legislation which added an 11th member to the board. The previous composition was six governor's appointees, three elected membership representatives and the State Auditor.

\*\* PERA's Basic Plan was closed to new membership in 1968 with the creation of the Coordinated Plan. Basic members had the option of remaining in that plan or transferring to the new Coordinated Plan following its establishment.

# Summary

## (Continued)

### Note:

\* Under legislation enacted in June, 1997, the employee and employer contribution rates for Coordinated and Basic members will increase in January, 1998. The Coordinated contribution rates will be 5.18 percent of salary for employers and 4.75 percent for members. Basic member contributions will be 11.43 percent for employers and 8.75 percent for members.

\*\* This is the rate established for elected public officials and physicians. For ambulance service personnel, employers decide whether they will participate in the plan and what the contribution will be for employees. Salaried employees may match this contribution.

† The accrual rates for members increased July 1, 1997. The rates for Coordinated members increased .2 percent of salary for each year of service to 1.2 percent and 1.7 percent. The Basic rates are now 2.2 percent and 2.7 percent. Police and Fire members now receive .3 percent of salary for each year of service.

The **Police and Fire Consolidation Fund** was created in 1987 for members of local police and fire relief associations that have elected to have PERA administer their plans. While administrative duties of these local associations have been transferred to PERA, the responsibility for investing their assets has been transferred to the State Board of Investment.

Also administered by PERA is the **Public Employees Defined Contribution Plan**. Established by the Minnesota Legislature in 1987 to provide a retirement plan for personnel employed by public ambulance services, the plan has been expanded to include physicians and locally-elected public officials, except for county sheriffs.

## Contributions

The table below shows contribution rates for employees and employers under the various plans administered by PERA as of June 30, 1997. Rates are applied to total salary and are set by statute.

Fund	Employee Contribution	Employer Contribution
<b>Public Employees Retirement Fund</b>		
Coordinated*	4.23%	4.48%
Basic	8.23%	10.73%
<b>Public Employees Police and Fire Fund</b>	7.60%	11.40%
<b>Police and Fire Consolidation Fund</b>	7.60%	11.40%
<b>Defined Contribution Plan</b>	5.00%	5.00%**

In addition to contributions to the funds administered by PERA, Coordinated members contribute to Social Security and are eligible for benefits earned through those deductions. Police and Fire Fund members hired after March 31, 1986 contribute to Medicare, as do some Basic Plan members who elected such coverage in 1989.

## Retirement Benefits Eligibility and Annuity Formulas

### Basic and Coordinated Members

Two methods are used to compute benefits for Coordinated and Basic members—a step-rate benefit accrual formula (Method 1) and a level accrual formula (Method 2). The retiring member receives the higher of the two calculated amounts.

**Method 1:** Coordinated members accrue 1 percent of the average salary they were paid over their five highest-paid consecutive years of service for each of the first 10 years of public employment, and 1.5 percent of that average salary for each successive year. Basic members receive 2 percent of their average salary for each of their first 10 years of service and 2.5 percent for each year thereafter.†

Using this calculation, members are eligible for a full (unreduced) retirement annuity if:

- They are age 65 or over with at least one year of public service; or
- Their age plus years of public service equal 90 (Rule of 90).

A reduced retirement annuity is payable as early as age 55 with three or more years of service. The reduction is .25 percent for each month under age 65. A member with 30 or more years of service may retire at any age with the .25 percent reduction made from age 62 rather than 65.

**Method 2:** Coordinated members earn 1.5 percent of their average salary for every year of public service while Basic members earn 2.5 percent of their average salary for each year.†

This calculation provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989, and at the age for unreduced Social Security benefits for those first hired into public service on or after that date.

Early retirement results in an actuarial reduction with augmentation (about 6 percent per year) for members retiring prior to qualifying for unreduced retirement benefits.

### Police and Fire Members

Members receive 2.65 percent† of average salary for each of their years of service.†

An unreduced retirement annuity is payable to members when they meet the following conditions:

- Age 55 with a minimum of three years of service; or
- Age plus years of service equal at least 90.

A reduced retirement annuity is available to members between the ages of 50 and 55. There is a 2.4 percent reduction in benefits for each year a member retires prior to qualifying for an unreduced retirement benefit.

### Police and Fire Consolidation Members

Members of the Police and Fire Consolidation Fund are covered by the benefit provisions and formulas of their local plans, unless they choose to be covered by provisions identical with those of the PERA Police and Fire Fund.\* Members may elect PERA Police and Fire Fund-type benefits:

- Within 180 days of the effective date for the consolidation of the local relief association with PERA;
- At the time a member is between ages 49½ and 50; or
- At the time the member retires and submits an application for a pension or disability benefit.

### Defined Contribution Plan Members

The Defined Contribution Plan's benefit amount is determined by the performance of the funds in which contributions are invested. The entire market value of the member's account is payable upon termination of public service, disability, retirement, or death.

### Types of Pensions Available

Members of the PERA Basic and Coordinated Plans, the Police and Fire Fund, and members covered by the Police and Fire Consolidation Fund who elect PERA Police and Fire-type benefits may select from several types of retirement benefits.

**Single-life Pension** — A Single-life Pension, formerly known as a Normal annuity, is a lifetime annuity that ceases upon the death of the retiree. No survivor benefit is payable.

**Survivor Options** — Upon retirement, members may choose from one of four Survivor Options. All these pensions are payable for the lifetime of the retiree. At the time of the retiree's death, the designated survivor continues to receive monthly benefit payments at varying levels for his or her lifetime. Depending on Survivor Option

chosen by the member, survivor payments are at a 25, 50, 75 or 100 percent level of that received by the member.\*\*

**Pre-Age 62 Increase** — This pension option allows a member who retires before age 62 to receive a greater monthly payment until he or she becomes eligible for Social Security at age 62. The monthly benefit amount is then reduced by at least \$100 at age 62.

**Deferred Pension** — A vested member who terminates public service may leave contributions in the fund or funds in which he or she participated and qualify for a pension at age 55 or over. The benefit amount, calculated as of the date of termination, will increase at a rate of 3 percent per year, compounded annually, until the first of the year following the member's 55th birthday. It will then increase at a rate of 5 percent per year, compounded annually.

**Combined Service and Proportionate Pensions** — Retiring members may elect to combine service in a PERA-covered position with service in any of 14 other Minnesota pension funds and qualify for a retirement benefit from each fund in which they participate. These funds are designated by statute. Members with three or more years of total service qualify for a combined service pension if they have six or more months of service in each fund and have not begun to receive a benefit from any of the designated funds. Pensions are based upon the formula of each fund and the member's average salary over the five highest-paid years of service, no matter when it was earned.

Public employees who retire at age 65 or older with between one and three years of service in one or more of 11 designated funds may qualify for a proportionate pension. Benefits are paid by each applicable fund in which the employee has credit and are based upon the formula of each fund and the member's average salary during the period of service covered by that fund.

**Maximum Benefit** — Initial monthly benefits, adjusted for pre-taxed contributions, may not exceed the average of a member's three highest-paid consecutive years of service.

This limit affects only a small number of PERA members.

### Note:

\* While the Police and Fire benefit accrual rate increased to 2.65 percent July 1, 1993, the increase from PERA's former rate of 2.5 percent is at the option of cities with local police and fire relief associations that consolidated prior to that date. Most of these employers adopted the new rate.

\*\* Selection of a Survivor Option will result in a reduction in the amount of the pension from the Single-life pension level. This reduction is made because the benefit will be payable over the lifetimes of both the member and the designated survivor. The amount of the reduction depends on the age of both the retiring member and the survivor.

Both Joint and Survivor annuity options incorporate an automatic "bounce back" feature. This returns the amount of the annuity to the level of the Normal annuity in the event the joint annuitant predeceases the retiree. The cost of this protection is borne by the funds, not by the retiree.

# Summary

(Continued)

## Disability Benefits

Members may be eligible for benefits from PERA if they are unable to work because of a physical or mental disability. Disability is defined by statute, and PERA may require periodic medical examinations of those receiving these benefits.

Disability benefit calculations are based upon years of service and average salary earned during the five highest-paid consecutive years of service for Basic and Coordinated members, and for Police and Fire Fund members disabled outside the line of duty. In the case of Police and Fire members, there is a minimum non-duty disability benefit of 39.75 percent of that salary. For Police and Fire members disabled in the line of duty, the minimum benefit is 53 percent of salary.\*

Basic and Coordinated members qualify for disability with three or more years of service and by meeting the statutory definition. Police and Fire members qualify by meeting the definition with one or more years of service if disabled outside the line of duty. If disabled in the line of duty, there is no minimum service requirement.

Members of the Police and Fire Consolidation Fund may receive disability benefits under the provisions of their individual relief association bylaws unless they have chosen PERA-type benefits. If that election has been made, benefits are the same as those for Police and Fire Fund members.

## Survivor Benefits

PERA also provides survivor (death) benefits for families of members who qualify for such coverage. The qualifications and types of benefits vary with each fund.

A Lifetime Survivor Benefit is available to the surviving spouse of a Basic, Coordinated, or Police and Fire member. For Police and Fire, and Basic members, this benefit is based on either 50 percent of the member's average salary during six months prior to death or a formula using the member's total years of service, average salary during the highest-paid five consecutive years of service, age at death and age of the spouse. The surviving spouse benefit for Coordinated members is only based on the formula. This benefit is payable to the spouse of a deceased member for life, even upon remarriage.\*\*

For survivors of Basic and Coordinated members, there are alternative term-certain benefits of 5, 10, 15, or 20 years duration. The monthly payment, however, may not exceed 75 percent of the member's average high five-year salary.

Survivor benefits are immediately suspended for any survivor charged with causing the death of an association member. The benefit is permanently revoked upon conviction for such a crime.

Dependent children of active or disabled Basic, and Police and Fire members are eligible for benefits until age 18, or age 23 if full-time students. In this case, the maximum family benefit is 70 percent of the member's average monthly salary. If a Coordinated member dies and there is no surviving spouse, any children under age 20 qualify to receive a monthly term-certain benefit.

Instead of a monthly benefit, the surviving spouse, if a designated beneficiary, may elect a refund of any remaining employee contributions in the account, plus 6 percent interest compounded annually. A refund may not be elected by Basic or Police and Fire surviving spouses, however, if there are dependent children.

Survivors of members of the Police and Fire Consolidation Fund are eligible for survivor benefits under the provisions of the individual relief association if the member has not chosen Police and Fire Fund-type benefit coverage or they may elect Police and Fire Fund-type coverage if the member died in the line of duty.

## Refunds

Refunds of contributions are available at any time to members who leave public service and have not yet begun receiving a pension. The refund includes employee contributions plus 6 percent interest, compounded annually, for a member who terminated public employment after May 15, 1989.

A refund of member contributions plus interest may also be elected by the designated beneficiary of a member or former member who dies before reaching retirement. If there is no beneficiary, payment is made to the surviving spouse or, if none, to the estate of the deceased member or former member.

If a retiree and designated survivor, if any, die before all employee contributions are paid in the form of a pension or benefits, the remaining balance would be paid in the same manner outlined for beneficiaries.

No interest is paid to beneficiaries on the balance in an account if the member was receiving retirement benefits.

### Note:

\* Minimum disability benefits for Police and Fire Plan members increased to 60 percent of salary for disability in the line of duty, and 45 percent for non-duty related disability July 1, 1997.

\*\* Lifetime Survivor Benefits are also available to the spouse of disabled Basic, and Police and Fire Fund members, and to survivors of disabled Coordinated members who choose a Survivor Option.

# Legislative Auditor's Report



STATE OF MINNESOTA  
OFFICE OF THE LEGISLATIVE AUDITOR  
CENTENNIAL BUILDING, ST. PAUL, MN 55155 612/296/4708  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

## Independent Auditor's Report

Board of Trustees  
and  
Executive Director  
Public Employees Retirement Association

We have audited the accompanying financial statements of the Public Employees Retirement Association for the year ended June 30, 1997, as listed in the table of contents. These financial statements are the responsibility of the association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Employees Retirement Association at June 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Public Employees Retirement Association implemented Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," during the year ended June 30, 1997. As a result, the Association changed its accounting and reporting methods for the pension trust funds as discussed in Note B.7. to the financial statements.

Public Employees Retirement Association also implemented GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions." This statement requires the collateral for loaned securities and their related liabilities to be reported in certain circumstances as discussed in Note B.8. to the financial statements.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Public Employees Retirement Association. Such information has been subjected to the auditing procedures applied in the audit of the individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of the respective individual funds taken as a whole.

In accordance with *Government Auditing Standards*, we will issue a report in January 1998. The report will express our consideration of PERA's internal control structure and its compliance with laws and regulations.

  
James R. Nobles  
Legislative Auditor

  
Claudia Gudvangen, CPA  
Deputy Legislative Auditor

December 8, 1997

# Statement of Plan Net Assets

As of June 30, 1997 (in thousands)

	Defined Benefit Funds			Agency Fund	Total
	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund	Public Employees Defined Contribution Plan	
<b>Assets</b>					
Cash	\$ 2,297	\$ 595	\$ 87		\$ 2,979
<b>Receivables</b>					
Accounts Receivable	7,534	485	8,795		16,814
Due from Other Funds	562	16			578
Other Assets	15				15
<b>Total Receivables</b>	<b>\$ 8,111</b>	<b>\$ 501</b>	<b>\$ 8,795</b>		<b>\$ 17,407</b>
<b>Investments at fair value</b>					
Equity in Minnesota Post Retirement Investment Fund	\$4,466,879	\$ 600,130	\$ 596,790		\$ 5,663,799
External Equity Pool	1,240,546	589,892	166,926		1,997,364
Fixed Income Pool	763,848	363,217	102,763		1,229,828
Global Equity Pool	552,793	262,858	74,377		890,028
Passive Equity Pool	524,368	249,342	70,559		844,269
Venture Capital Pool	164,668	78,301	22,153		265,122
Real Estate Pool	116,978	55,624	15,741		188,343
Resources Pool	32,096	15,262	4,317		51,675
Short-Term Cash Equivalent	27,542	10,815	6,985		45,342
<b>Total Investments</b>	<b>\$7,889,718</b>	<b>\$2,225,441</b>	<b>\$1,060,611</b>		<b>\$11,175,770</b>
<b>Cash and Investments for Deferred Compensation Benefits</b>				\$9,293	\$ 9,293
<b>Securities Lending Collateral</b>	<b>\$ 958,469</b>	<b>\$ 258,783</b>	<b>\$ 124,214</b>		<b>\$ 1,341,466</b>
<b>Fixed Assets, Net of Accumulated Depreciation</b>	<b>\$ 517</b>				<b>\$ 517</b>
<b>Total Assets</b>	<b>\$8,859,112</b>	<b>\$2,485,320</b>	<b>\$1,193,707</b>	<b>\$9,293</b>	<b>\$12,547,432</b>
<b>Liabilities</b>					
Accounts Payable	\$ 2,028	\$ 17,036	\$ 37,834	\$9,248	\$ 66,146
Accrued Compensated Absences	\$ 405				\$ 405
Payable to Other Funds	\$ 16	\$ 390	\$ 127	\$45	\$ 578
Securities Lending Collateral	\$ 958,469	\$ 258,783	\$ 124,214		\$ 1,341,466
<b>Total Liabilities</b>	<b>\$ 960,918</b>	<b>\$ 276,209</b>	<b>\$ 162,175</b>	<b>\$9,293</b>	<b>\$ 1,408,595</b>
<b>Net Assets held in trust for Pension Benefits</b>					
(A schedule of funding progress for each plan is presented on page 28.)	<b>\$7,898,194</b>	<b>\$2,209,111</b>	<b>\$1,031,532</b>		<b>\$11,138,837</b>

# Statement of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 1997 (in thousands)

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund	Total
<b>Additions</b>				
<b>Contributions</b>				
Employer	\$ 136,686	\$ 39,508	\$ 13,509	\$ 189,703
Plan member	128,234	26,354	3,950	158,538
<b>Total Contributions</b>	<b>\$ 264,920</b>	<b>\$ 65,862</b>	<b>\$ 17,459</b>	<b>\$ 348,241</b>
<b>Investment income</b>				
Net appreciation (depreciation) in fair value of investments	\$ 685,804	\$ 200,330	\$ 90,863	\$ 976,997
Interest	59,035	28,380	8,136	95,551
Dividends	243,544	115,473	32,078	391,095
Distributed Income of the Minnesota Post Retirement Investment Fund	402,949	49,852	49,059	501,860
<b>Total investing activity income</b>	<b>\$1,391,332</b>	<b>\$ 394,035</b>	<b>\$ 180,136</b>	<b>\$ 1,965,503</b>
Less investment expense	\$ (4,561)	\$ (2,161)	\$ (604)	\$ (7,326)
<b>Net Income from investing activities</b>	<b>\$1,386,771</b>	<b>\$ 391,874</b>	<b>\$ 179,532</b>	<b>\$ 1,958,177</b>
<i>From securities lending activities:</i>				
Securities lending income	\$ 49,197	\$ 13,135	\$ 6,320	\$ 68,652
Securities lending expenses:				
Borrower rebates	\$ (45,059)	\$ (12,012)	\$ (5,788)	\$ (62,859)
Management fees	(1,314)	(357)	(169)	(1,840)
<b>Total securities lending expenses</b>	<b>\$ (46,373)</b>	<b>\$ (12,369)</b>	<b>\$ (5,957)</b>	<b>\$ (64,699)</b>
<b>Net income from securities lending</b>	<b>\$ 2,824</b>	<b>\$ 766</b>	<b>\$ 363</b>	<b>\$ 3,953</b>
<b>Total Net Investment Income</b>	<b>\$1,389,595</b>	<b>\$ 392,640</b>	<b>\$ 179,895</b>	<b>\$ 1,962,130</b>
<b>Other additions</b>	<b>\$ 1,133</b>	<b>\$ 59</b>	<b>\$ 33,647</b>	<b>\$ 34,839</b>
<b>Total Additions</b>	<b>\$1,655,648</b>	<b>\$ 458,561</b>	<b>\$ 231,001</b>	<b>\$ 2,345,210</b>
<b>Deductions</b>				
Benefits	\$ 342,155	\$ 43,045	\$ 47,322	\$ 432,522
Refunds of contributions	16,267	933	8	17,208
Administrative expenses	5,667	426	159	6,252
Other deductions	1,119	161	138	1,418
<b>Total Deductions</b>	<b>\$ 365,208</b>	<b>\$ 44,565</b>	<b>\$ 47,627</b>	<b>\$ 457,400</b>
<b>Net Increase</b>	<b>\$1,290,440</b>	<b>\$ 413,996</b>	<b>\$ 183,374</b>	<b>\$ 1,887,810</b>
<b>Net assets held in trust for pension benefits</b>				
<b>Beginning of year (as restated)</b>	<b>\$6,607,754</b>	<b>\$1,795,115</b>	<b>\$ 848,158</b>	<b>\$ 9,251,027</b>
<b>End of year</b>	<b>\$7,898,194</b>	<b>\$2,209,111</b>	<b>\$1,031,532</b>	<b>\$11,138,837</b>

The accompanying notes are an integral part of the financial statements.

# Notes to the Financial Statements

For the Fiscal Year Ended June 30, 1997

## A. PLAN DESCRIPTION

**PERA is considered a component unit of the State of Minnesota and is included in the State's Comprehensive Annual Financial Report with its fiduciary funds.**

### 1. Organization

The Public Employees Retirement Association (PERA) is the administrator of two cost-sharing, multiple-employer retirement plans, the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF). In addition, PERA administers one agent multiple-employer retirement plan, the Police and Fire Consolidation Fund (PFCF), and one multiple-employer deferred compensation plan, the Public Employees Defined Contribution Plan (PEDCP). The plans, including benefit provisions and the obligation to make contributions, are established and administered in accordance with Minnesota Statutes, Chapters 353, 353A, 353B, 353D, and 356. It is also these statutes that define financial reporting requirements.

### 2. Participating Employers

PERA serves approximately 2000 separate units of government in the PERF, 500 units of government in the PEPFF, 41 local relief associations in the PFCF, and 1000 units in the PEDCP. These units of government are made up of counties, cities, townships, school districts, and generally other units of government whose revenues are derived from taxation, fees, or assessments. The defined contribution plan serves any local unit of government whose current or former elected officials elect to participate. The PEDCP also serves any publicly operated ambulance service that receives an operating subsidy from a governmental entity, and elects to participate.

### 3. Participating Members

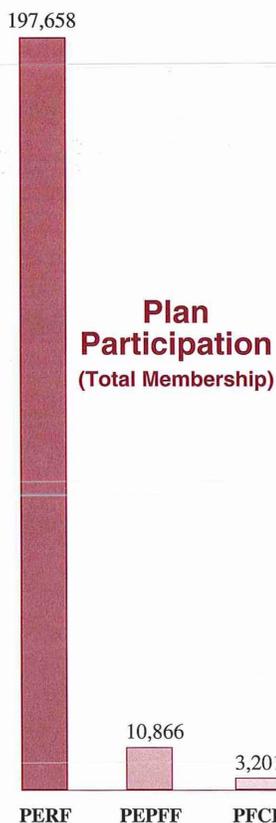
The PERF covers employees of counties, cities, townships and employees of schools in non-certified positions throughout the State of Minnesota. The PEPFF, originally established for police officers and fire-fighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. The PFCF covers police officers and fire-fighters belonging to a local relief association that elects to merge with and transfer assets and

administration to PERA. Coverage under the PEDCP is open to elected local government officials (except elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. Elected officials and ambulance personnel who are covered by a public or private pension plan because of their employment are not eligible to participate in the PEDCP. At June 30, 1997, there were 3,845 members in the plan.

Shown in Figure 1 below are the membership totals in the PERA defined benefit plans as of June 30, 1997.

**Fig. 1 PERA Membership**

	<u>PERF</u>	<u>PEPFF</u>	<u>PFCF</u>	<u>TOTAL</u>
Retirees and beneficiaries receiving benefits	40,814	2,294	2,238	45,346
Terminated employees entitled to benefits/refunds but not yet receiving them:				
Vested	10,817	292	30	11,139
Non-Vested	15,162	201	0	15,363
Current, active employees:				
Vested	94,052	6,458	933	101,443
Non-Vested	36,813	1,621	0	38,434
<b>Total</b>	<b><u>197,658</u></b>	<b><u>10,866</u></b>	<b><u>3,201</u></b>	<b><u>211,725</u></b>



### 4. Benefit Provisions and Contribution Rates - Defined Benefit Plans

a) PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. All benefits vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. PERF members belong to either the Basic or Coordinated Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. Two methods are used to compute benefits for Coordinated and Basic members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2).

**Under Method 1**, the annuity accrual rate for Basic members who retired before July 1, 1997 was 2 percent of average salary for each of the first 10 years of service and 2.5 percent for each remaining year. The annuity accrual rate for Basic members who retire on or after July 1, 1997 is 2.2 percent of average salary for each of

the first 10 years of service and 2.7 percent for each remaining year. For a Coordinated member who retired before July 1, 1997, the annuity accrual rate is 1 percent of average salary for each of the first 10 years of service and 1.5 percent for each remaining year. For Coordinated members who retire on or after July 1, 1997, the annuity accrual rate is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year.

**Under Method 2**, the annuity accrual rate is 2.5 percent of average salary for Basic members and 1.5 percent for Coordinated members who retired before July 1, 1997. The annuity accrual rate is 2.7 percent of average salary for Basic members and 1.7 percent for Coordinated members who retire on or after July 1, 1997.

For PEPFF members, the annuity accrual rate is 2.65 percent of average salary for each year of service. Effective July 1, 1997, the annual accrual rate will be increased to 3.0 percent for each year of service. For PERF members whose annuity is calculated using Method 1, and for all PEPFF members, a full annuity is available when age plus years of service equal at least 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

Members of the PFCF have the option to choose benefits identical to those of the PEPFF; otherwise, they are covered by the benefit provisions of the local relief association of which they were members at the time of consolidation. Members of local relief associations which consolidated with PERA prior to July 1, 1997 who choose benefits identical to the PEPFF will receive higher pension benefits with the 3.0 annual accrual rate, only upon local approval by their municipality. If approval is not granted by the municipality, those units will use a 2.9 percent annual accrual rate (if they approved the 1993 accrual rate increase) or a 2.74 annual accrual rate (if they did not approve the 1993 increase). Members of local relief associations which consolidate with PERA subsequent to June 30,

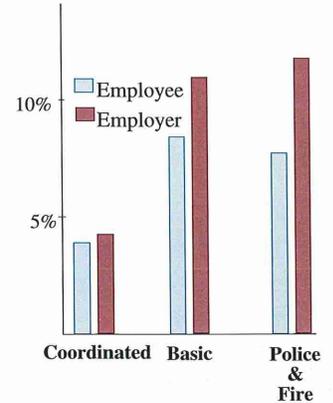
1997 who choose benefits identical to the PEPFF will automatically receive the higher benefits with a 3.0 percent annual accrual rate. Of the 2,238 members receiving benefits in the PFCF, 221 are covered by the benefit provisions of their local relief association.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

b) Pension benefits are funded from member and employer contributions and income from investment of fund assets. Administrative costs are funded from investment income. Current contribution rates for the PERA defined benefit plans are set by Minnesota Statutes, Chapters 353, 353A, 353B, and 356, and are shown in Figure 2 below.

c) New legislation in 1997 increased contribution rates for the PERF. Beginning the first full payroll period after December 31, 1997, Basic members will contribute 8.75 percent of salary and Coordinated members will contribute 4.75 percent of salary. Employers will contribute 11.43 percent of earnings for Basic members and 5.18 percent of earnings for Coordinated members. Periodic adjustments in employer and employee contribution rates for the PEPFF may result due to a unique "automatic stabilizer" created by the 1993 legislature. Beginning July 1, 1994, PERA's executive director will automatically decrease contribution rates to ensure full funding by the year 2020 if the actuarial valuation of the PEPFF shows the fund has no unfunded actuarial accrued liability and contribution sufficiencies exceeding .5 percent of covered payroll exist for four consecutive fiscal years.

### Contribution Rates



**Current contribution rates for the PERA defined benefit plans are set by Minnesota Statutes, Chapters 353, 353A and 353B.**

**Fig. 2 Retirement Plan Contribution Rates**

	Employee	Employer	Additional Employer
Public Employees Retirement Fund:			
Basic Plan	8.23%	8.23%	2.50%
Coordinated Plan	4.23%	4.23%	0.25%
Public Employees Police and Fire Fund	7.60%	11.40%	0.00%
Police and Fire Consolidation Fund	7.60%	11.40%	*

**\* NOTE:**

An additional lump-sum municipal contribution is required and calculated each year in order to eliminate the unfunded liability in each plan by the year 2010, and to amortize any actuarial losses or gains over a 15-year period.

# Notes

(Continued)

**PERA functions as a separate statutory entity. The association maintains rights to sue or be sued in its own name and to hold property in its own name. For financial reporting purposes, however, PERA is considered a component unit of the State of Minnesota.**

## 5. Benefit Provisions and Contribution Rates — Defined Contribution Plan

The Public Employees Defined Contribution Plan (PEDCP) is a multiple-employer deferred compensation plan. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal. (See Notes A.2 and A.3 for employer and employee membership requirements.) The plan is established and administered in accordance with Minnesota Statutes, Chapter 353D.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official or physician who decides to participate contributes 5 percent of salary, which is matched by the employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. Investment options include the Income Share, Growth Share, Common Stock Index, Bond Market, Money Market, International Share, and the Fixed Interest (formerly the Guaranteed Return) accounts. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent (.4%) of the assets in each member's account.

There is no vesting period required to receive benefits in the PEDCP. At the time of retirement or termination, PERA distributes the market value of a member's account to the member or transfers it to another qualified plan or individual retirement arrangement. Upon the member's death, PERA distributes the value of the account to the member's designated beneficiary.

The PEDCP is reported as an agency fund. An agency fund is purely custodial and does not involve the measurement of operational results. Assets, including cash and investments totaling \$9,293,000 are presented at market value at June 30, 1997. Obligations under the plan include deferred compensation benefits of \$9,248,000 and an amount payable to other funds of \$45,000.

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

### 1. Reporting Entity

PERA functions as a separate statutory entity. The association maintains rights to sue or be sued in its own name and to hold property in its own name. For financial reporting purposes, however, PERA is considered a component unit of the State of Minnesota and is included in the State's Comprehensive Annual Financial Report with its fiduciary funds.

The primary government, the State of Minnesota, is financially accountable for PERA. While the board of trustees has significant independence in the operations and management of the association, Minnesota Statutes, Section 353.03, provides that the board include the state auditor, serving on the board by virtue of elected office, and five trustees appointed by the governor. Because these members comprise a voting majority of the board, they may collectively influence agency operations significantly. Decisions establishing PERA administrative and legislative policy and providing financial resources for the association to achieve its organizational goals all require the approval of a voting majority of the PERA board. Further, the governor can impose his will on PERA with the ability to remove appointed members of PERA's board of trustees any time for just cause, after notice and hearing, or after they miss three consecutive meetings.

### 2. Basis of Accounting

PERA financial statements for its defined benefit funds are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which they are earned and become measurable. Expenses are recorded when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The basis of accounting for the PEDCP, an agency fund, is the modified accrual basis.

### 3. Investment Policies

a) Pursuant to Minnesota Statutes, Section 11A.04, the state's retirement fund assets are commingled in various pooled investment accounts, administered by the State Board of Investment. As of June 30, 1997, the participation shares in the pooled accounts at market value, excluding the Minnesota Post Retirement Investment Fund (MPRIF), totaled 21.47 percent for the PERF, 10.20 percent for the PEPFF and 2.93 percent for the PFCF. The funds' shares of net assets of the Minnesota Post Retirement Investment Fund, at market value, totaled 31.10 percent, 4.21 percent and 4.23 percent, respectively.

b) Minnesota Statutes, Section 11A.24, broadly restricts retirement fund investments to obligations and stocks of United States and Canadian governments, their agencies and their registered corporations; short term obligations of specified high quality; restricted participation as a limited partner in venture capital, real estate or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments.

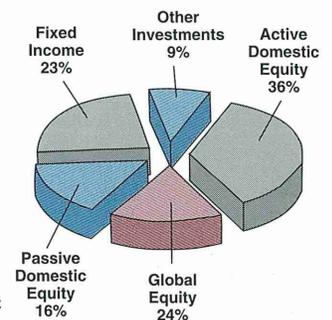
c) Investments are categorized to give an indication of the level of risk that is assumed. Risk category 1 includes investments that are insured or registered, or for which the securities are held by the state or its agent in the state's name. Risk category 2 includes uninsured and unregistered investments for which the securities are held by the broker, dealer, or counterparty's trust or agent in the state's name. Risk category 3 includes uninsured and unregistered investments for which the securities are held by the broker, dealer, or by its trust department or agent, but not in the state's name. PERA does not own any investments that are considered securities for purposes of assessing credit risk. All PERA

investments are in the Minnesota State Board of Investment-administered pools or open-end mutual funds. These investments are not considered securities for purposes of credit risk classification. The investments in any one organization do not represent 5 percent or more of plan net assets for any of the plans PERA administers.

d) Information about the primary government's (State of Minnesota) investments, including credit risk classification, can be obtained from the Minnesota Department of Finance, 400 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155. Information on investment activity and a listing of specific investments owned by the pooled accounts can be obtained from the Minnesota State Board of Investment at Suite 105, MEA Building, 55 Sherburne Avenue, St. Paul, Minnesota 55155.

### Pooled Accounts Investment Allocations

All Funds at Market  
6/30/97



### 4. Method Used to Value Investments

a) Investments in the pooled accounts, including assets of the PEDCP, are reported at fair value. The schedule in Figure 3 provides a summary of the cost and market values of the investments as of 6/30/97 as reported on the Statement of Plan Net Assets. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued using the last reported trade price. The fair value of real estate investments is based on independent yearly appraisals. Investments that do not have an established market are reported at estimated fair value.

b) Investment income is recognized as earned. Accrued investment income of the pooled investment accounts is included in participation in the accounts. Gains and losses on sales or exchanges are recognized on the transaction date.

c) The cost of security transactions is included in the transaction price. Administrative expenses of the State Board of Investment and investment management fees of the external money managers and the state's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts. PERA's share of these expenses totaled \$4,561,000 for PERF, \$2,161,000 for PEPFF, and \$604,000 for PFCF.

**Fig. 3 PERA Investments—All Funds**  
(in Thousands)

	Cost June 30, 1997	Market Value June 30, 1997
<b>Pooled Accounts</b>		
Real Estate	\$ 190,502	\$ 188,343
Resources Pool	39,638	51,675
Venture Capital	245,952	265,122
Active Domestic Equity	1,806,029	1,997,364
Global Equity Pool	799,069	890,028
Passive Domestic Equity	656,417	844,269
Fixed Income	1,220,175	1,229,828
<b>Total Pooled Accounts</b>	<b>\$4,957,782</b>	<b>\$ 5,466,629</b>
<b>Short Term Pooled Cash</b>	<b>45,342</b>	<b>45,342</b>
<b>Post Retirement Investment Account</b>	<b>4,373,463</b>	<b>5,663,799</b>
<b>Cash and Investments for Deferred Comp. Benefits</b>	<b>9,293</b>	<b>9,293</b>
<b>Totals</b>	<b>\$9,385,880</b>	<b>\$11,185,063</b>

# Notes

(Continued)

### 5. Fixed Assets

Fixed assets are capitalized at the time of acquisition at cost. Depreciation is computed on a straight-line method over the useful life of the related assets. The estimated useful lives are three to 10 years for furniture and equipment, and three years for automobiles.

Fixed assets are presented on the June 30, 1997 Statement of Net Assets Available for Benefits at historical costs, net of accumulated depreciation, as summarized below:

Data Processing Equipment	\$ 938,788
Furniture and Fixtures	374,654
Office Equipment	132,850
Automobile	<u>14,533</u>
<b>Total Fixed Assets</b>	<b>\$1,460,825</b>
<b>Less: Accumulated Depreciation</b>	<b><u>(943,022)</u></b>
<b>Net Fixed Assets</b>	<b><u>\$ 517,803</u></b>

### 6. Accrued Compensated Absences

Employees of PERA accrue vacation leave, sick leave and compensatory leave at various rates within limits specified in collective bargaining agreements. Accumulated amounts for compensated absences are accrued when incurred. Such leave is liquidated in cash primarily at the time of termination of employment.

### 7. Effect of Change in Accounting Principle

PERA has adopted the provisions of GASB Statement #25, "Financial Reporting for Defined Benefit Pension Plans & Note Disclosures for Defined Contribution Plans." The provisions of this statement require restatement of prior year balances for the effect of changing from reporting investments at cost to reporting investments at fair value. The effect of the change in accounting principle on the net assets held in trust for pension benefits as of June 30, 1996, is shown in Figure 4.

### 8. Securities Lending

PERA does not own specific securities, but instead owns shares in pooled funds invested by the State Board of Investments (SBI). The SBI is authorized to use securities lending transactions in accordance with Minnesota Statutes, Chapter 356A.06, subd. 7 and has, pursuant to a Custodial Trust Agreement, authorized State Street Bank and Trust Company to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street lent, on behalf of the SBI, certain securities held by State Street as custodian and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100% of the market value of the loaned securities.

The SBI did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf and State Street indemnified the SBI by agreeing to purchase replacement securities, or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and the SBI's loans was affected by the maturities of the loans made by other plan entities that invested cash

**PERA has adopted the provisions of GASB Statement #25, "Financial Reporting for Defined Benefit Pension Plans & Note Disclosures for Defined Contribution Plans."**

**Fig. 4** **Restatement of 6/30/96 Figures**  
(in thousands)

	<b>PERF</b>	<b>PEPFF</b>	<b>PFCF</b>	<b>Total</b>
Fund Balance, at cost:	\$5,702,247	\$1,592,671	\$746,671	\$8,041,589
Increase to market valuation of securities:	<u>905,507</u>	<u>202,444</u>	<u>101,487</u>	<u>1,209,438</u>
<b>Restated Fund Balance at fair value:</b>	<b><u>\$6,607,754</u></b>	<b><u>\$1,795,115</u></b>	<b><u>\$848,158</u></b>	<b><u>\$9,251,027</u></b>

collateral in the collective investment pool, which SBI could not determine. On June 30, 1997 SBI had no credit risk exposure to borrowers. PERA's portion of the collateral held and the market value of securities on loan from the SBI as of June 30, 1997 were \$1,341,466,795 and \$1,293,090,797, respectively. Cash collateral is reported on the Statement of Plan Net Assets as an asset. Liabilities resulting from these securities lending transactions are also reported in the Statement of Plan Net Assets.

## C. CHANGES IN ASSUMPTIONS AND PROVISIONS

### 1. Changes in Actuarial Assumptions and Methods

Since the July 1, 1996 actuarial valuation, there were no changes in actuarial assumptions of the PERF which impacted funding costs. There have, however, been several actuarial assumption changes made to the PEPFF and PFCF. An experience study for the PEPFF during the four-year period ending June 30, 1994 disclosed (a) retirees are living longer, (b) the expected active member death rate is declining, (c) the trend toward early retirement continues, and (d) the pattern of salary increases varies substantially by age, with a strong merit and seniority component evident at the younger ages. Because of these findings, several actuarial assumptions were changed and are effective with the July 1, 1997 actuarial valuation.

The salary increase assumption has been changed from 6.5% to 5% plus a merit increase based on age. The payroll growth assumption has been changed from 6.5% to 6.0%. The retirement age assumption has changed from age 60 to an age-related table using different retirement rates at various ages. The mortality table has also been revised from the 1971 GAM to the 1983 GAM with a 5-year setback for active members. These assumption changes added approximately \$32,387,000 to the actuarial accrued liability for the PEPFF. Unfunded actuarial accrued liabilities are

calculated using the formula shown in Figure 5.

### 2. Changes in Benefit Provisions

Legislation enacted in 1997 improved initial benefits for PERA members without a material effect on the actuarial accrued liability in any of the funds administered by PERA. The annuity accrual rates will increase for members who retire on or after July 1, 1997. (See note A.4.a. for a discussion of the new formula multipliers.) In order to pay for the increased initial benefit, the assumed earnings rate of the MPRIF has been increased from 5% to 6%, and the cap on the inflation-based portion of an annuitant's annual benefit increase has been lowered from 3.5% to 2.5%. Because present retirees will receive lower future benefit increases, their benefits were increased by an offsetting amount on July 1, 1997. Funding costs for the PFCF, however, reflect a permanent increase for local relief associations whose city councils elected to adopt a resolution to raise their annuity accrual rate to 3% effective July 1, 1997.

### D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Minnesota Statutes, Chapters 353, 353A, 353B and 356 set the rates for employer and employee contributions. (See note A.4.b. for statutory rates.) Minnesota Statutes, Chapter 356.215, Subd.4(g), requires the PERF and the PEPFF to be fully funded by the year 2020. Minnesota Statutes, Chapter 353A.09, Subd.5(b)(1), requires full funding for the PFCF by December 31, 2010. As part of the annual actuarial valuation, PERA's actuary determines the sufficiency of the statutory contribution rates toward meeting the required full funding deadline. The actuary compares the actual contribution rate to an actuarially derived "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost

**Legislation enacted in 1997 improved initial benefits for PERA members without a material effect on the actuarial accrued liability in any of the funds administered by PERA.**

**Fig. 5** Unfunded Actuarial Accrued Liability  
(in thousands)

	<u>PERF</u>	<u>PEPFF</u>	<u>PFCF</u>
Assets available for benefits at cost	\$6,552,205	\$1,924,375	\$863,021
Plus 1/3 of unrealized capital gains (losses)	106,205	50,260	13,150
<b>Net Assets at actuarial cost</b>	<b><u>\$6,658,410</u></b>	<b><u>\$1,974,635</u></b>	<b><u>\$876,171</u></b>
Total required reserves	\$8,049,666	\$1,556,483	\$880,211
Less net assets at actuarial cost	6,658,410	1,974,635	876,171
<b>Unfunded accrued liability (surplus assets) actuarial section</b>	<b><u>\$1,391,256</u></b>	<b><u>\$ (418,152)</u></b>	<b><u>\$ 4,040</u></b>

# Notes

(Continued)

**The Minnesota Post Retirement Investment Fund is PERA's only legally required reserve account, and is by definition fully funded.**

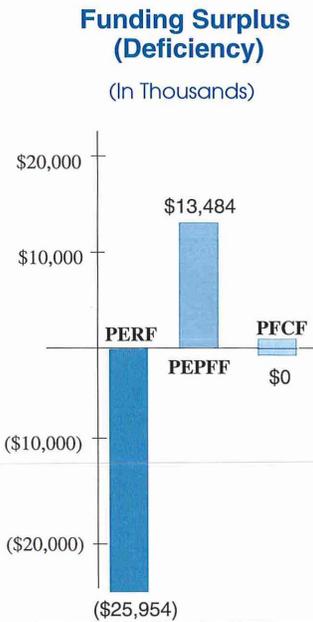
methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the dates required for full funding, and (c) an allowance for administrative expenses.

As shown in Figure 6, there was a funding deficiency on June 30, 1997 of \$25,954,000 in the PERF and a surplus of \$13,484,000 in the PEPFF. In the PFCF, contributions actuarially required are equal to contributions actually made, due to the additional municipal contribution paid each year and included in the dollar value of the employer share of contributions actually made. Significant actuarial assumptions used to compute contribution requirements are listed in the notes to the schedules of trend information on page 30. Six-year historical trend information designed to provide information about PERA's funding progress and employer contributions can be found on pages 28 to 30.

MPRIF where the funds are invested. Increases in annuities are based upon earnings of the MPRIF, as defined in Minnesota Statutes, Chapter 11A.18, Subd. 9.

b) The MPRIF is a legally required reserve account, and is by definition fully funded. Participation in the MPRIF is shown at the actuarially determined required reserves level in accordance with Minnesota Statutes, Chapter 11A.18, Subd. 7. It includes a 6 percent assumed income distribution, in accordance with Minnesota Statutes, Section 11A.18, and any mortality gains or losses as determined by an independent actuary hired by the state legislature. As of June 30, 1997, the Public Employees Retirement Fund's share of net assets of the MPRIF, at cost, is \$3,439,503,000 and at fair value is \$4,466,879,000. The Public Employees Police and Fire Fund's share of net assets of the MPRIF, at cost, is \$466,176,000 and at fair value is \$600,130,000. The Police and Fire Consolidation Fund's share of net assets of the MPRIF, at cost, is \$467,784,000 and at fair value is \$596,790,000.

c) Beginning in fiscal year 1993, the MPRIF income available for distribution is determined using a post-retirement benefit increase formula based on total investment return rather than realized earnings. This formula contains both an inflation adjustment and an investment component. Stated as a percentage of eligible required reserves, annuitants and other individuals receiving benefits at May 31, 1996 are eligible to



## E. RESERVE ACCOUNTS

### 1. Minnesota Post Retirement Investment Fund (MPRIF) Reserves

a) For all retiring members, except those in the Police and Fire Consolidation Fund who have not elected to have their post retirement adjustments determined by the MPRIF formula, the reserves required to pay the cost of the member's annuity are transferred to the

Fig. 6

### Funding Surplus: (In Thousands)

	PERF	% of Current Yr. Covered Payroll	PEPFF	% of Current Yr. Covered Payroll	PFCF	% of Current Yr. Covered Payroll
<b>Contributions actually made:</b>						
Employee share	\$128,234	4.30%	\$26,354	7.60%	\$ 3,950	7.60%
Employer share	136,686	4.58%	39,508	11.40%	13,509	11.40%
<b>Subtotal - Actual</b>	<b>\$264,920</b>	<b>8.88%</b>	<b>\$65,862</b>	<b>19.00%</b>	<b>\$17,459</b>	<b>19.00%</b>
<b>Contributions actuarially required:</b>						
Normal Cost	\$204,358	6.85%	\$68,392	19.73%	\$15,323	16.68%
Supplemental contribution amortization of UAAL by July 1, 2020	80,848	2.71%	(16,465)	-4.75%		
Additional municipal contribution*					1,977	2.15%
Allowance for administrative expenses	5,668	0.19%	451	.13%	159	.17%
<b>Subtotal - Actuarially required</b>	<b>\$290,874</b>	<b>9.75%</b>	<b>\$52,378</b>	<b>15.11%</b>	<b>\$17,459</b>	<b>19.00%</b>
<b>Funding surplus (deficiency)</b>	<b>\$(25,954)</b>	<b>-0.87%</b>	<b>\$13,484</b>	<b>3.89%</b>	<b>\$ 0</b>	<b>.00%</b>

\* NOTE: The additional municipal contribution (AMC) is the amount required to amortize the initial unfunded actuarial accrued liability over a 13-year period until December 31, 2010 and each year's actuarial gains and losses over a 15-year period. The \$1,977 million AMC amount is shown net of any local relief association's funding surplus. The dollar value of PFCF employer contributions actually made

receive the following January 1, 1998 benefit increases:

Inflation Based Benefit Increase	2.10%
Investment Based Benefit Increase	7.98%
<b>Total Benefit Increase</b>	<b><u>10.08%</u></b>

## 2. Member Reserves

Accumulated member contributions, without interest, less the amounts refunded, transferred to the MPRIF for current retirees, or paid for disability and survivor benefits are recorded in the Member Reserve. As of June 30, 1997, total member reserves, at fair value, for PERF, PEPFF, and PFCF were \$1,074,489,000, \$230,492,000, and \$51,500,000 respectively.

## 3. Benefit Reserves

Employer contributions and investment income are recorded in the Benefit Reserve. Administrative expenses, survivor and disability benefits, investment management fees, and interest paid to the MPRIF for late reserve transfers are paid from the Benefit Reserve. As of June 30, 1997, total benefit reserves, at fair value, for PERF, PEPFF, and PFCF were \$2,356,826,000, \$1,378,489,000 and \$383,242,000 respectively.

## F. OTHER NOTES

### 1. Cash

Cash on deposit consists of year-end receipts not processed as of the investment cutoff deadline on June 30. PERA cash funds are held in the state treasury, commingled with other state funds. Minnesota Statutes, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. Such insurance and collateral shall be in amounts sufficient to ensure that deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral. Throughout fiscal year 1997, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all PERA deposits.

### 2. Administrative Expenses

Administrative expenses of the Public Employees Retirement Association are paid from the Public Employees Retirement Fund. At year-end, a portion of the expenses are allocated to the Public Employees Police and Fire Fund and the Police and Fire Consolidation Fund, based on the percentage of transactions processed for each fund during the year. The applicable amounts are reported as expenses of the three funds.

The administrative expenses shown on the Statement of Changes in Plan Net Assets reflect the administrative expenses allocated to the defined benefit funds. The administrative expenses associated with the Public Employees Defined Contribution Plan (PEDCP) are reported on the Statement of Plan Net Assets as an amount payable to the PERF at June 30, 1996. Each fiscal year the PEDCP reimburses the PERF to the extent of fees collected for recovery of administrative costs.

For fiscal year 1997, administrative expenses allocated to PERF, PEPFF, PFCF, and PEDCP totaled \$5,667,000, \$426,000, \$159,000, and \$45,000 respectively.

### 3. Operating Leases

PERA is committed under lease agreements for rental of office and storage space through June 30, 2001. For accounting purposes, these leases are considered operating leases. Lease expenditures for fiscal year 1997 totaled \$354,000. Future minimum rental payments required as of June 30, 1997 are as follows:

Fiscal Year Ended June 30	Amount
1998	\$ 304,695
1999	309,631
2000	309,631
2001	314,765
<b>Total</b>	<b><u>\$1,238,722</u></b>

### 4. Reporting Changes

The Police and Fire Consolidation Fund (PFCF) was created by the 1987 Legislature to authorize on a voluntary basis, any local police or salaried firefighters relief association and the respective municipality to effect the consolidation of the local relief association with PERA. At the end of fiscal year 1997, there are 41 local relief associations in the PFCF. Four additional local relief associations elected to consolidate with PERA in fiscal year 1997—Mankato Police, Richfield Fire, South St. Paul Police, and Virginia Police. Net assets totaling \$33,512,576 were transferred from the four relief associations to PERA on the day of consolidation. These new assets, which were reported as "Other Changes in Reserves" in FY96, were reported as "Other Additions" in the Statement of Changes in Plan Net Assets.

**Administrative expenses of the Public Employees Retirement Association are paid from the Public Employees Retirement Fund. At year-end, a portion of the expenses are allocated to the Public Employees Police and Fire Fund and the Police and Fire Consolidation Fund.**

# Required Supplementary Information

Schedule of Funding Progress  
(last six years, in thousands, unaudited)

## Public Employees Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/92	\$3,978,110	\$5,439,953	\$1,461,843	73.1%	\$2,299,532	63.5%
7/1/93	4,374,459	5,784,318	1,409,859	75.6%	2,403,558	58.6%
7/1/94	4,747,128	6,223,622	1,476,494	76.3%	2,557,522	57.7%
7/1/95	5,138,461	6,622,069	1,483,608	77.6%	2,679,069	55.4%
7/1/96	5,786,398	7,270,073	1,483,675	79.6%	2,814,126	52.7%
7/1/97	6,658,410	8,049,666	1,391,256	82.7%	2,979,260	46.7%

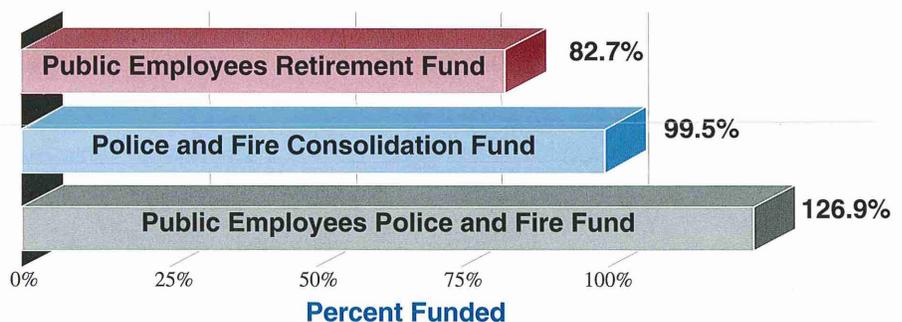
## Public Employees Police and Fire Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/92	\$ 979,981	\$ 888,826	\$ (91,155)	110.3%	\$ 239,158	-38.1%
7/1/93	1,118,342	1,009,226	(109,116)	110.8%	253,666	-43.0%
7/1/94	1,234,961	1,099,221	(135,740)	112.3%	277,566	-48.9%
7/1/95	1,385,901	1,196,795	(189,106)	115.8%	293,919	-64.3%
7/1/96	1,633,010	1,334,202	(298,808)	122.4%	316,189	-94.5%
7/1/97	1,974,635	1,556,483	(418,152)	126.9%	346,319	-120.7%

## Police and Fire Consolidation Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/92	\$ 178,169	\$ 227,080	\$ 48,911	78.5%	\$ 16,699	292.9%
7/1/93	357,160	444,721	87,561	80.3%	32,678	268.0%
7/1/94	636,766	726,611	89,845	87.6%	56,445	159.2%
7/1/95	675,332	744,513	69,181	90.7%	53,278	129.8%
7/1/96	753,862	791,353	37,491	95.3%	52,194	71.8%
7/1/97	876,171	880,211	4,040	99.5%	50,274	8.0%

### Funding Ratios



# Required Supplementary Information

## Schedule of Employer Contributions (last six years, in thousands, unaudited)

### Public Employees Retirement Fund

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contribution [(A) x (B)] - (C)	Actual Employer Contribution	Percentage Contributed
1992	9.44%	\$2,299,532	\$101,655	\$115,421	\$109,203	94.61%
1993	9.95%	2,403,558	106,359	132,795	113,183	85.23%
1994	9.58%	2,557,522	112,940	132,071	119,390	90.40%
1995	9.76%	2,679,069	115,986	145,491	123,984	85.22%
1996	9.61%	2,814,126	121,525	148,913	129,738	87.12%
1997	9.75%	2,979,260	128,234	162,244	136,686	84.25%

### Public Employees Police and Fire Fund

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contribution [(A) x (B)] - (C)	Actual Employer Contribution	Percentage Contributed
1992	17.54%	\$ 239,158	\$ 19,217	\$ 22,731	\$ 28,766	126.55%
1993	18.60%	253,666	20,406	26,776	30,434	113.66%
1994	17.45%	277,566	21,806	26,629	32,536	122.18%
1995	17.28%	293,919	22,356	28,433	33,548	117.99%
1996	16.49%	316,189	24,065	28,075	36,066	128.46%
1997	15.11%	346,319	26,354	25,975	39,508	152.10%

### Police and Fire Consolidation Fund

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contribution [(A) x (B)] - (C)	Actual Employer Contribution	Percentage Contributed
1992	60.21%	\$ 16,699	\$ 1,330	\$ 10,056	\$ 8,726	100%
1993	28.45%	32,678	1,619	9,298	7,679	100%
1994	32.28%	56,445	3,030	18,225	15,195	100%
1995	39.57%	53,278	4,237	21,086	16,849	100%
1996	36.69%	52,194	4,061	19,152	15,091	100%
1997	34.72%	50,274	3,950	17,459	13,509	100%

# Required Supplementary Information

## Notes

(unaudited)

### Notes to Required Supplementary Information

	<b>Public Employees Retirement Fund</b>	<b>Public Employees Police &amp; Fire Fund</b>	<b>Police &amp; Fire Consolidation Fund</b>
<b>Valuation Date</b>	6/30/97	6/30/97	6/30/97
<b>Actuarial Cost Method</b>	Entry Age	Entry Age	Entry Age
<b>Amortization Method</b>	Level Percent Closed	Level Percent Closed	Level Percent Closed
<b>Remaining Amortization Period</b>	23 years	23 years	13 years
<b>Asset Valuation Method</b>	Cost + 1/3 Unrealized Gains or Losses	Cost + 1/3 Unrealized Gains or Losses	Cost + 1/3 Unrealized Gains or Losses
<b>Actuarial Assumptions:</b>			
Investment Rate of Return	8.5%	8.5%	8.5%
Projected Salary Increases	5.0% - 7.7%	5.25% - 11.5%	5.25% - 11.5%
Assumed Inflation Rate	5.0%	5.0%	5.0%
Payroll Growth Rate	6.0%	6.0%	6.0%
Mortality Table - Active	1983 GAM Set Back 5 Years	1983 GAM Set Back 5 Years	1983 GAM Set Back 5 Years
Mortality Table - Retired	1983 GAM Set Forward 1 Year	1983 GAM	1983 GAM
Cost of Living Adjustment	2.5%	2.5%	2.5%

# Statement of Changes

In Plan Net Assets

Public Employees Retirement Fund

For the Fiscal Year Ended June 30, 1997 (in thousands)

	<u>Member</u>	<u>Minnesota Post Retirement Investment Fund</u>	<u>Benefit</u>	<u>Total</u>
<b>Additions</b>				
<b>Contributions</b>				
Employer			\$ 136,686	\$ 136,686
Plan member	\$ 128,234			128,234
<b>Total Contributions</b>	<b>\$ 128,234</b>	<b>\$ 0</b>	<b>\$ 136,686</b>	<b>\$ 264,920</b>
<b>Investment income</b>				
Net appreciation (depreciation) in fair value of investments		\$ 374,318	\$ 311,486	\$ 685,804
Interest			59,035	59,035
Dividends			243,544	243,544
Distributed Income of the Minnesota Post Retirement Investment Fund		402,949		402,949
<b>Total investing activity income</b>	<b>\$ 0</b>	<b>\$ 777,267</b>	<b>\$ 614,065</b>	<b>\$1,378,374</b>
Less investment expense			\$ (4,561)	\$ (4,561)
<b>Net Income from investing activities</b>	<b>\$ 0</b>	<b>\$ 777,267</b>	<b>\$ 609,504</b>	<b>\$1,386,771</b>
<i>From securities lending activities:</i>				
Securities lending income			\$ 49,197	\$ 49,197
Securities lending expenses:				
Borrower rebates			\$ (45,059)	\$ (45,059)
Management fees			(1,314)	(1,314)
<b>Total securities lending expenses</b>			<b>\$ (46,373)</b>	<b>\$ (46,373)</b>
<b>Net income from securities lending</b>			<b>\$ 2,824</b>	<b>\$ 2,824</b>
<b>Total Net Investment Income</b>	<b>\$ 0</b>	<b>\$ 777,267</b>	<b>\$ 612,328</b>	<b>\$1,389,595</b>
<b>Other additions</b>	<b>\$ 0</b>		<b>\$ 1,133</b>	<b>\$ 1,133</b>
<b>Total Additions</b>	<b>\$ 128,234</b>	<b>\$ 777,267</b>	<b>\$ 750,147</b>	<b>\$1,655,648</b>
<b>Deductions</b>				
Benefits	\$ 2,865	\$ 318,828	\$ 20,462	\$ 342,155
Refunds of contributions	12,146		4,121	16,267
Administrative expenses			5,667	5,667
Other deductions	8		1,111	1,119
<b>Total Deductions</b>	<b>\$ 15,019</b>	<b>\$ 318,828</b>	<b>\$ 31,361</b>	<b>\$ 365,208</b>
<b>Other Changes in Reserves</b>				
A nnuities Awarded	\$ (31,276)	\$ 209,763	\$(178,487)	\$ 0
Mortality Gain		(7,117)	7,117	0
Transfers Between Reserves	(361)		361	0
<b>Total Other Changes in Reserves</b>	<b>\$ (31,637)</b>	<b>\$ 202,646</b>	<b>\$(171,009)</b>	<b>\$ 0</b>
<b>Net Increase</b>	<b>\$ 81,578</b>	<b>\$ 661,085</b>	<b>\$ 547,777</b>	<b>\$1,290,440</b>
<b>Net assets held in trust for pension benefits</b>				
<b>Beginning of year (as restated)</b>	<b>\$ 992,911</b>	<b>\$3,805,794</b>	<b>\$1,809,049</b>	<b>\$6,607,754</b>
<b>End of year</b>	<b>\$1,074,489</b>	<b>\$4,466,879</b>	<b>\$2,356,826</b>	<b>\$7,898,194</b>

The accompanying notes are an integral part of the financial statements.

# Statement of Changes

In Plan Net Assets

Public Employees Police & Fire Fund

For the Fiscal Year Ended June 30, 1997 (in thousands)

	<u>Member</u>	<u>Minnesota Post Retirement Investment Fund</u>	<u>Benefit</u>	<u>Total</u>
<b>Additions</b>				
<b>Contributions</b>				
Employer			\$ 39,508	\$ 39,508
Plan member	\$ 26,354			26,354
<b>Total Contributions</b>	<b>\$ 26,354</b>	<b>\$ 0</b>	<b>\$ 39,508</b>	<b>\$ 65,862</b>
<b>Investment income</b>				
Net appreciation (depreciation) in fair value of investments		\$ 52,527	\$ 147,803	\$ 200,330
Interest			28,380	28,380
Dividends			115,473	115,473
Distributed Income of the Minnesota Post Retirement Investment Fund		49,852		49,852
<b>Total investing activity income</b>	<b>\$ 0</b>	<b>\$102,379</b>	<b>\$ 291,656</b>	<b>\$ 394,035</b>
Less investment expense			\$ (2,161)	\$ (2,161)
<b>Net Income from investing activities</b>	<b>\$ 0</b>	<b>\$102,379</b>	<b>\$ 289,495</b>	<b>\$ 391,874</b>
<i>From securities lending activities:</i>				
Securities lending income			\$ 13,135	\$ 13,135
Securities lending expenses:				
Borrower rebates			\$ (12,012)	\$ (12,012)
Management fees			(357)	(357)
<b>Total securities lending expenses</b>			<b>\$ (12,369)</b>	<b>\$ (12,369)</b>
<b>Net income from securities lending</b>			<b>\$ 766</b>	<b>\$ 766</b>
<b>Total Net Investment Income</b>	<b>\$ 0</b>	<b>\$102,379</b>	<b>\$ 290,261</b>	<b>\$ 392,640</b>
<b>Other additions</b>	<b>8</b>		<b>51</b>	<b>59</b>
<b>Total Additions</b>	<b>\$ 26,362</b>	<b>\$102,379</b>	<b>\$ 329,820</b>	<b>\$ 458,561</b>
<b>Deductions</b>				
Benefits	\$ 1,512	\$ 36,130	\$ 5,403	\$ 43,045
Refunds of contributions	651		282	933
Administrative expenses			426	426
Other deductions			161	161
<b>Total Deductions</b>	<b>\$ 2,163</b>	<b>\$ 36,130</b>	<b>\$ 6,272</b>	<b>\$ 44,565</b>
<b>Other Changes in Reserves</b>				
Annuities Awarded	\$ (6,219)	\$ 45,037	\$ (38,818)	\$ 0
Mortality Gain		(390)	390	0
Mortality Assumption Change		16,438	(16,438)	0
Transfers Between Reserves	14		(14)	0
<b>Total Other Changes in Reserves</b>	<b>\$ (6,205)</b>	<b>\$ 61,085</b>	<b>\$ (54,880)</b>	<b>\$ 0</b>
<b>Net Increase</b>	<b>\$ 17,994</b>	<b>\$127,334</b>	<b>\$ 268,668</b>	<b>\$ 413,996</b>
<b>Net assets held in trust for pension benefits</b>				
<b>Beginning of year (as restated)</b>	<b>\$212,498</b>	<b>\$472,796</b>	<b>\$1,109,821</b>	<b>\$1,795,115</b>
<b>End of year</b>	<b>\$230,492</b>	<b>\$600,130</b>	<b>\$1,378,489</b>	<b>\$2,209,111</b>

# Statement of Changes

## In Plan Net Assets Police & Fire Consolidation Fund

For the Fiscal Year Ended June 30, 1997 (in thousands)

	<u>Member</u>	<u>Minnesota Post Retirement Investment Fund</u>	<u>Benefit</u>	<u>Total</u>
<b>Additions</b>				
Contributions				
Employer			\$ 13,509	\$ 13,509
Plan member	\$ 3,950			3,950
<b>Total Contributions</b>	<b>\$ 3,950</b>	<b>\$ 0</b>	<b>\$ 13,509</b>	<b>\$ 17,459</b>
Investment income				
Net appreciation (depreciation) in fair value of investments		\$ 49,092	\$ 41,771	\$ 90,863
Interest			8,136	8,136
Dividends			32,078	32,078
Distributed Income of the Minnesota Post Retirement Investment Fund		49,059		49,059
<b>Total investing activity income</b>	<b>\$ 0</b>	<b>\$ 98,151</b>	<b>\$ 81,985</b>	<b>\$ 180,136</b>
Less investment expense			\$ (604)	\$ (604)
<b>Net Income from investing activities</b>	<b>\$ 0</b>	<b>\$ 98,151</b>	<b>\$ 81,381</b>	<b>\$ 179,532</b>
<i>From securities lending activities:</i>				
Securities lending income			\$ 6,320	\$ 6,320
Securities lending expenses:				
Borrower rebates			\$ (5,788)	\$ (5,788)
Management fees			(169)	(169)
<b>Total securities lending expenses</b>			<b>\$ (5,957)</b>	<b>\$ (5,957)</b>
<b>Net income from securities lending</b>			<b>\$ 363</b>	<b>\$ 363</b>
<b>Total Net Investment Income</b>	<b>\$ 0</b>	<b>\$ 98,151</b>	<b>\$ 81,744</b>	<b>\$ 179,895</b>
<b>Other additions</b>	<b>\$ 503</b>		<b>\$ 33,144</b>	<b>\$ 33,647</b>
<b>Total Additions</b>	<b>\$ 4,453</b>	<b>\$ 98,151</b>	<b>\$128,397</b>	<b>\$ 231,001</b>
<b>Deductions</b>				
Benefits	\$ 629	\$ 38,567	\$ 8,126	\$ 47,322
Refunds of contributions	6		2	8
Administrative expenses			159	159
Other deductions			138	138
<b>Total Deductions</b>	<b>\$ 635</b>	<b>\$ 38,567</b>	<b>\$ 8,425</b>	<b>\$ 47,627</b>
<b>Other Changes in Reserves</b>				
Annuities Awarded	\$(4,629)	\$ 44,427	\$(39,798)	\$ 0
Mortality Loss		17,684	(17,684)	0
Mortality Assumption Change		16,600	(16,600)	0
Transfers Between Reserves	767		(767)	0
<b>Total Other Changes in Reserves</b>	<b>\$(3,862)</b>	<b>\$ 78,711</b>	<b>\$(74,849)</b>	<b>\$ 0</b>
<b>Net Increase</b>	<b>\$ (44)</b>	<b>\$138,295</b>	<b>\$ 45,123</b>	<b>\$ 183,374</b>
<b>Net assets held in trust for pension benefits</b>				
<b>Beginning of year (as restated)</b>	<b>\$ 51,544</b>	<b>\$458,495</b>	<b>\$338,119</b>	<b>\$ 848,158</b>
<b>End of year</b>	<b>\$ 51,500</b>	<b>\$596,790</b>	<b>\$383,242</b>	<b>\$1,031,532</b>

The accompanying notes are an integral part of the financial statements.

# Statement of Changes in Assets and Liabilities

## Public Employees Defined Contribution Plan

For the Fiscal Year Ended June 30, 1997 (in thousands)

	<u>Balance July 1, 1996</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 1997</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 5	\$1,395	\$1,387	\$ 13
Investments	118	82	42	158
Equity in Investment Trust Funds	6,808	2,807	493	9,122
<b>Total Assets</b>	<b><u>\$6,931</u></b>	<b><u>\$4,284</u></b>	<b><u>\$1,922</u></b>	<b><u>\$9,293</u></b>
<b>Liabilities</b>				
Interfund Payables	\$ 36	\$ 45	\$ 36	\$ 45
Deferred Compensation Benefits Held in Trust	6,895	3,197	844	9,248
<b>Total Liabilities</b>	<b><u>\$6,931</u></b>	<b><u>\$3,242</u></b>	<b><u>\$ 880</u></b>	<b><u>\$9,293</u></b>

## Schedule of Commissions and Payments to Consultants

For the Fiscal Year Ended June 30, 1997 (in thousands)

<b>Individual or Firm Name</b>	<b>Nature of Services</b>	<b>Fee Paid</b>
CSC Consulting	System Development	\$741
Gabriel, Roeder, Smith, & Co.	Actuarial	117
Benefacts, Inc.	Management	110
Ciber Inc.	System Development	88
Richards & Tierney	Investment	38
Milliman & Robertson, Inc.	Actuarial	18
Segal Company	Legal	15
Pension Consulting Alliance	Investment	14
Independent Medical Consultants	Medical Services	13
Van Wagner	Medical Services	10
Pension Benefits Inc.	Management	7
MDA Consulting	Management	6
CNK Inc	Management	2
State of Minnesota —		
Administrative Law Judges	Medical Services	72
Legislative Commission on Pensions & Retirement	Actuarial	68
Attorney General	Legal	52
Legislative Auditor	Auditing	47
		<b><u>\$1,418</u></b>

# Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 1997 (in thousands)

## Personal Services:

Staff Salaries	\$3,062	
Fringe Benefits	76	
Part-Time, Seasonal Labor	64	
Other Benefits	51	
<b>Total Personal Services</b>		<b>\$3,253</b>

## Professional Services:

Actuarial	\$ 203	
Audit	47	
Legal	67	
Investment Consultants	52	
Management Consultants	125	
Medical Evaluations	95	
System Development	829	
<b>Total Professional Services</b>		<b>1,418</b>

## Communication:

Printing	\$ 253	
Mail & Telephone Services	418	
<b>Total Communication</b>		<b>671</b>

## Rentals & Maintenance:

Office Space	\$ 354	
Repairs & Maintenance	38	
System Services	32	
<b>Total Rentals &amp; Maintenance</b>		<b>424</b>

## Other:

Operating Costs	\$ 34	
In-State Travel	23	
Out-State Travel	25	
Employee Development	34	
Supplies & Materials	196	
Indirect Costs	93	
Depreciation	126	
<b>Total Other</b>		<b>531</b>
<b>Total Administrative Expense</b>		<b>\$6,297</b>

## Allocation of Administrative Expense:

Public Employees Retirement Fund	\$5,667
Public Employees Police and Fire Fund	426
Police and Fire Consolidation Fund	159
<b>Total Defined Benefit Administrative Expenses</b>	<b>\$6,252</b>
Public Employees Defined Contribution Plan	45
<b>Total Administrative Expenses</b>	<b>\$6,297</b>

# Investment Report

## Basic Funds Investment Practices

The assets of the Public Employees Retirement Association are invested under the direction and authority of the State Board of Investment (SBI) in accordance with Minnesota Statutes, Chapters 11A and 356A.

The SBI is made up of the State Governor, State Auditor, State Treasurer, Secretary of State, and the Attorney General. The Legislature has also established a 17-member Investment Advisory Council to advise the SBI and its staff on investment-related matters. The Executive Director of PERA is a permanent member of this Council. All investments made by the SBI are governed by the prudent person rule.

Pension contributions of PERA members are invested in the Basic Retirement Funds along with pension contributions from active members in seven other statewide retirement funds. PERA does not own any underlying assets, but instead owns a participation in these pooled Basic Funds. SBI's goal is to ensure that sufficient funds are available to finance promised benefits at the time of retirement. Pension assets will normally accumulate in the Basic Funds for thirty to forty years during an employee's years of active service. This provides the Basic Funds with a long investment time horizon and permits SBI to take advantage of the long-run return opportunities offered by equity investments in order to meet its actuarial return target of 8.5 percent per year.

### Investment Performance

For the fiscal year ended June 30, 1997, the assets in the Basic Funds returned 21.8 percent, a full percentage point above the Composite Index. For the five years ended June 30, 1997, the assets returned 14.4 percent on an annualized basis. The current market value of the total Basic Funds is about \$15.9 billion. PERA's share of the funds is approximately \$5.5 billion, or 34.6 percent.

## Post Fund Investment Practices

When a member retires, PERA transfers assets on behalf of the member to the Minnesota Post Retirement Investment Fund (MPRIF). The assets of the Post Fund, which include the eight plans which participate in the Basic Funds as well as the Legislative and Survivors Retirement Fund, finance monthly annuity payments paid to retirees. The investment time horizon of the Post Fund is 15-20 years and corresponds to the length of time a typical retiree can be expected to draw benefits. While this is shorter than the time horizon of the Basic Fund, it is still sufficiently long to allow the SBI to take advantage of the long-run return opportunities offered by equities in order to meet its actuarial return target of 6 percent.

### Investment Performance

For the fiscal year ended June 30, 1997, the assets in the Post Fund returned 20.9 percent, well above the Composite Index of 19.3 percent. (This asset return reflects the fact that SBI invests in slightly more conservative investments in the Post Fund than it does in the Basic Funds.) On June 30, 1997, the Post Fund had a market value of \$14.2 billion. PERA retirees' portion of the fund is approximately \$5.6 billion, or 39.5 percent.

## Combined Funds

The Combined Funds, while they do not exist under statute, represents the assets of both the active and retired public employees who participate in the defined benefit plans administered by PERA, the Minnesota State Retirement System, and the Teachers Retirement Association. They are used by the SBI for comparison purposes only, since most public pension plans do not separate the assets of their active employees and retirees. The long term objectives of the Combined Funds are: (1) provide returns that are 3-5 percentage points greater than inflation over the latest 10-year period; (2) outperform a composite market index weighted in a manner that reflects the actual asset mix of the Combined Funds over the latest 5-year period; and (3) provide returns that are ranked in the top half of a universe of public and corporate plans over the latest 5-year period. As of June 30, 1997, the Combined Funds returned 8.2 percentage points above the CPI over the last 10 years, outperformed the Composite Index by 0.3 percentage points over the past five years, and ranked in the 37th percentile, above the median fund in the Trust Universe Comparison Service.

# Investment Results

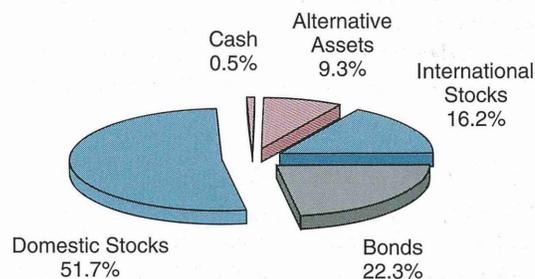
## INVESTMENT RETURNS BY SECTOR

### Performance of Asset Pools (Net of Fees)

	Rates of Return (Annualized)		
	FY 1997	3-Year	5-Year
<b>Domestic Stock Pool</b>	<b>29.7%</b>	<b>26.2%</b>	<b>18.7%</b>
Wilshire 5000	29.3	26.7	19.0
<b>Bond Pool</b>	<b>9.3%</b>	<b>9.0%</b>	<b>7.7%</b>
Lehman Agg.	8.2	8.5	7.1
<b>International Stock Pool</b>	<b>18.2%</b>	<b>12.4%</b>	<b>15.0%</b>
Composite Index	13.2	9.3	13.3
<b>Real Estate Pool</b> (Basic Funds Only)	<b>7.7%</b>	<b>5.9%</b>	<b>2.1%</b>
Real Estate Index	7.8	5.0	1.4
<b>Private Equity Pool</b> (Basic Funds Only)	<b>28.4%</b>	<b>24.2%</b>	<b>16.6%</b>
<b>Resource Pool</b> (Basic Funds Only)	<b>32.0%</b>	<b>19.3%</b>	<b>14.0%</b>

### Basic Funds

#### Actual Asset Mix



### Asset Allocation (at June 30, 1997)\*

Asset allocation will have a dominant effect on returns. SBI has focused considerable attention on the selection of the appropriate long-term asset allocation policy for the Basic and MPRIF funds.

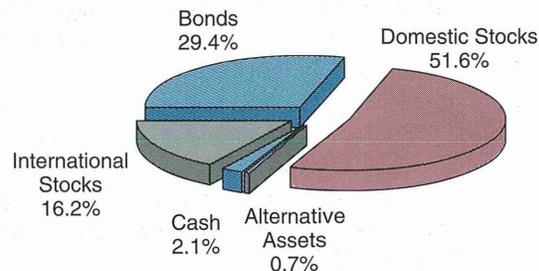
Investment Type	Basic		MPRIF	
	Actual Asset Mix	Long-term Policy Target	Actual Asset Mix	Long-term Policy Target
Domestic Stocks	51.7%	45.0%	51.6%	50.0%
International Stocks	16.2	15.0	16.2	15.0
Bonds	22.3	24.0	29.4	27.0
Alternative Assets**	9.3	15.0	0.7	5.0
Cash	0.5	1.0	2.1	3.0
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

\* Source: Minnesota State Board of Investment (SBI) FY 1997 Annual Report.

\*\* Alternative assets include real estate, venture capital and resource (oil, gas, etc.) funds.

### Post Retirement Investment Fund

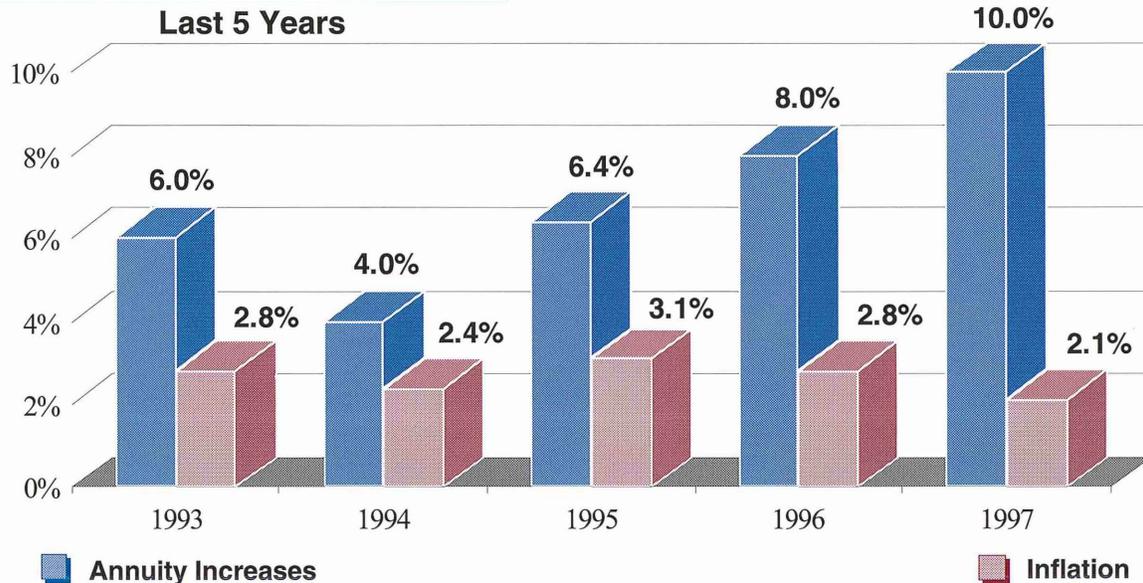
#### Actual Asset Mix



The charts above shows the asset allocation used by the SBI for the Basic Funds and the MPRIF at June 30, 1997.

# Investment Results

## Annuity Increases vs. Inflation



Increases awarded to PERA retirees under the MPRIF have outpaced inflation each of the past five years. Increases and inflation are both measured as of June 30, the end of PERA's fiscal year. Increases are then paid January 1 of the following year.

## Fund Performance

Fund	Rates of Return (Annualized)		
	<u>FY 1997</u>	<u>3-Year</u>	<u>5-Year</u>
<b>Basic Funds</b> (Active Accounts)	<b>21.8%</b>	<b>18.8%</b>	<b>14.4%</b>
Basic Composite Market Index*	20.8	18.5	14.2
<b>MPRIF Fund</b> (Retiree Accounts)	<b>20.9%</b>	<b>18.3%</b>	<b>Not Available</b>
MPRIF Composite Market Index*	19.3	17.6	
<b>Combined Funds</b> (Active/Retiree)**	<b>21.4%</b>	<b>18.5%</b>	<b>14.2%</b>
Combined Composite Market Index*	20.0	18.1	13.9

\* The composite is adjusted to reflect SBI's restriction on liquor and tobacco stocks through 3/31/93, and American Home Product restriction through 10/31/93.

\*\* Percentages are net of all management fees. Amounts include Basic Funds only through 6/30/93, and Basic and MPRIF funds thereafter.

Note: All composite indices are composed of the following market indicators, weighted according to asset allocation: Stocks—Wilshire 5000; Int'l. Stocks—EAFE; Domestic Bonds—Lehman Aggregate; Alternative Assets—Wilshire Real Estate Index, Venture Capital Funds, Resource Funds; Unallocated Cash—91 Day T-Bills.

# List of Largest Assets Held

June 30, 1997

## Composite Holdings of Top Ten Equities (by Market Value)

Company	<u>% of Portfolio</u>
General Electric Co.	0.64%
Coca Cola Co.	0.51
Philip Morris Cos. Inc.	0.49
Exxon Corp.	0.45
Intel Corp.	0.45
Merck & Co. Inc.	0.44
Microsoft Corp.	0.38
KKR Invt Fund III	0.38
KKK Invt Fund IV	0.33
Bristol Myers Squibb Co.	0.31

## Composite Holdings of Top Ten Bond Holdings (By Market Value)

Company	<u>Coupon</u>	<u>Maturity Date</u>	<u>Rating</u>	<u>% of Portfolio</u>
United States Treasury Notes	3.375	1/15/2007	AAA	1.39
United States Treasury Notes	6.500	8/31/2001	AAA	1.24
United States Treasury Bonds	6.525	2/15/2027	AAA	1.18
United States Treasury Notes	7.125	9/30/1999	AAA	1.11
United States Treasury Notes	5.625	11/30/2000	AAA	1.05
GNMA	8.000	1/1/2011	AAA	1.01
United States Treasury Bonds	10.750	8/15/2005	AAA	0.95
FNMA	7.500	1/1/1999	AAA	0.93
FNMA	7.000	1/1/1999	AAA	0.80
United States Treasury Bonds	8.875	8/15/2017	AAA	0.64

PERA's assets are commingled in various pooled investment accounts administered by the State Board of Investment. PERA does not own specific values of the underlying assets. The percentages shown are those of the total pooled accounts. Information on investment activity, a listing of specific investments owned by the pooled accounts and a schedule of fees and commissions can be obtained from the Minnesota State Board of Investment.

# Investment Summary at Cost

For the Fiscal Year Ended June 30, 1997 (in thousands)

## Public Employees Retirement Fund

	Cost June 30, 1996	Total Acquisitions	Total Dispositions	Cost June 30, 1997
<b>Pooled Accounts</b>				
Ext. Active Man	\$ 548,605	\$ 414	\$ 549,019	\$ 0
Real Estate	109,197	20,658	11,656	118,199
Resources Pool	21,050	5,520	1,929	24,641
Semi-Passive Domestic	323,111	285	323,396	0
Venture Capital	130,805	54,865	34,214	151,456
External Domestic Equity	0	1,237,647	116,501	1,121,146
Global Equity Pool	0	505,842	9,649	496,193
Passive Domestic Eq Pool	387,720	22,803	3,303	407,220
Intl Country Active	54,231	12	54,243	0
Intl Passive Eq Pool	162,194	54	162,248	0
Intl Stock Active	98,298	34	98,332	0
Emerging Market Pool	33,539	209	33,748	0
Fixed Income	661,050	789,342	692,566	757,826
<b>Total Pooled Accounts</b>	<b><u>\$2,529,800</u></b>	<b><u>\$2,637,685</u></b>	<b><u>\$2,090,804</u></b>	<b><u>\$3,076,681</u></b>

## Public Employees Police and Fire Fund

	Cost June 30, 1996	Total Acquisitions	Total Dispositions	Cost June 30, 1997
<b>Pooled Accounts</b>				
Ext. Active Man	\$ 258,455	\$ 685	\$ 259,140	\$ 0
Real Estate	51,957	10,020	5,255	56,722
Resources Pool	9,852	2,668	846	11,674
Semi-Passive Domestic	151,533	415	151,948	0
Venture Capital	61,757	26,295	15,882	72,170
External Domestic Eq Pool	0	585,866	52,599	533,267
Global Equity Pool	0	239,043	3,103	235,940
Intl Country Active	25,227	49	25,276	0
Intl Passive Pool	76,221	166	76,387	0
Passive Domestic Eq Pool	182,256	12,004	596	193,664
Intl Stock Active	46,026	97	46,123	0
Emerging Market Pool	15,816	85	15,901	0
Fixed Income	308,792	372,898	321,413	360,277
<b>Total Pooled Accounts</b>	<b><u>\$1,187,892</u></b>	<b><u>\$1,250,291</u></b>	<b><u>\$ 974,469</u></b>	<b><u>\$1,463,714</u></b>

## Police and Fire Consolidation Fund

	Cost June 30, 1996	Total Acquisitions	Total Dispositions	Cost June 30, 1997
<b>Pooled Accounts</b>				
Ext. Active Man	\$ 82,415	\$ 208	\$ 82,623	\$ 0
Real Estate	14,667	3,200	2,286	15,581
Resources Pool	2,871	871	419	3,323
Semi-Passive Domestic	44,328	116	44,444	0
Venture Capital	20,108	9,975	7,757	22,326
External Domestic Eq Pool	0	184,689	33,073	151,616
Global Equity Pool	0	70,541	3,605	66,936
Intl Country Active	7,901	13	7,914	0
Intl Passive Pool	24,226	45	24,271	0
Intl Stock Active	14,032	27	14,059	0
Emerging Market Pool	4,615	24	4,639	0
Passive Domestic Equity	53,562	5,013	3,042	55,533
Other Equity	6	4,635	4,641	0
Fixed Income	91,709	111,598	101,235	102,072
Other Fixed Income	5,384	15,408	20,792	0
<b>Total Pooled Accounts</b>	<b><u>\$ 365,824</u></b>	<b><u>\$ 406,363</u></b>	<b><u>\$ 354,800</u></b>	<b><u>\$ 417,387</u></b>

# Investment Summary at Market Value

For the Fiscal Year Ended June 30, 1997 (in thousands)

## Public Employees Retirement Fund

	<u>Market Value</u> <u>June 30, 1996</u>	<u>Market Value</u> <u>June 30, 1997</u>
<b>Pooled Accounts</b>		
Ext. Active Man	\$ 656,798	\$ 0
Real Estate	106,312	116,978
Resources Pool	22,764	32,096
Semi-Passive Domestic	393,347	0
Venture Capital	150,298	164,668
External Domestic Equity	0	1,240,546
Global Equity Pool	0	552,793
Passive Domestic Eq Pool	397,222	524,368
Intl Country Active	59,835	0
Intl Passive Eq Pool	196,712	0
Intl Stock Active	114,521	0
Emerging Market Pool	33,847	0
Fixed Income	650,593	763,848
<b>Total Pooled Accounts</b>	<b><u>\$2,782,249</u></b>	<b><u>\$3,395,297</u></b>

## Public Employees Police and Fire Fund

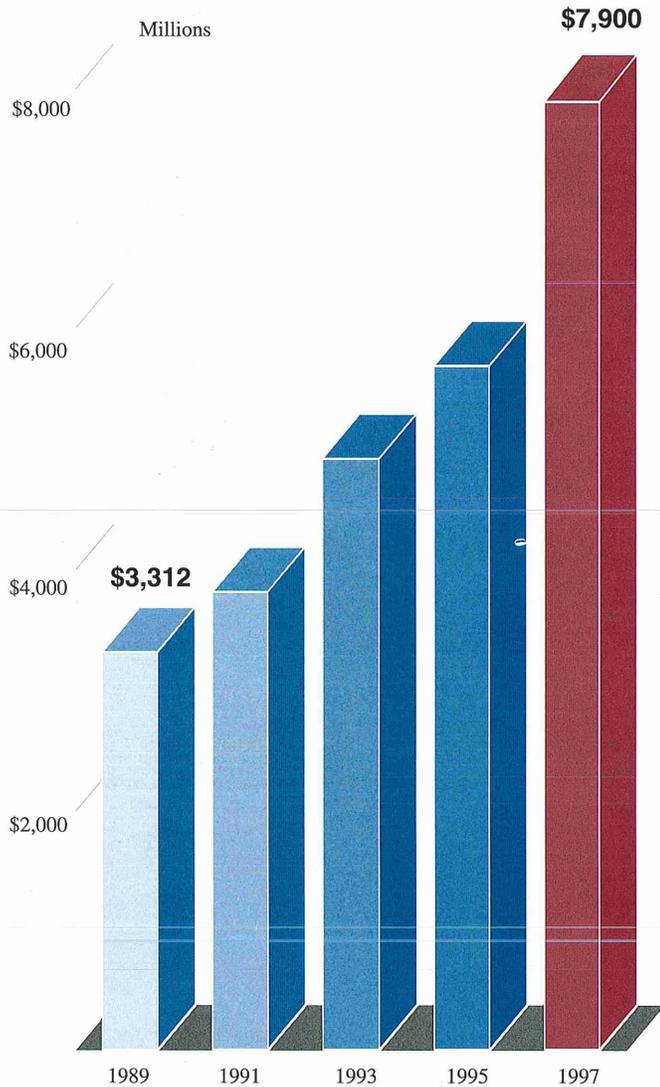
	<u>Market Value</u> <u>June 30, 1996</u>	<u>Market Value</u> <u>June 30, 1997</u>
<b>Pooled Accounts</b>		
Ext. Active Man	\$ 308,965	\$ 0
Real Estate	50,014	55,624
Resources Pool	10,709	15,262
Semi-Passive Domestic	185,048	0
Venture Capital	70,705	78,301
External Domestic Eq Pool	0	589,892
Global Equity Pool	0	262,858
Intl Country Active	28,149	0
Intl Passive Pool	92,542	0
Passive Domestic Eq Pool	186,871	249,342
Intl Stock Active	53,876	0
Emerging Market Pool	15,961	0
Fixed Income	306,068	363,217
<b>Total Pooled Accounts</b>	<b><u>\$1,308,908</u></b>	<b><u>\$1,614,496</u></b>

## Police and Fire Consolidation Fund

	<u>Market Value</u> <u>June 30, 1996</u>	<u>Market Value</u> <u>June 30, 1997</u>
<b>Pooled Accounts</b>		
Ext. Active Man	\$ 90,127	\$ 0
Real Estate	14,657	15,741
Resources Pool	3,138	4,317
Semi-Passive Domestic	53,990	0
Venture Capital	20,721	22,153
External Domestic Eq Pool	0	166,926
Global Equity Pool	0	74,377
Intl Country Active	8,213	0
Intl Passive Pool	27,000	0
Intl Stock Active	15,719	0
Emerging Market Pool	4,658	0
Passive Domestic Equity	54,519	70,559
Other Equity	10	0
Fixed Income	89,303	102,763
Other Fixed Income	5,344	0
<b>Total Pooled Accounts</b>	<b><u>\$ 387,399</u></b>	<b><u>\$ 456,836</u></b>

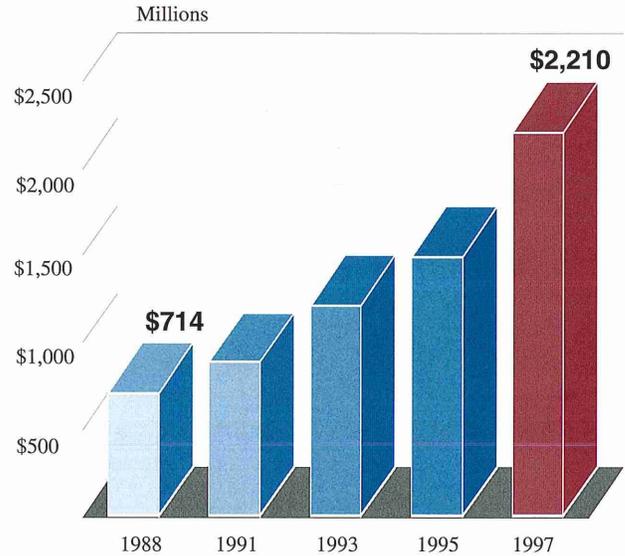
# Market Value of Assets

## Market Value of Assets Public Employees Retirement Fund



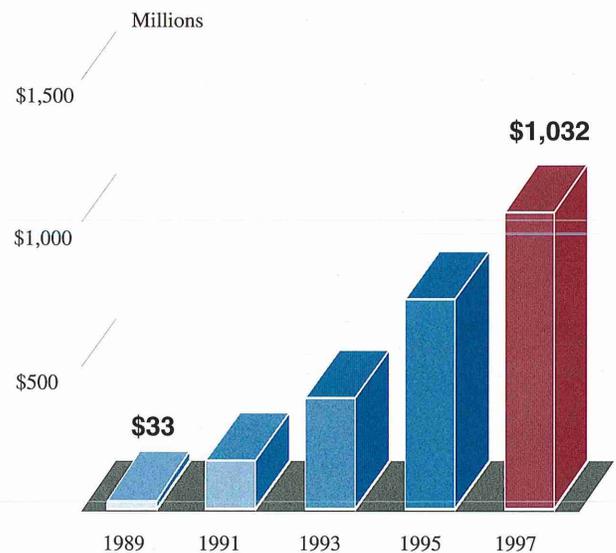
Over the past 8 years, the market value of the Public Employees Retirement Fund has grown from \$3.3 billion in 1989 to \$7.9 billion in 1997.

## Market Value of Assets Police and Fire Fund



Market value of Police and Fire Fund assets increased from \$714 million in 1989 to \$2.2 billion in 1997.

## Market Value of Assets Police and Fire Consolidation Fund



Created in 1988, the Police and Fire Consolidation Fund has seen its assets climb to over \$1 billion in just nine years.

# Certification Letter



## MILLIMAN & ROBERTSON, INC.

Actuaries and Consultants  
Suite 400, 15800 Bluemound Road, Brookfield, Wisconsin 53005-6069

November 27, 1997

Board of Trustees  
Public Employees Retirement  
Association of Minnesota  
514 St. Peter Street  
St. Paul, Minnesota 55102-1090

### Members of the Board:

We have completed our annual actuarial valuation of the Public Employees Retirement Association of Minnesota to test how well the fundamental financing objectives are being achieved and to determine the actuarial status of the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Police and Fire Consolidation Fund (PFCF) as of July 1, 1997.

The fundamental financing objectives of the funds are 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.

The results of the valuation indicate that the PEPFF and the PFCF are either ahead of or on schedule to meet the required dates for full funding. The valuation of the PERF resulted in a deficiency in the current funding level. The deficiency of .34% of payroll was the result of the actuarial computation requirement of 9.80% exceeding the statutory contribution of 9.46%.

The actuarial valuation was based upon applicable GASB 25 and statutory provisions and the Standards for Actuarial Work in effect on July 1, 1997. In the aggregate, the basic financial and membership data provided to us by the association office appears reasonable in comparison to last year, and we have relied upon the data as submitted in performing the actuarial valuation and preparing trend data schedules. It is our understanding that the data has subsequently been audited with no significant changes made.

The three valuations were performed by using the actuarial cost methods and actuarial assumptions that are described in a separate table of this report. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression and active member payroll growth are specified by state statute. All other assumptions are based on actual experience with changes recommended by the actuary, adopted by the PERA Board and approved by the Legislative Commission on Pensions and Retirement.

An experience study as of June 30, 1994, resulted in several assumption changes made in the PEPFF and PFCF during FY97 which impacted funding costs. Mortality tables were re-

vised from the 1971 GAM to the 1983 GAM with a five-year setback for active members. Salary increase assumptions and retirement age assumptions were changed from a fixed level (6.5 percent and 60 years of age) to a scaled table based on longevity and age. The payroll growth assumption was lowered from 6.5 percent to 6 percent. Four new accounts were added to the PFCF during the fiscal year. Those accounts, Mankato Police, Richfield Fire, South St. Paul Police and Virginia Police, decreased the unfunded actuarial accrued liability by \$920,000.

The following table shows the date for full funding for each of the three plans and the funding percentage for the 1997 valuation. The funding percentage expresses current assets as a percentage of the actuarial accrued liability determined on the entry age normal cost method.

<b>Fund</b>	<b>Funding Date</b>	<b>Funded Percentage</b>
PERF	2020	82.72%
PEPFF	2020	126.87%
PFCF	2010	99.54%

We certify that to the best of our knowledge and belief, this actuarial valuation was performed in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work.

Respectfully submitted,

Thomas K. Custis, F.S.A.  
Consulting Actuary

TKC:jm

# Summary of Actuarial Assumptions and Methods

## Public Employees Retirement Fund

<b>Actuarial Cost Method</b>	Entry Age Normal, with costs allocated as a level percentage of payroll. Actuarial gains (losses) reduce (increase) the unfunded actuarial accrued liability.*
<b>Actuarial Assumptions</b>	
1. a. Retirement	Age 64. In addition, assumes 50% of employees retire when age plus service totals 90.†††
b. Mortality	1983 Group Annuity Mortality Table set forward one year for retirees and back five for active members.‡‡‡
c. Mortality-Disabled	1965 Railroad Workers Select Mortality.††
d. Disability	Graded rates. † (Table on following page shows sample values.)
e. Termination	Graded rates. ** (Table on following page shows sample values.)
2. Allowance for Expenses	.17% of payroll.‡‡
3. Asset Valuation	Cost plus 1/3 unrealized gains or losses.†
4. Investment Return	8.5% compounded annually, preretirement.‡‡ 6% compounded annually, post-retirement.‡
5. Earnings Progression	Age related table which incorporates a 5% base inflation assumption. ‡‡‡ (Table on following page shows sample values.)
6. Active Member Payroll Growth	6.0% per year.†

## Public Employees P & F Fund

<b>Actuarial Cost Method</b>	Entry Age Normal, with costs allocated as a level percentage of payroll. Actuarial gains (losses) reduce (increase) the unfunded actuarial accrued liability.*
<b>Actuarial Assumptions</b>	
1. a. Retirement	Age related table from age 50 to 70.‡
b. Mortality	1983 Group Mortality Table set back five years for active members.‡
c. Mortality-Disabled	1965 Railroad Workers Select Mortality.††
d. Disability	Graded rates. † (Table on following page shows sample values.)
e. Termination	Graded rates. ** (Table on following page shows sample values.)
2. Allowance for Expenses	.12% of payroll.‡‡
3. Asset Valuation	Cost plus 1/3 unrealized gains or losses.†
4. Investment Return	8.5% compounded annually, preretirement.‡‡ 6% compounded annually, post-retirement.‡
5. Earnings Progression	Age related table which incorporates a 5% base inflation assumption.‡ (Table on following page shows sample values.)
6. Active Member Payroll Growth	6.0% per year.‡ (Reflects group size and inflation)

## Police and Fire Consolidation Fund

For members selecting benefit provisions of the Public Employees Police and Fire Fund (PEPFF), the actuarial cost method and actuarial assumptions are the same as those indicated above for the PEPFF. For members selecting benefit provisions of the local relief association, the actuarial assumptions used for retirement age and post-retirement increases vary depending upon the provisions of the particular relief association.

### Adoption Dates

*1960	†1984	‡1997
**1990	††1986	‡‡1989
	†††1987	‡‡‡1994

# Actuarial Tables

June 30, 1997

## Schedule of Recommended vs. Actual Contribution Rates (Expressed as a percent of Member Payroll)

	Actual Contribution Rate			Recommended Rate*
	Member	Employer	Total	
Public Employees Retirement Fund	4.3%	4.6%	8.9%	9.75%
Public Employees Police and Fire Fund	7.6	11.4	19.0	15.11
Police and Fire Consolidation Fund	7.6	11.4	19.0	19.00**

\* The recommended rates scheduled above represent the required rates for fiscal year 1997 contributions as reported in the July 1, 1996 actuarial valuation reports.

\*\* Plus an additional dollar amount determined annually to amortize the unfunded actuarial accrued liability by July 1, 2010, and to amortize any actuarial losses or gains over a 15-year period. The fiscal 1997 amortization amount, as reported in the July 1, 1996 actuarial valuation report, is \$1,977,242.

## Sample Annual Rates per 100 Employees

### Public Employees Retirement Fund

Age	Mortality		Disability	Termination		Salary
	Male	Female	All Employees	Male	Female	Increase
20	.03	.01	.09	25.42	29.13	7.7%
25	.04	.02	.10	15.36	19.42	7.6
30	.05	.03	.11	10.18	13.94	7.2
35	.06	.03	.12	7.19	10.53	6.9
40	.09	.05	.15	5.32	8.26	6.4
45	.14	.07	.22	4.08	6.67	6.2
50	.22	.10	.33	3.21	5.50	5.7
55	.39	.16	.58	1.95	4.78	5.7
60	.61	.25	1.18	—	—	5.0
65	.91	.42	—	—	—	5.0

### Public Employee Police and Fire Fund & Police and Fire Consolidation Fund

Age	Mortality		Disability	Termination	Salary
	Male	Female	All Employees	All Employees	Increase
20	.05	.02	.11	8.59	11.5%
25	.06	.03	.13	4.63	9.5
30	.07	.04	.16	2.80	8.0
35	.10	.05	.19	1.83	7.0
40	.15	.08	.26	1.26	6.0
45	.27	.12	.36	.91	5.5
50	.49	.18	.69	.50	5.0
55	.78	.27	1.35	.11	5.0
60	1.21	.46	—	—	5.0
65	1.95	.81	—	—	5.0

# Solvency Test

Last Six Years  
(in thousands)

## Public Employees Retirement Fund

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-92	\$711,803	\$2,354,095	\$2,374,055	\$3,978,110	100%	100%	38.4%
6-30-93	780,125	2,540,063	2,464,130	4,374,459	100	100	42.8
6-30-94	834,418	3,027,086	2,362,118	4,747,128	100	100	37.5
6-30-95	916,109	3,170,343	2,535,617	5,138,461	100	100	41.5
6-30-96	992,911	3,458,961	2,818,201	5,786,398	100	100	47.4
6-30-97	1,074,489	3,795,580	3,179,597	6,658,410	100	100	56.2

## Public Employees Police and Fire Fund

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-92	\$148,562	\$279,421	\$460,843	\$ 979,981	100%	100%	119.8%
6-30-93	164,516	309,982	534,728	1,118,342	100	100	120.4
6-30-94	180,499	364,944	553,778	1,234,959	100	100	124.5
6-30-95	196,185	409,005	591,605	1,385,901	100	100	132.0
6-30-96	212,498	473,265	648,439	1,633,010	100	100	146.1
6-30-97	230,492	567,300	758,691	1,974,635	100	100	155.1

## Police and Fire Consolidation Fund

Valuation Date	Actuarial Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Valuation Assets		
	Active Member Contribution (1)	Current Retirees and Beneficiaries(2)	Active Members (Employer Financed) Portion (3)		1	2	3
6-30-92	\$14,047	\$139,439	\$ 73,594	\$178,169	100%	100%	33.5%
6-30-93	29,020	273,301	142,400	357,161	100	100	38.5
6-30-94	49,176	424,962	252,473	636,766	100	100	64.4
6-30-95	50,258	441,187	245,068	675,331	100	100	71.8
6-30-96	51,545	483,250	256,558	753,862	100	100	85.4
6-30-97	51,500	583,784	244,926	876,171	100	100	98.3

# Schedule of Active Member Valuation Data

Last Six Years

## Public Employees Retirement Fund

<u>Valuation Date</u>	<u>Number</u>	<u>Valuation Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
6-30-92	110,100	\$2,306,000,000	\$20,945	4.4%
6-30-93	114,932	2,421,000,000	21,066	0.6
6-30-94	120,199	2,595,000,000	21,592	2.5
6-30-95	126,612	2,768,000,000	21,858	1.2
6-30-96	129,431	2,901,000,000	22,413	2.5
6-30-97	130,865	3,036,000,000	23,199	3.5

## Public Employees Police and Fire Fund

<u>Valuation Date</u>	<u>Number</u>	<u>Valuation Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
6-30-92	6,521	\$239,692,000	\$36,757	5.5%
6-30-93	6,785	254,281,000	37,477	2.0
6-30-94	7,043	277,269,000	39,368	5.0
6-30-95	7,380	294,861,000	39,954	1.5
6-30-96	7,680	316,332,000	41,189	3.1
6-30-97	8,079	347,187,000	42,974	4.3

## Police and Fire Consolidation Fund

<u>Valuation Date</u>	<u>Number</u>	<u>Valuation Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
6-30-92	402	\$16,699,000	\$41,540	8.0%
6-30-93	732	32,678,000	44,642	7.5
6-30-94	1,117	56,445,000	50,533	13.2
6-30-95	1,061	53,278,000	50,215	(.6)
6-30-96	1,003	52,194,000	52,038	3.6
6-30-97	933	50,274,000	53,884	3.5

# Schedule of Retirees and Beneficiaries

## Public Employees Retirement Fund

<u>Year Ended</u>	<u>Number Added</u>	<u>Number Removed</u>	<u>Year-End Total</u>		<u>% Increase in Annual Allowances</u>	<u>Average Annual Allowances</u>
			<u>Number</u>	<u>Annual Allowances</u>		
6-30-92	2,754	1,121	32,559	\$216,053,000	8.6%	\$6,635
6-30-93	2,653	1,244	33,968	233,782,000	8.2	6,882
6-30-94	3,745	1,337	36,376	269,786,000	15.4	7,417
6-30-95	2,701	1,371	37,706	284,824,000	5.6	7,554
6-30-96	3,090	1,416	39,380	311,243,000	9.3	7,904
6-30-97	2,917	1,483	40,814	367,718,000	18.1	9,010

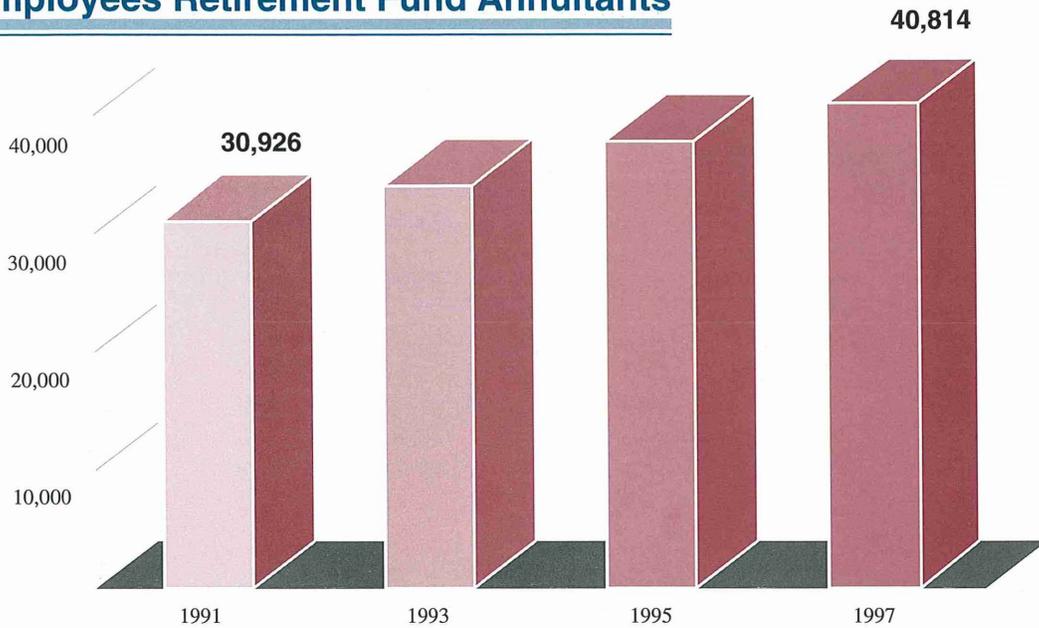
## Public Employees Police and Fire Fund

<u>Year Ended</u>	<u>Number Added</u>	<u>Number Removed</u>	<u>Year-End Total</u>		<u>% Increase in Annual Allowances</u>	<u>Average Annual Allowances</u>
			<u>Number</u>	<u>Annual Allowances</u>		
6-30-92	142	61	1,663	\$23,120,000	11.8%	\$13,902
6-30-93	148	73	1,738	25,549,000	10.5	14,700
6-30-94	191	55	1,874	30,064,000	17.7	16,043
6-30-95	196	63	2,007	33,897,000	12.7	16,889
6-30-96	214	66	2,155	39,365,000	16.1	18,266
6-30-97	206	67	2,294	49,633,000	26.1	21,636

## Police and Fire Consolidation Fund

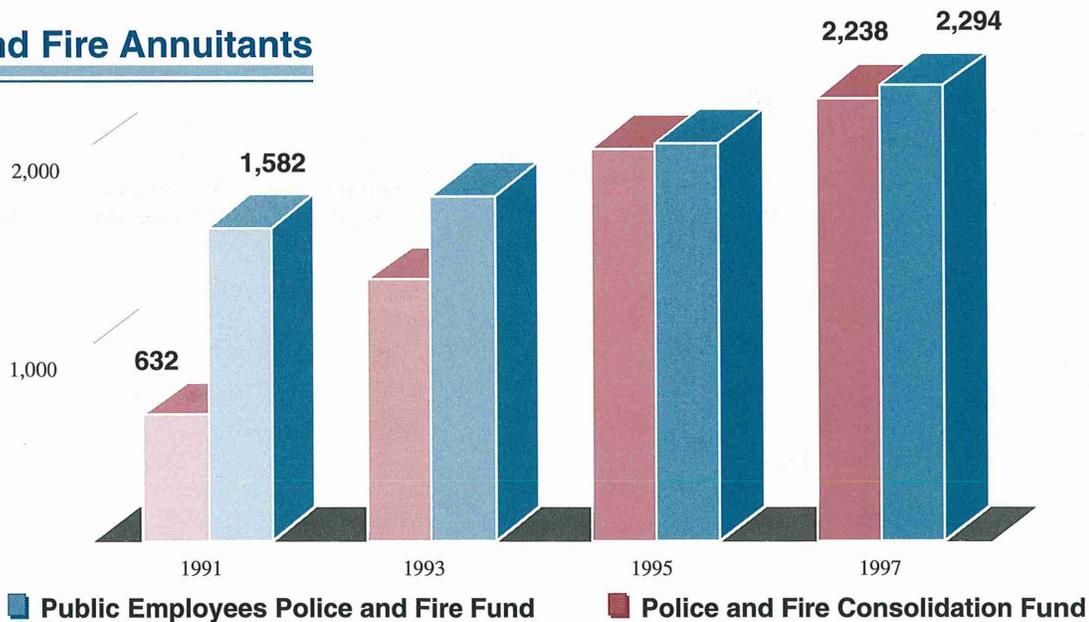
<u>Year Ended</u>	<u>Number Added</u>	<u>Number Removed</u>	<u>Year-End Total</u>		<u>% Increase in Annual Allowances</u>	<u>Average Annual Allowances</u>
			<u>Number</u>	<u>Annual Allowances</u>		
6-30-92	85	34	683	\$10,885,000	15.2%	\$15,937
6-30-93	652	21	1,314	23,521,000	116.1	17,900
6-30-94	703	72	1,945	37,091,000	57.7	19,070
6-30-95	111	74	1,982	39,570,000	6.7	19,965
6-30-96	149	75	2,056	43,879,000	10.9	21,342
6-30-97	273	91	2,238	54,949,000	25.2	24,552

## Public Employees Retirement Fund Annuitants



The number of people receiving retirement annuities from the Public Employees Retirement Fund increased nearly 32 percent during the past six fiscal years, growing from 30,926 in 1991 to 40,814 in 1997. Average annual payments increased 40 percent during the same period.

## Police and Fire Annuitants



The addition of the Police and Fire Consolidation Fund in 1988 and its dramatic growth to date has more than doubled the number of police and fire annuitants receiving benefits over the past six years.

# Schedule of Revenue by Source

(In thousands)

## Public Employees Retirement Fund

Fiscal Year	Member Contribution	Employer Contribution		Net Investment Income**		Other	Total
		Amount	Percent of Covered Payroll	Amount	Percent of Total Revenue		
1992	\$101,655	\$109,203	4.7%	\$ 430,125	67%	\$ 1,347	\$ 642,330
1993	106,358	113,184	4.7%	401,836	64%	2,431	623,809
1994	112,940	119,390	4.6%	474,648	67%	3,567	710,545
1995	115,986	123,983	4.6%	407,723	63%	790	648,482
1996	121,525	129,738	4.5%	708,969	74%	1,202	961,434
1997	128,234	136,686	4.5%	1,389,595	84%	1,133	1,655,648

## Public Employees Police and Fire Fund

Fiscal Year	Member Contribution	Employer Contribution		Net Investment Income**		Other	Total
		Amount	Percent of Covered Payroll	Amount	Percent of Total Revenue		
1992	\$ 19,217	\$ 28,766	12.0%	\$ 115,502	70%	\$ 1,933	\$ 165,418
1993	20,406	30,434	12.0%	102,301	67%	128	153,269
1994	21,806	32,536	11.7%	113,562	68%	271	168,175
1995	22,356	33,548	11.4%	103,733	64%	2,470	162,107
1996	24,065	36,065	11.4%	214,691	78%	159	274,980
1997	26,354	39,508	11.4%	392,640	86%	59	458,561

## Police and Fire Consolidation Fund

Fiscal Year	Member Contribution	Employer Contribution	Net Investment Income**		Other*	Total
			Amount	Percent of Total Revenue		
1992	\$ 1,330	\$ 8,726	\$ 18,396	40%	\$ 17,180	\$ 45,632
1993	1,619	7,679	26,538	14%	160,302	196,138
1994	3,030	15,195	36,865	12%	256,584	311,674
1995	4,237	16,849	47,123	69%	422	68,631
1996	4,061	15,091	89,994	77%	7,931	117,077
1997	3,950	13,509	179,895	78%	33,647	231,001

\* Includes the initial transfer of assets for municipal relief associations who have consolidated with the PFCF during the fiscal year.

\*\* FY97 Net Investment Income includes unrealized gains and losses in accordance with GASB 25.

# Schedule of Expense by Type

Last Six Years  
(in thousands)

## Public Employees Retirement Fund

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1992	\$216,953	\$11,881	\$4,002	\$ 442	\$233,278
1993	236,420	11,779	3,971	599	252,769
1994	264,233	11,336	4,397	897	280,863
1995	290,484	11,929	4,794	763	307,970
1996	312,511	14,683	5,515	835	333,544
1997	342,155	16,267	5,667	1,119	365,208

## Public Employees Police and Fire Fund

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1992	\$ 22,164	\$ 636	\$ 273	\$1,904	\$ 24,977
1993	24,619	1,004	287	68	25,978
1994	28,126	760	312	65	29,263
1995	32,151	592	344	2,610	35,697
1996	37,132	845	400	111	38,488
1997	43,045	933	426	161	44,565

## Police and Fire Consolidation Fund

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1992	\$ 10,157	\$ 33	\$ 37	\$ 197	\$ 10,424
1993	15,004	65	46	1,279	16,394
1994	27,305	255	85	318	27,963
1995	38,669	129	121	55	38,974
1996	41,841	79	133	182	42,235
1997	47,322	8	159	138	47,627

# Benefit Expense by Type

Last Six Years  
(in thousands)

## Public Employees Retirement Fund

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
1992	\$198,849	\$13,120	\$4,984	\$11,881	\$228,834
1993	217,703	13,360	5,357	11,779	248,199
1994	244,913	13,360	5,960	11,336	275,569
1995	270,270	13,508	6,706	11,929	302,413
1996	291,331	13,955	7,225	14,683	327,194
1997	320,236	14,022	7,897	16,267	358,422

## Public Employees Police and Fire Fund

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
1992	\$ 19,038	\$ 1,648	\$1,478	\$ 636	\$ 22,800
1993	21,237	1,866	1,516	1,004	25,623
1994	24,099	2,135	1,892	760	28,886
1995	27,330	2,348	2,473	592	32,743
1996	31,384	2,547	3,201	845	37,977
1997	36,190	2,730	4,125	933	43,978

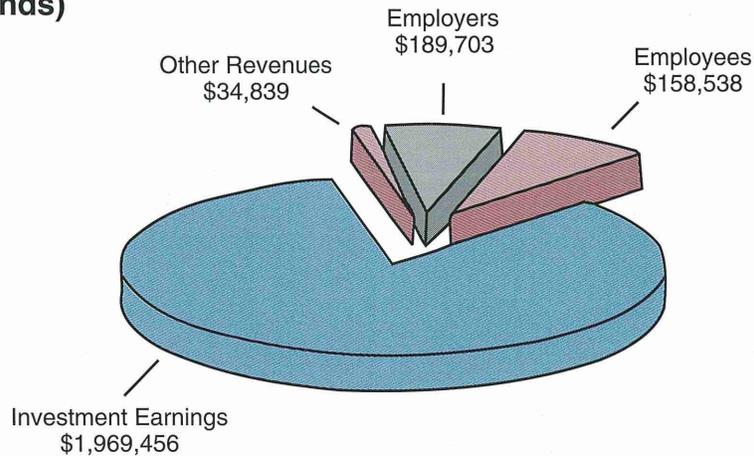
## Police and Fire Consolidation Fund

<u>Fiscal Year</u>	<u>Retirement</u>	<u>Survivor</u>	<u>Disability</u>	<u>Refund</u>	<u>Total</u>
1992	\$ 9,079	\$ 576	\$ 502	\$ 33	\$ 10,190
1993	13,555	743	706	65	15,069
1994	25,044	1,367	894	255	27,560
1995	35,185	2,361	1,123	129	38,798
1996	37,534	2,761	1,546	79	41,920
1997	42,207	3,277	1,838	8	47,330

# Revenues

## Revenue by Source

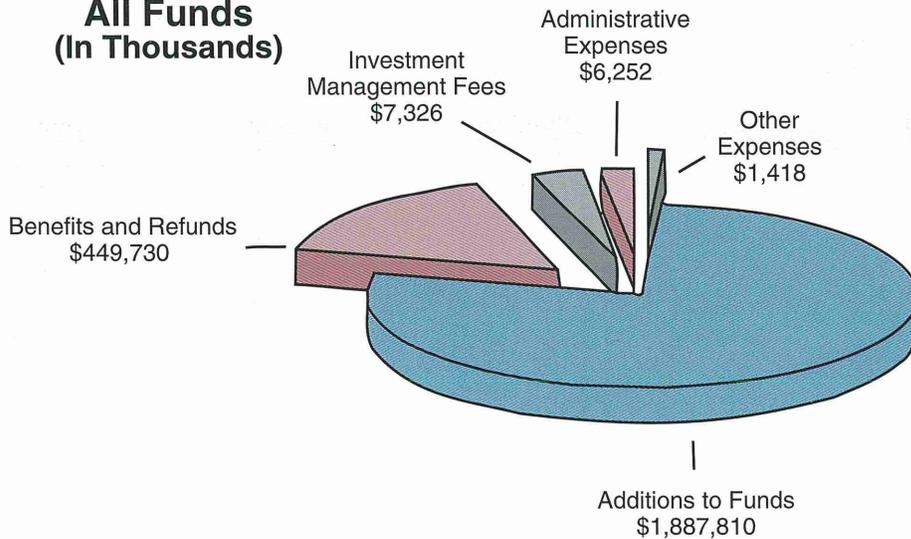
**All Funds  
(In Thousands)**



Investment earnings make up 84 percent of PERA's revenues, while employee and employer contributions total 15 percent of the association's income.

## Revenue Allocation

**All Funds  
(In Thousands)**



Over 80 percent of PERA's revenues were added to the association's funds in fiscal year 1997.

# Schedule of Retired Members

## by Amount and Type of Benefit

### Public Employees Retirement Fund

Amount of Monthly Benefit	Annuitant	Optional Annuitant	Disabilitant	Survivor	Total
\$ 1- 500	18,170	1,860	599	1,273	21,902
501-1,000	7,316	885	321	294	8,816
1,001-1,500	3,080	449	94	241	3,864
1,501-2,000	2,001	223	45	60	2,329
2,001-2,500	1,446	111	29	20	1,606
2,501-3,000	938	57	12	1	1,008
3,001-3,500	540	28	10	3	581
3,501-4,000	309	14	2	0	325
4,001-4,500	172	6	1	0	179
4,501-5,000	84	5	1	0	90
Over 5,000	<u>112</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>114</u>
	34,168	3,639	1,115	1,892	40,814

### Public Employees Police and Fire Fund

Amount of Monthly Benefit	Annuitant	Optional Annuitant	Disabilitant	Survivor	Total
\$ 1- 500	176	43	7	74	300
501-1,000	187	78	23	40	328
1,001-1,500	223	56	41	54	374
1,501-2,000	228	39	54	22	343
2,001-2,500	270	14	52	16	352
2,501-3,000	216	14	22	7	259
3,001-3,500	168	3	12	6	189
3,501-4,000	79	0	1	2	82
4,001-4,500	37	0	2	2	41
4,501-5,000	12	0	1	1	14
Over 5,000	<u>12</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>
	1,608	247	215	224	2,294

### Police and Fire Consolidation Fund

Amount of Monthly Benefit	Annuitant	Optional Annuitant	Disabilitant	Survivor	Total
\$ 1- 500	10	31	1	31	73
501-1,000	20	48	2	36	106
1,001-1,500	40	279	6	198	523
1,501-2,000	225	12	11	3	251
2,001-2,500	607	1	18	3	629
2,501-3,000	468	0	13	1	482
3,001-3,500	64	1	11	0	76
3,501-4,000	54	0	8	2	64
4,001-4,500	21	0	0	0	21
4,501-5,000	10	0	2	0	12
Over 5,000	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	1,520	372	72	274	2,238

# Average Benefit Payments

Last Five Years

## Public Employees Retirement Fund

Retirement Effective Dates July 1, 1992 to June 30, 1997	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
<b>Period 7/1/92 to 6/30/93:</b>							
Average Monthly Benefit	\$100.31	\$190.05	\$329.39	\$480.33	\$673.43	\$1,459.68	\$2,524.06
Number of Current Retirees	161	229	366	388	395	239	217
<b>Period 7/1/93 to 6/30/94:</b>							
Average Monthly Benefit	\$110.03	\$207.20	\$356.10	\$553.24	\$694.27	\$1,436.13	\$2,633.32
Number of Current Retirees	266	317	437	414	545	517	474
<b>Period 7/1/94 to 6/30/95:</b>							
Average Monthly Benefit	\$107.64	\$169.43	\$310.34	\$482.03	\$636.67	\$1,261.39	\$2,481.61
Number of Current Retirees	185	321	378	384	399	202	123
<b>Period 7/1/95 to 6/30/96:</b>							
Average Monthly Benefit	\$94.38	\$173.90	\$297.61	\$466.87	\$628.63	\$1,107.21	\$2,382.61
Number of Current Retirees	226	346	420	466	451	290	181
<b>Period 7/1/96 to 6/30/97:</b>							
Average Monthly Benefit	\$96.96	\$162.71	\$302.58	\$448.20	\$636.05	\$969.87	\$2,221.33
Number of Current Retirees	230	335	411	406	390	287	234
<b>Period 7/1/92 to 6/30/97:</b>							
Average Monthly Benefit	\$102.02	\$179.76	\$319.50	\$485.93	\$655.96	\$1,267.48	\$2,483.48
Number of Current Retirees	1,068	1,548	2,012	2,058	2,180	1,535	1,229

# Average Benefit Payments

## Last Five Years

### Public Employees Police and Fire Fund

Retirement Effective Dates July 1, 1992 to June 30, 1997	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
<b>Period 7/1/92 to 6/30/93:</b>							
Average Monthly Benefit	\$182.20	\$848.22	\$829.22	\$1,546.59	\$2,085.97	\$2,741.31	\$3,068.71
Number of Current Retirees	6	9	6	12	23	25	14
<b>Period 7/1/93 to 6/30/94:</b>							
Average Monthly Benefit	\$224.45	\$593.60	\$1,040.13	\$1,422.51	\$2,366.74	\$3,067.19	\$3,699.46
Number of Current Retirees	16	9	8	10	25	40	14
<b>Period 7/1/94 to 6/30/95:</b>							
Average Monthly Benefit	\$168.07	\$654.84	\$1,392.85	\$1,718.81	\$2,269.03	\$2,874.29	\$3,619.35
Number of Current Retirees	9	11	9	15	27	44	15
<b>Period 7/1/95 to 6/30/96:</b>							
Average Monthly Benefit	\$315.02	\$746.61	\$932.00	\$1,453.47	\$1,946.93	\$2,865.28	\$3,320.42
Number of Current Retirees	14	4	10	8	30	51	19
<b>Period 7/1/96 to 6/30/97:</b>							
Average Monthly Benefit	\$280.08	\$622.09	\$1,083.26	\$1,270.43	\$1,909.60	\$2,541.69	\$3,307.04
Number of Current Retirees	8	4	13	15	22	45	29
<b>Period 7/1/92 to 6/30/97:</b>							
Average Monthly Benefit	\$242.41	\$693.36	\$1,070.31	\$1,487.51	\$2,116.76	\$2,820.46	\$3,385.02
Number of Current Retirees	53	37	46	60	127	205	91

# Average Benefit Payments

Last Five Years

## Police and Fire Consolidation Fund

Retirement Effective Dates July 1, 1992 to June 30, 1997	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
<b>Period 7/1/92 to 6/30/93:</b>							
Average Monthly Benefit	\$1,861.15	\$2,379.87	\$2,285.35	\$2,048.40	\$2,277.77	\$2,486.76	\$2,747.13
Number of Current Retirees	1	1	4	21	88	142	125
<b>Period 7/1/93 to 6/30/94:</b>							
Average Monthly Benefit	\$2,199.56	\$1,486.14	\$1,987.35	\$2,011.28	\$2,242.85	\$2,510.03	\$2,896.27
Number of Current Retirees	4	2	10	37	138	133	112
<b>Period 7/1/94 to 6/30/95:</b>							
Average Monthly Benefit	\$0.00	\$0.00	\$1,553.74	\$1,903.85	\$1,567.66	\$2,747.56	\$3,768.15
Number of Current Retirees	0	0	1	5	11	15	20
<b>Period 7/1/95 to 6/30/96:</b>							
Average Monthly Benefit	\$1,843.93	\$2,677.96	\$1,283.02	\$1,356.16	\$1,968.10	\$2,560.09	\$3,674.78
Number of Current Retirees	1	1	3	3	21	24	26
<b>Period 7/1/96 to 6/30/97:</b>							
Average Monthly Benefit	\$2,044.89	\$1,803.32	\$2,099.37	\$1,747.52	\$1,966.61	\$2,548.42	\$3,304.81
Number of Current Retirees	32	1	7	14	42	50	38
<b>Period 7/1/92 to 6/30/97:</b>							
Average Monthly Benefit	\$2,051.05	\$1,966.68	\$1,964.53	\$1,943.58	\$2,170.43	\$2,519.32	\$3,003.94
Number of Current Retirees	38	5	25	80	300	364	321

# Participating Employers

Employers listed below have employees in PERA's Basic, Coordinated or Police and Fire benefit plans

**CITIES AND TOWNSHIPS**

ADA  
ADAMS  
ADRIAN  
AFTON  
AITKIN  
AKELEY  
ALBANY  
ALBERT LEA  
ALBERT LEA TWP.  
ALBERTVILLE  
ALBION TWP.  
ALDEN  
ALEXANDRIA  
ALPHA C  
ALTON TWP.  
ALTURA  
ALVARADO  
AMBOY  
ANDOVER  
AMHERST TWP.  
ANNANDALE  
ANOKA  
ANTRIM TWP.  
APPLETON  
APPLE VALLEY  
ARBO TWP.  
ARDEN HILLS  
ARENDAHL TWP.  
ARGYLE  
ARLINGTON  
ARTHUR TWP.  
ASHBY  
ASKOV  
ATWATER  
AUDUBON  
AURORA  
AUSTIN  
AVOCA  
AVON  
BABBITT  
BACKUS  
BADGER  
BAGLEY  
BALATON  
BALKAN TWP.  
BANDON TWP.  
BARNESVILLE  
BARNUM  
BARRETT  
BASS BROOK

BATTLE LAKE  
BAUDETTE  
BAXTER  
BAYPORT  
BEARDSLEY  
BEAVER BAY  
BEAVER CREEK TWP.  
BEAVER CREEK  
BECKER  
BELGRADE TWP.  
BELGRADE  
BELLE CREEK TWP.  
BELLE PLAINE  
BELLEVUE TWP.  
BELLINGHAM  
BELVIEW  
BEMIDJI  
BENSON  
BENTON TWP.  
BERTHA  
BIG FALLS  
BIG LAKE  
BIG LAKE TWP.  
BIGELOW  
BIGFORK  
BIRCHWOOD  
BIRD ISLAND  
BISCAY  
BIWABIK  
BIWABIK TWP.  
BLACKDUCK  
BLAINE  
BLOOMING PRARIE  
BLOOMINGTON  
BLUE EARTH  
BOVEY  
BOYD  
BRAHAM  
BRAINERD  
BRANCH  
BRANDON  
BRECKENRIDGE  
BREEZY POINT  
BREITUNG TWP.  
BREWSTER  
BRICELYN  
BRISTOL TWP.  
BROOKLYN CENTER  
BROOKLYN PARK  
BROOTEN  
BROWERVILLE  
BROWNS VALLEY

BROWNSDALE  
BROWNSVILLE  
BROWNTON  
BUFFALO  
BUFFALO LAKE  
BUHL  
BURNS TWP.  
BURNSVILLE  
BUTTERFIELD  
BYRON  
CALEDONIA  
CALLAWAY  
CALUMET  
CAMBRIDGE  
CAMBRIDGE TWP.  
CAMDEN TWP.  
CAMP TWP.  
CAMPBELL  
CANBY  
CANNON FALLS  
CANNON FALLS TWP.  
CANOSIA TWP.  
CANTON TWP.  
CANTON  
CARIMONA TWP.  
CARLOS  
CARLTON  
CARROLTON TWP.  
CARVER  
CASS LAKE  
CENTER CITY  
CENTER TWP.  
CENTERVILLE  
CEYLON  
CHAMPLIN  
CHANHASSEN  
CHASKA  
CHATFIELD  
CHATHAM TWP.  
CHERRY GROVE TWP.  
CHISAGO CITY  
CHISAGO LAKE TWP.  
CHISHOLM  
CHOKIO  
CIRCLE PINES  
CLARA CITY  
CLAREMONT  
CLARISSA  
CLARKFIELD  
CLARKS GROVE  
CLEAR LAKE  
CLEARBROOK  
CLEARWATER TWP.  
CLEARWATER  
CLEMENTS

CLEVELAND  
CLIMAX  
CLINTON TWP.  
CLINTON  
CLONTARF  
CLOQUET  
COKATO TWP.  
COKATO  
COLD SPRING  
COLERAINE  
COLOGNE  
COLUMBIA HEIGHTS  
COLUMBUS TWP.  
COMFREY  
CONCORD TWP.  
CONGER  
COOK  
COON RAPIDS  
CORCORAN  
CORINNA TWP.  
COSMOS  
COTTAGE GROVE  
COTTONWOOD  
CROMWELL  
CROOKED LAKE TWP.  
CROOKSTON  
CROSBY  
CROSSLAKE  
CROW RIVER TWP.  
CRYSTAL  
CRYSTAL BAY TWP.  
CULDRUM TWP.  
CURRIE  
CYRUS  
DAHLGREN TWP.  
DALBO TWP.  
DALTON  
DANUBE  
DANVERS  
DARWIN  
DASSEL  
DAWSON  
DAYTON  
DECORIA TWP.  
DEEPHAVEN  
DEER CREEK  
DEER RIVER  
DEERWOOD  
DE GRAFF  
DELANO  
DELAVAN  
DELLWOOD  
DETROIT LAKES  
DEXTER  
DILWORTH

DODGE CENTER  
DONNELLY  
DOVRAY  
DRESBACH TWP.  
DRYDEN  
DULUTH  
DULUTH TWP.  
DUNDAS  
DUNDEE  
DUNN TWP.  
DUNNELL  
EAGAN  
EAGLE BEND  
EAGLE LAKE  
EAST BETHEL  
EAST GRAND FORKS  
ECHO  
EDEN PRAIRIE  
EDEN VALLEY  
EDGERTON  
EDINA  
EITZEN  
ELBOW LAKE  
ELGIN  
ELIZABETH  
ELIZABETH TWP.  
ELK RIVER  
ELKO  
ELKTON  
ELLENDALE  
ELLSWORTH  
ELM DALE TWP.  
ELMORE  
ELY  
ELYSIAN  
EMBARRASS TWP.  
EMILY  
EMMONS  
EMPIRE TWP.  
ERHARD  
ERSKINE  
EVANSVILLE  
EVELETH  
EXCELSIOR  
EYOTA  
FAIRFAX  
FAIR HAVEN TWP.  
FAIRMONT  
FALCON HEIGHTS  
FALL LAKE TWP.  
FARIBAULT  
FARMINGTON  
FAYAL TWP.  
FERGUS FALLS  
FERTILE  
FIFTY LAKES  
FINLAYSON  
FISH LAKE TWP.  
FLENSBURG  
FLOODWOOD  
FOLEY  
FOREST LAKE TWP.

FOREST LAKE  
FORESTON  
FOSSTON  
FOUNTAIN  
FRANCONIA TWP.  
FRANKFORT TWP.  
FRANKLIN TWP.  
FRANKLIN  
FRAZEE  
FREDENBE  
FRENCH TWP.  
FRENCH LAKE TWP.  
FRIBERG TWP.  
FRIDLEY  
FROST  
FULDA  
GARDEN CITY  
GARFIELD  
GARFIELD TWP.  
GARRISON TWP.  
GARVIN  
GARY  
GAYLORD  
GHENT  
GIBBON  
GILBERT  
GILMAN  
GIRARD TWP.  
GLENCOE  
GLENVILLE  
GLENWOOD  
GLYNDON  
GNESEN TWP.  
GOLDEN VALLEY  
GONVICK  
GOOD THUNDER  
GOODHUE  
GOODRIDGE  
GOODVIEW  
GRACEVILLE  
GRANADA  
GRAND MARAIS  
GRAND MEADOW  
GRAND RAPIDS TWP.  
GRAND RAPIDS  
GRANITE FALLS  
GRANT TWP.  
GREAT SCOTT TWP.  
GREENBUSH  
GREENFIELD  
GREENWAY TWP.  
GREENWOOD TWP.  
GREY EAGLE  
GROVE CITY  
GRYGLA  
HACKENSACK  
HADLEY  
HALLOCK  
HALSTAD  
HAM LAKE  
HAMBURG  
HANCOCK

HANLEY FALLS	KARLSTAD	LIVONIA TWP.	MONTEVIDEO	ORION TWP.	RICE LAKE TWP.
HANOVER	KASOTA	LONG LAKE	MONTGOMERY	ORONO	RICHFIELD
HANSKA	KASSON	LONG LAKE TWP.	MONTICELLO TWP.	ORONOCO	RICHMOND
HARDWICK	KEEWATIN	LONG PRAIRIE	MONTICELLO	ORR	ROBBINSDALE
HARMONY	KELLIHER	LONGVILLE	MONTROSE	ORROCK TWP.	ROCHESTER
HARRIS	KELLOGG	LONSDALE	MOORHEAD	ORTON TWP.	ROCHESTER TWP.
HARRIS TWP.	KENNEDY	LORETTO	MOOSE LAKE	OSAKIS	ROCK CREEK
HARTLAND	KENSINGTON	LUCAN	MORA	OSLO	ROCKFORD TWP.
HASSAN TWP.	KENYON	LUVERNE	MORGAN	OSSEO	ROCKFORD
HASTINGS	KERKHOVEN	LYLE	MORRIS	OTSEGO	ROGERS
HAWLEY	KETTLE RIVER TWP.	LYLE TWP.	MORRISTOWN	OSTRANDER	ROLLING GREEN TWP.
HAYFIELD	KETTLE RIVER	LYND	MORSE TWP.	OWATONNA	ROLLINGSTONE
HAYWARD	KIESTER	MABEL	MORTON	PALISADE	ROOSEVELT TWP.
HECTOR	KIMBALL	MADELIA	MOTLEY	PARK RAPIDS	ROSE CREEK
HELEN TWP.	KINNEY	MADISON	MOUND	PARKERS PRAIRIE	ROSEAU
HENDERSON	KRAIN TWP.	MADISON LAKE	MOUNDS VIEW C	PAYNESVILLE	ROSEMOUNT
HENDRICKS	LA CRESCENT	MAGNOLIA TWP.	MOUNTAIN IRON	PELICAN RAPIDS	ROSEVILLE
HENDRUM	LAFAYETTE TWP.	MAHNOMEN	MOUNTAIN LAKE TWP.	PENN TWP.	ROTHSAY
HENNING	LAFAYETTE	MAHTOMEDI	MOUNTAIN LAKE	PEQUOT LAKES	ROUND LAKE
HERMANTOWN	LA GRANDE TWP.	MANKATO	MURDOCK	PERHAM	ROYALTON TWP.
HERMAN	LAKE BENTON	MANKATO TWP.	NASHWAUK TWP.	PETERSON	ROYALTON
HERON LAKE	LAKE BRONSON	MANTORVILLE TWP.	NASHWAUK	PIERZ	RUSH CITY
HEWITT	LAKE CITY	MANTORVILLE	NESSER TWP.	PILOT MOUND TWP.	RUSHFORD
HIBBING	LAKE CRYSTAL	MAPLE GROVE	NEVIS	PILLAGER	RUSHFORD VILLAGE
HILL CITY	LAKE EDWARD TWP.	MAPLE LAKE TWP.	NEVIS TWP.	PIKE CREEK TWP.	RUSHMORE
HILLS	LAKE ELMO	MAPLE LAKE	NEW AUBURN	PINE CITY TWP.	RUSSELL
HILLTOP	LAKE LILLIAN	MAPLE PLAIN	NEW BRIGHTON	PINE CITY	SACRED HEART
HINCKLEY	LAKE PARK	MAPLETON	NEW HOPE	PINE ISLAND	ST. ANTHONY
HITTERDAL	LAKE SHORE	MAPLEVIEW	NEW LONDON	PINE RIVER TWP.	ST. AUGUSTA TWP.
HOFFMAN	LAKE ST. CROIX BEACH	MAPLEWOOD	NEW MUNICH	PINE RIVER	ST. BONIFACIUS
HOKAH	LAKE VIEW TWP.	MARBLE	NEW PRAGUE	PIPESTONE	ST. CHARLES
HOLDEN TWP.	LAKE WILSON	MARCELL TWP.	NEW RICHLAND	PLAINVIEW TWP.	ST. CLAIR
HOLDING TWP.	LAKEFIELD	MARIETTA	NEW SCANDIA TWP.	PLAINVIEW	ST. CLOUD
HOLDINGFORD	LAKELAND	MARINE ON ST CROIX	NEW ULM	PLATO	ST. CLOUD TWP.
HOLLAND	LAKELAND	MARSHALL	NEW YORK MILLS	PLUMMER	ST. FRANCIS
HOLLOWAY	LAKETOWN TWP.	MARTIN TWP.	NEWBURG TWP.	PLYMOUTH	ST. HILAIRE
HOLLY TWP.	LAKEVILLE	MARYSVILLE TWP.	NEWFOLDEN	POKEGAMA TWP.	ST. JAMES
HOLLYWOOD TWP.	LAKIN TWP.	MAY TWP.	NEWPORT	POWERS TWP.	ST. JOSEPH
HOPKINS	LAMBERTON	MAYER	NICOLLET	PREBLE TWP.	ST. JOSEPH TWP.
HOUSTON	LANCASTER	MAYNARD	NISSWA	PRESTON	ST. LEO
HOWARD LAKE	LANESBORO	MAZEPPA	NORDLAND TWP.	PRINCETON TWP.	ST. LOUIS PARK
HOYT LAKES	LANESBURGH TWP.	MC GREGOR	NORTH BRANCH	PRINCETON	ST. MICHAEL
HUGO	LAPRAIRIE	MCINTOSH	NORTH MANKATO	PRINSBURG	ST. PAUL
HUTCHINSON	LAUDERDALE	MEDFORD	NORTH OAKS	PRIOR LAKE	ST. PAUL PARK
IDEAL TWP.	LE CENTER	MEDINA	NO. ST. PAUL	PROCTOR	ST. PETER
INDEPENDENCE	LEON TWP.	MELROSE	NORTHERN TWP.	QUINCY TWP.	SANBORN
INTERNATIONAL FALLS	LEROY	MENAHGA	NORTHFIELD	RACINE TWP.	SANDSTONE
INVER GROVE HEIGHTS	LE SAUK TWP.	MENDOTA HEIGHTS	NORTHFIELD TWP.	RACINE	SARTELL
IRON RANGE TWP.	LESUEUR	MENTOR	NORTHOME	RAMSEY	SAUK CENTRE
IRONDALE TWP.	LESTER PRAIRIE	MIDDLE RIVER	NORTHROP	RANDALL	SAUK RAPIDS
IRONTON	LEWISTON	MIDDLEVILLE TWP.	NORWAY TWP.	RANDOLPH	SAVAGE
ISANTI	LEWISVILLE	MIDWAY TWP.	NORWOOD	RANIER	SCANDIA VALLEY
ISLE	LEXINGTON	MILACA	OAK GROVE TWP.	RAYMOND	SCANLON
IVANHOE	LIDA TWP.	MILAN	OAK LAWN TWP.	RED LAKE FALLS	SEBEKA
JACKSON	LILYDALE	MILLERVILLE	OAK PARK HEIGHTS	RED WING	SHAFER
JANESVILLE	LINDSTROM	MILROY	OAKDALE	REDWOOD FALLS	SHAKOPEE
JASPER	LINO LAKES	MILTONA	ODESSA	REMER	SHAMROCK TWP.
JEFFERS	LINWOOD TWP.	MINNEAPOLIS	OGEMA	RENVILLE	SHELLY
JENKINS	LISMORE	MINNEOTA	OGILVIE	RICE	SHERBURN
JORDAN	LITCHFIELD	MINNESOTA LAKE	OKABENA		
KANDIYOHI	LITTLE CANADA	MINNETONKA	OKLEE		
	LITTLE FALLS	MINNETONKA BEACH	OLIVIA		
	LITTLEFORK	MINNETRISTA	ONAMIA		

# Statistical Section

SHETEK TWP.	VERMILLION	WOODBURY	MCLEOD	AURORA-HOYT LKS.-BIWABIK #2711	CLARA CITY #126
SHINGOBBE TWP.	VERNDALE	WOODLAND TWP.	MEEKER	AUSTIN #492	CLARKFIELD #892
SHOREVIEW	VERNON CENTER	WORTHINGTON	MILLE LACS	BABBITT #692	CLEARBROOK #161
SIBLEY TWP.	VESTA	WRENSHALL	MORRISON	BADGER #676	CLEVELAND #391
SILVER BAY	VICTOR TWP.	WYANETT TWP.	MOWER	BAGLEY #162	CLIMAX #592
SILVER CREEK TWP.	VICTORIA	WYKOFF	MURRAY	BALATON #411	CLINTON-GRACEVILLE #55
SILVER LAKE	VIRGINIA	WYOMING TWP.	NICOLLET	BARNESVILLE #146	CLOQUET #94
SLAYTON	WABASHA	WYOMING	NOBLES	BARNUM #91	COKATO-DASSEL #466
SLEEPY EYE	WABASSO	YORK TWP.	NORMAN	BARRETT #262	COLD SPRING #750
SOLWAY TWP.	WACONIA	YNG. AMERICA TWP.	OLMSTED	BATTLE LAKE #542	COLERAINE #316
SO. ST. PAUL	WACONIA TWP.	YOUNG AMERICA	OTTERTAIL	BEARDSLEY #57	COLUMBIA HEIGHTS #13
SOUTH BEND TWP.	WADENA	YUCATAN TWP.	PENNINGTON	BECKER #726	COMFREY #81
SOUTH HAVEN	WAHKON	ZIMMERMAN	PINE	BELGRADE #736	COOK COUNTY #166
SPICER	WAITE PARK	ZUMBROTA	PIPESTONE	BELLEVUE #716	COSMOS #461
SPRING GROVE	WALDORF		POLK	BELLINGHAM #371	COTTONWOOD #412
SPRING LAKE PARK	WALKER		POPE	BELVIEW #631	CROMWELL #95
SPRING PARK	WALNUT GROVE		RAMSEY	BEMIDJI #31	CROOKSTON #593
SPRING VALLEY	WALTHAM TWP.		RED LAKE	BENSON #777	CROSBY-IRONTON #182
SPRINGDALE TWP.	WANAMINGO TWP.	<b>COUNTIES</b>	REDWOOD	BERTHA-HEWITT #786	CYRUS #611
SPRINGFIELD	WANAMINGO	AITKIN	RENVILLE	BIG LAKE #727	DAKOTA CO. TECH. COLLEGE #917
STACY	WANDA	ANOKA	RICE	BIRD ISLAND-OLIVIA #2534	DANUBE #648
STANFORD TWP.	WARREN	BECKER	ROCK	BLACKDUCK #32	DEER RIVER #317
STANTON TWP.	WARROAD	BELTRAMI	ROSEAU	BLOOMING PRAIRIE #756	DELANO #879
STAPLES	WARSAW TWP.	BENTON	ST LOUIS	BLOOMINGTON #271	DELAVAN #218
STARBUCK	WASECA	BIG STONE	SCOTT	BLUE EARTH #240	DETROIT LAKES #22
STEPHEN	WATERTOWN TWP.	BLUE EARTH	SHERBURNE	BORUP #522	DILWORTH #147
STEWART	WATERTOWN	BROWN	SIBLEY	BOYD-DAWSON #378	DODGE CENTER-CLAREMONT-W. CONCORD #2125
STEWARTVILLE	WATERVILLE	CARLTON	STEARNS	BRAHAM #314	DULUTH #709
STILLWATER	WATKINS	CARVER 1	STEELE	BRAINERD #181	EAGLE BEND #790
STILLWATER TWP.	WATSON	CASS	STEVENS	BRAINERD-STAPLES REG. TECH. COLLEGE #2190	EAST CHAIN-GRANADA #2536
STOCKHOLM TWP.	WAUBUN	CHIPPEWA	SWIFT	BRANDON #207	EAST GRAND FORKS #595
STOCKTON	WAVERLY	CHISAGO	TODD	BRECKENRIDGE #846	EAST GRAND FORKS NORTHWEST TECH. COLLEGE
STORDEN	WAYZATA	CLAY	TRAVERSE	BREWSTER #513	ECHO #893
SVERDRUP TWP.	WEBSTER TWP.	CLEARWATER	WABASHA	BRICELYN #217	EDEN PRAIRIE #272
SWAN RIVER TWP.	WELCOME	COOK	WADENA	BROOKLYN CNTR. #286	EDEN VALLEY-WATKINS #463
SWANVILLE TWP.	WELLS	COTTONWOOD	WASECA	BROOTEN #737	EDGERTON #581
SWANVILLE	WENDELL	CROW WING	WASHINGTON	BROWERVILLE #787	EDINA #273
SYLVAN TWP.	WEST CONCORD	DAKOTA	WATONWAN	BROWNS VALLEY #801	ELGIN-MILLVILLE #806
TACONITE	WEST ST. PAUL	DODGE	WILKIN	BROWNTON #421	ELK RIVER #728
TAYLORS FALLS	WESTBROOK	DOUGLAS	WRIGHT	BUFFALO #877	ELLENDALE #762
THIEF RIVER FALLS	WESTBROOK TWP.	FARIBAULT	YELLOW MEDICINE	BUFFALO LAKE #647	ELLSWORTH #514
THOMSON TWP.	WHEATON	FILLMORE		BURNSVILLE #191	ELMORE #219
TINTAH	WHITE TWP.	FREEBORN		BUTTERFIELD #836	ELY #696
TONKA BAY	WHITE BEAR TWP.	GOODHUE		BYRON #531	EMMONS #243
TOWER	WHITE BEAR LAKE	GRANT		CALEDONIA #299	ESKO #99
TRACY	WILLIAMS	HENNEPIN	<b>SCHOOL DISTRICTS</b>	CAMBRIDGE-ISANTI #911	EVANSVILLE #208
TRIMONT	WILLERNIE	HOUSTON	ADA #521	CAMPBELL-TINTAH #852	EVELETH #697
TRUMAN	WILLMAR	HUBBARD	ADRIAN #511	CANBY #891	EVELETH-HIBBING RANGE TECH. COLLEGE
TURTLE LAKE TWP.	WILMONT	ISANTI	AITKIN #1	CANNON FALLS #252	EYOTA-DOVER #533
TWIN VALLEY	WINDOM	ITASCA	ALBANY #745	CARLTON #93	FAIRFAX-GIBBON-WINTHROP #2365
TWO HARBORS	WINGER	JACKSON	ALBERT LEA #241	CASS LAKE #115	FAIRMONT #454
TWO RIVERS TWP.	WINNEBAGO	KANABEC	ALDEN-CONGER #242	CENTENNIAL #12	FARIBAULT #656
TYLER	WINONA	KANDIYOHI	ALEXANDRIA #206	CHEYLON #451	FARMINGTON #192
ULEN	WINSTED	KITTSON	ALVARADO #436	CHASKA #112	FERGUS FALLS #544
UNDERWOOD	WINTHROP	KOOCHICHING	AMBOY-GOOD THUNDER #79	CHATFIELD #227	
UPSALA	WINTON	LAC QUI PARLE	ANNANDALE #876	CHISHOLM #695	
VADNAIS HEIGHTS	WOLF LAKE	LAKE	ANOKA-HENNEPIN #11	CHOKIO-ALBERTA #771	
VASA TWP.	WOLVERTON	LAKE OF THE WOODS	ARGYLE #437	CHOSEN VALLEY #227	
VERGAS	WOOD LAKE	LE SUEUR	ARLINGTON-GREEN ISLE #731		
		LINCOLN	ASHBY #261		
		LYON	ATWATER #341		
		MAHNOMEN	AUDUBON #21		
		MARSHALL			
		MARTIN			

FERTILE #599	IVANHOE #403	MAZEPPA- ZUMBROTA #2805	OWATONNA #761	SAUK RAPIDS #47	WABASHA- KELLOGG #811
FINLAYSON #570	JACKSON #324	MC GREGOR #4	PARK RAPIDS #309	SEBEKA #820	WABASSO #640
FISHER #600	JANESVILLE- PEMBERTON-- WALDORF #2835	MEDFORD #763	PARKERS PRAIRIE #547	SHAKOPEE #720	WACONIA #110
FLOODWOOD #698	JASPER #582	MELROSE #740	PAYNESVILLE #741	SHERBURN-TRIMONT- WELCOME #2372	WADENA #819
FOLEY #51	JEFFERS- STORDEN #178	MENAHGA #821	PELICAN RAPIDS #548	SIBLEY COUNTY- RIVER BEND #6049	WADENA TECH. INSTITUTE
FOREST LAKE #831	JORDAN #717	MENTOR #604	PEQUOT LAKES #186	SILVER LAKE #425	WALKER- HACKENSACK- AKELEY #113
FOSTON #601	KARLSTAD- STRANDQUIST #2358	MIDDLE RIVER #440	PERHAM #549	SIOUX VALLEY #328	WALNUT GROVE #641
FRANKLIN #650	KASSON- MANTORVILLE #204	MID--STATE #6979	PIERZ #484	SLAYTON #504	WANAMINGO #258
FRAZEE #23	KELLIHER #36	MILACA #912	PILLAGER #116	SLEEPY EYE #84	WARREN #446
FREEBORN #244	KENNEDY #354	MILROY #635	PINE CITY #578	SOUTHLAND #500	WARROAD #690
FRIDLEY #14	KENSINGTON #209	MINNEAPOLIS #1	PINE CITY TECH. COLLEGE #579	SO. ST. PAUL #6	WASECA #829
FULDA #505	KENYON #254	MINNEOTA #414	PINE ISLAND #255	SO. WASHINGTON COUNTY #833	WATERTOWN- MAYER #111
GARY #523	KERKHOVEN- MURDOCK- SUNBURG #775	MINNESOTA LAKE #223	PINE RIVER- BACKUS #117	SOUTHWESTERN TECH. COLLEGE #900	WATERVILLE- ELYSIAN #395
GAYLORD #732	KIESTER #222	MINNETONKA #276	PIPESTONE #583	SPRING GROVE #297	WAYZATA #284
GILBERT #699	KIMBALL #739	MONTEVIDEO #129	PLAINVIEW #810	SPRING LK. PARK #16	WELLS-EASTON#224
GLENCOE #422	KOCHICHING COUNTY #363	MONTGOMERY- LONSDALE #394	PLUMMER #628	SPRING VALLEY #237	WESTBROOK #175
GLENVILLE #245	LA CRESCENT #300	MONTICELLO #882	PRESTON- FOUNTAIN #233	SPRINGFIELD #85	WEST CENTRAL #263
GLYNDON- FELTON #145	LAKE BENTON #404	MOORHEAD #152	PRINCETON #477	STAPLES #793	WESTONKA #277
GONVICK-TRAIL #158	LAKE CITY #813	MOOSE LAKE #97	PRIOR LAKE #719	STEPHEN #443	WEST ST. PAUL #197
GOODHUE #253	LAKE CRYSTAL #2071	MORA #332	PROCTOR #704	STEWART #426	WHEATON #803
GOODHUE CO. #6051	LAKE PARK #24	MORGAN #636	RANDOLPH #195	STEWARTVILLE #534	WHITE BEAR LAKE #624
GOODRIDGE #561	LAKE SUPERIOR #381	MORRIS #769	RAYMOND #346	STILLWATER #834	WHITE EARTH- OGEMA-WAUBUN #435
GRAND MEADOW #495	LAKE WILSON- CHANDLER #918	MORRISTOWN #657	RED LAKE #38	SWANVILLE #486	WILLMAR #347
GRAND RAPIDS #318	LAKE OF THE WOODS #390	MORTON #652	RED LAKE FALLS #630	TAYLORS FALLS #140	WILLMAR- HUTCHINSON TECH. COLLEGE
GRANITE FALLS #894	LAKEFIELD #325	MOTLEY #483	RED WING #256	THIEF RIVER FALLS #564	WILLOW RIVER #577
GREENBUSH #678	LAKEVILLE #194	MOUNDS VIEW #621	REDWOOD FALLS #637	THIEF RIVER FALLS NORTHWEST TECH. COLLEGE	WINDOM #177
GREENEAGLE #791	LAMBERTON #633	MOUNTAIN IRON- BUHL #712	REMER #118	TOWER-SOUDAN #708	WIN--E--MAC #2609
GREY EAGLE #791	LANCASTER #356	MOUNTAIN LAKE #173	RENVILLE #654	TRACY #417	WINNEBAGO #225
GROVE CITY #464	LANESBORO #229	NASHWAUK- KEEWATIN #319	RICHFIELD #280	TWIN VALLEY #526	WINONA #861
GRYGLA #447	LAPORTE #306	NETT LAKE #707	ROBBINSDALE #281	TYLER #409	WINONA-RED WING TECH. COLLEGE
HALLOCK- HUMBOLDT #2359	LE CENTER #392	NEVIS #308	ROCHESTER #535	ULEN-HITTERDAL #914	WINSTED #427
HALSTAD- HENDRUM #2527	LEROY- OSTRANDER #499	NEW LONDON- SPICER #345	LUVERNE #670	UNDERWOOD #550	WOOD LAKE #896
HANCOCK #768	LE SUEUR- HENDERSON #2397	NEW PRAGUE #721	ROCKFORD #883	UPSALA #487	WORTHINGTON #518
HARMONY #228	LESTER PRAIRIE #424	MN. RIVER VALLEY #993	ROSEAU #682	VALLEY & LAKES EDUCATION #6001	WRENSHALL #100
HASTINGS #200	LEWISTON #857	NEW RICHLAND- HARTLAND #827	ROSEMOUNT #196	VERDI #408	WYKOFF #236
HAWLEY #150	LINSTROM- CHISAGO LAKES #141	NEW ULM #88	ROSEVILLE #623	VERNDALE #818	
HAYFIELD #203	LITCHFIELD #465	NEW YORK MILLS #553	ROTHSAY #850	VIRGINIA #706	
HECTOR #651	LITTLE FALLS #482	MARSHALL CO. CENTRAL #441	ROUND LAKE #516		
HENDRICKS #402	LITTLEFORK- BIG FALLS #362	NICOLLET #507	ROYALTON #485		
HENNEPIN CO. #287	LONG PRAIRIE #792	NORTH BRANCH #138	RUSH CITY #139		
HENNING #545	LYLE #497	NORTH CENTRAL TECH. COLLEGE	RUSHFORD- PETERSON #239		
HERMAN #264	LYND #415	NORTHEAST METRO INTERM #916	RUSSELL #418		
HERMANTOWN #700	MABEL-CANTON #238	NORTHFIELD #659	RUTHTON #584		
HERON LAKE- OKABENA #330	MADISON JOINT POWERS #6011	NO. ST. PAUL- MAPLEWOOD- OAKDALE #622	SACRED HEART #655		
HIAWATHA VALLEY #61-6013	MADDELIA #837	NORWOOD-YOUNG AMERICA #108	ST. ANTHONY #282		
HIBBING #701	MAGNOLIA #669	OGILVIE #333	ST. CHARLES #858		
HILL CITY #2	MAHNOMEN #432	OKLEE #627	ST. CLAIR #75		
HILLS- BEAVER CREEK #671	MAHTOMEDI #832	ONAMIA #480	ST. CLOUD #742		
HINCKLEY #573	MANKATO #77	ORONO #278	ST. FRANCIS #15		
HOFFMAN #265	MAPLE LAKE #881	ORTONVILLE #62	ST. JAMES #840		
HOLDINGFORD #738	MAPLETON #72	OSAKIS #213	ST. LOUIS CO. #710		
HOPKINS #270	MARSHALL #413	OSLO #442	ST. LOUIS PARK #283		
HUSTON #294	MAYNARD #127	OSSEO #279	ST. MICHAEL- ALBERTVILLE #885		
HOWARD LAKE- WAVERLY #880			ST. PAUL #625		
HUTCHINSON #423			ST. PETER #508		
INTERNATIONAL FALLS #361			SANBORN #638		
INVER GROVE HEIGHTS #199			SANDSTONE- ASKOV #2580		
ISLE #473			SARTELL #748		
			SAUK CENTRE #743		

#### MISCELLANEOUS

ADAMS HEALTH CARE CNTR.  
AITKIN COUNTY SWCD  
ALEXANDRIA LAKE AREA SANITARY DIST.  
ANOKA COUNTY SWCD  
ARROWHEAD LIBRARY SYSTEM  
ARROWHEAD REGIONAL DEVEL. COMM.  
ASSN. OF MN. COUNTIES  
BATTLE LAKE MOTOR PAT. ASSN.  
BECKER COUNTY SWCD  
BELTRAMI COUNTY SWCD  
BEMIDJI R.I.C.

BENTON COUNTY SWCD  
 BENTON-STEARNES COUNTY  
 SPECIAL EDUCATION COOP  
 BIG STONE COUNTY SWCD  
 BLUE EARTH COUNTY SWCD  
 BRAHAM-MORA-PINE CITY JOINT POWERS BD.  
 BROWN COUNTY SWCD  
 BOARD OF PUBLIC DEFENDERS  
 BOIS DE SIOUX WATERSHED DIST.  
 BOVEY COLERAINE TREATMENT  
 PLANT COMM.  
 CARVER-SCOTT COOP CTR.  
 CASS COUNTY SWCD  
 CARLTON COUNTY SWCD  
 CARVER COUNTY SWCD  
 CENTRAL MN. EDUCATION RESEARCH  
 DEVELOPEMENT COUNCIL  
 CENTRAL MN ECSU  
 CENTRAL ST CROIX VALLEY CABLE  
 COMMISSION  
 CIRCLE PINES-LEXINGTON JNT. POLICE COMM.  
 CHISAGO COUNTY SWCD  
 CHISHOLM-HIBBING AIRPORT COMM.  
 CLAY COUNTY SWCD  
 CLEARWATER COUNTY NURSING SERVICE  
 CLEARWATER COUNTY SWCD  
 CLEARWATER RIVER WATERSHED DIST.  
 COTTONWOOD COUNTY SWCD  
 CROOKSTON DEVELOPMENT AUTH.  
 CROW WING COUNTY SWCD  
 DAKOTA COUNTY SWCD  
 DELAVIN-EASTON PUBLIC SAFETY  
 DES MOINES VALLEY NURSING SERVICE  
 DOUGLAS COUNTY SWCD  
 DODGE COUNTY SWCD  
 DOVER-EYOTA-ST. CHARLES  
 SANITARY DISTRICT  
 EAST CENTRAL REGIONAL  
 DEVELOPMENT COMM.  
 EAST CENTRAL REGIONAL LIBRARY  
 EAST OTTERTAIL COUNTY SWCD  
 EAST POLK COUNTY SWCD  
 ED. COOP SERV UNIT METRO ECSU ISD #920  
 ED. COOP SERV UNIT 5  
 ESV REGION 5 COMPUTER SERVICE  
 FARIBAULT COUNTY SWCD  
 FERGUS FALLS SPECIAL ED. COOP CENTER  
 FMC HUMAN SERV BD.  
 FREEBORN COUNTY SWCD  
 FRESHWATER EDUCATION DIST.  
 GOODHUE COUNTY SWCD  
 GOVERNMENT TRAINING SERVICE  
 GRANT COUNTY SWCD  
 GREAT RIVER REGIONAL LIBRARY  
 GREENWAY JOINT RECREATION ASSOC.  
 HEADWATER NUTRITION PROJECT  
 HEADWATERS REG. DEV. COMM.  
 HENNEPIN CO. PARKS  
 HUBBARD COUNTY SWCD

HUDSON SANITARY LANDFILL AUTHORITY  
 ISANTI COUNTY SWCD  
 ITASCA COUNTY SWCD  
 JOINT POWERS BOARD #6046--62  
 KANABEC COUNTY SWCD  
 KANDIYOHI COUNTY SWCD  
 KITCHIGAMI REGIONAL LIBRARY  
 KITTSOON COUNTY SWCD  
 KITTSOON-MARSHALL RURAL WATER SYSTEM  
 KOOCHICHING COUNTY SWCD  
 LAC QUI PARLE COUNTY SWCD  
 LAC QUI PARLE-YELLOW MEDICINE SWCD  
 LK. AGASSIZ SPEC. EDUC. COOP  
 LK. AGASSIZ REGIONAL LIBRARY  
 LAKE COUNTY SWCD  
 LAKE MINNETONKA CABLE  
 COMMUNICATIONS COMM.  
 LAKE MINNETONKA CONS. DIST.  
 LAKES COMMUNITY RECREATION  
 LEAF RIVER ED. DIST. #61--6961  
 LEAGUE OF MINN. CITIES  
 LINCOLN COUNTY SWCD  
 LOCAL GOV. INFO. SYSTEMS  
 LONG LAKE CONS. CNTR.  
 LYON COUNTY SWCD  
 MAHNOMEN COUNTY SWCD  
 MARSHALL-BELTRAMI CO. SWCD  
 MARSHALL COUNTY SWCD  
 MARSHALL-POLK RURAL WATER SYSTEM  
 MARTIN COUNTY SWCD  
 MARTIN-FARIBAULT CO. PRAIRIE LAND  
 SOLID WASTE BD.  
 MCLEOD COUNTY SWCD  
 MEEKER COUNTY SWCD  
 MEEKER-WRIGHT COUNTY SPECIAL ED. COOP  
 METROPOLITAN AIRPORTS COMM.  
 METROPOLITAN COUNCIL  
 METRO INTER CO. ASSN.  
 METRO LIBRARY SERVICE AGENCY  
 METRO MOSQUITO CONTROL DIST.  
 METRONET  
 METRO SPORTS FAC. COMM.  
 METRO TRANSIT COMMISSION  
 METRO WASTE CONTROL COMM.  
 METRO II  
 MIDDLE RIVER/SNAKE RIVER  
 WATERSHED DISTRICT  
 MID-MINNESOTA DEVELOPMRNT COMM.  
 MIDWEST SPEC. ED. COOP #398  
 MILLE LACS COUNTY SWCD  
 MN. ASSOC. OF URBAN COUNTIES  
 MN. MUNICIPAL UTILITIES ASSOC.  
 MN. SCHOOL DIST. DATA PROCESSING  
 JOINT BD.  
 MN. RIVERLAND TECH. COL.  
 MN. STATE SHERIFFS ASSOC.  
 MN. TEAMSTER PUBLIC & LAW LOCAL 320  
 MN. VALLEY COOP CENTER  
 MN. VALLEY ED. DIST.  
 MN. VALLEY REGIONAL LIBRARY  
 MN. VALLEY TRANSIT AUTHORITY  
 MOOSE LAKE--WINDEMERE  
 MORRISON COUNTY SWCD

MOTOR PATROL  
 MOWER COUNTY SWCD  
 MULTI COUNTY NURSING SE  
 NEW RICHLAND CARE CNTR.  
 NICOLLET COUNTY SWCD  
 NOBLES COUNTY SWCD  
 NORMAN COUNTY SWCD  
 NORTH CENTRAL SUBURBAN CABLE COMM.  
 NORTH COUNTRY LIBRARY COOP  
 N COUNTRY VOC. COOP CNTR. BEMIDJI  
 TECHNICAL COLLEGE  
 NE ED. COOP SERV UNIT  
 NORTHEAST ED. DIST. #6033  
 NORTHEAST MN. OFFICE OF JOB TRAINING  
 NORTHERN LIGHTS LIBRARY NETWORK  
 NORTH KITTSOON COUNTY  
 RURAL WATER SYSTEM  
 NORTH ST. LOUIS COUNTY SWCD  
 NORTHWEST ECSU  
 NW HENNEPIN HUMAN SERVICES  
 NW MIGRANT REGION  
 NW REGIONAL DEVEL. COMM.  
 NW REGIONAL INTERDISTRICT COUNCIL  
 NW SUB. CABLE COMM.  
 OLMSTED COUNTY SWCD  
 OTTERTAIL LAKES AREA SEWER DIST.  
 PENNINGTON COUNTY SWCD  
 PENNINGTON-RED LAKE COUNTY INTER  
 COUNTY NURSING SERVICE  
 PELICAN RIVER WATERSHED DIST.  
 PINE COUNTY SWCD  
 PINE POINT EXP. SCHOOL  
 PINE RIVER SANITARY DISTRICT  
 PINE TO PRAIRIE COOPERATIVE CENTER  
 PIONEERLAND LIBRARY SYSTEM  
 PIPESTONE COUNTY SWCD  
 PLAINVIEW-ELGIN WASTEWATER DIST.  
 PLUM CREEK LIBRARY SYSTEM  
 POPE COUNTY SWCD  
 PRIOR LAKE-SPRING LAKE WATERSHED DIST.  
 PUBLIC EMPLOYEES RETIREMENT  
 ASSOCIATION  
 RANGE ASSN. OF MUNICIPALITIES  
 RED LAKE WATERSHED DISTRICT  
 REGION 8 SW & W CENTRAL ECSU  
 RED LAKE COUNTY SWCD  
 RED LAKE FALLS AREA SPECIAL ED. COOP  
 RED RIVER VALLEY VOC. COOP CNT.  
 REDWOOD-COTTONWOOD RIVER CONTROL  
 AREA  
 REDWOOD COUNTY SWCD  
 REGION 5 DEVELOPMENT COMM.  
 REGION 1 ESV  
 REGION 9 SOUTH CENTRAL ECSU  
 RENVILLE COUNTY SWCD  
 RICE COUNTY SWCD  
 ROSEAU COUNTY SWCD  
 RICE CREEK WATERSHED DISTRICT  
 RIVER BEND SPECIAL ED. COOP  
 ROCK COUNTY RURAL WATER SYSTEM  
 RUNESTONE COMM. CENTER  
 RUNESTONE ED. DIST. #6014  
 RURAL FIRE ASSN.

ST. BONIFACIUS-MINNESTRISTA POLICE  
COMM.  
ST. CLOUD AREA PLANNING ORGANIZATION  
ST. CLOUD METRO TRANSIT COMM.  
ST. LOUIS COUNTY NORTHWOODS  
SOLID WASTE COMM.  
SAUK CENTRE WATERSHED DIST.  
SCOTT COUNTY SWCD  
SCOTT JOINT CITY PROSECUTION  
SHERBURNE COUNTY SWCD  
SIBLEY COUNTY SWCD  
SO CENTRAL ED. COOP SERV UNIT  
SO CENTRAL EDUCATIONAL DIST.  
SO CENTRAL MINNESOTA  
INTER-LIBRARY EXCHANGE  
SE MINN ED. COOP SERVICE UNIT  
SOUTHERN MN MUN POWER AGENCY  
SO LAKE MINNETONKA PUBLIC SAFETY DEPT.  
SO ST. LOUIS COUNTY SOLID  
WASTE COMMISSION  
SO ST. LOUIS COUNTY SWCD  
SW MULTI-CO. INTERLIB EXCHANGE  
SW & W CENTRAL ED. COOP SERV UNIT  
SW REGIONAL DEVELOPMENT COMM.  
SPRING GROVE AMBULANCE CORP.  
STATE COMM. COLLEGE BD.  
STATE OF MN. MILITARY  
AFFAIRS FIREFIGHTERS  
STATE SUPREME COURT JUDICIAL DISTRICTS  
STEARNS COUNTY SWCD  
STEELE COUNTY SWCD  
STEVENS COUNTY SWCD  
SUB SCHOOL EMP. #284  
SUNNYSIDE NURSING HOME  
SWIFT COUNTY SWCD  
TODD COUNTY SWCD  
TOWNSHIP MAIN ASSC.  
TRAVERSE COUNTY SWCD  
TRAVERSE DES SIOUX LIBRARY SYSTEM  
UPPER MN. RIVER WATERSHED DISTRICT  
UPPER MN. VALLEY REGIONAL  
DEVELOPMENT COMM.  
U OF M POLICE OFFICERS  
VIKING REGIONAL LIBRARY SYSTEM  
WADENA COUNTY SWCD  
WASECA COUNTY SWCD  
WASHINGTON COUNTY SWCD  
WATONWAN COUNTY SWCD  
WEST CENTRAL AREA ON AGING  
WEST CENTRAL ECSU  
WESTERN LAKE SUPERIOR SANUITARY DIST.  
WEST HENNEPIN CO. HUMAN SERVICES  
WEST HENNEPIN PUBLIC SAFTEY DEPT.  
WEST OTTERTAIL COUNTY SWCD  
WEST POLK COUNTY SWCD  
WILKIN COUNTY SWCD  
WINDOM AREA HOSPITAL  
WINONA COUNTY SWCD  
WRIGHT VOC. CENTER  
YELLOW MEDICINE COUNTY SWCD

**POLICE AND FIRE  
RELIEF ASSOCIATIONS  
CONSOLIDATED WITH PERA**

ALBERT LEA FIRE  
ALBERT LEA POLICE  
ANOKA POLICE  
AUSTIN POLICE  
BLOOMINGTON POLICE  
BRAINERD POLICE  
BUHL POLICE  
CHISHOLM FIRE  
CHISHOLM POLICE  
COLUMBIA HEIGHTS FIRE  
COLUMBIA HEIGHTS POLICE  
CROOKSTON FIRE  
CRYSTAL POLICE  
DULUTH FIRE  
DULUTH POLICE  
FARIBAULT FIRE  
FARIBAULT POLICE  
FRIDLEY POLICE  
HIBBING FIRE  
HIBBING POLICE  
MANKATO FIRE  
NEW ULM POLICE  
RED WING FIRE  
RED WING POLICE  
RICHFIELD POLICE  
ROCHESTER FIRE  
ROCHESTER POLICE  
ST. CLOUD FIRE  
ST. LOUIS PARK FIRE  
ST. LOUIS PARK POLICE  
ST. PAUL FIRE  
ST. PAUL POLICE  
SO. ST. PAUL FIRE  
WEST ST. PAUL FIRE  
WEST ST. PAUL POLICE  
WINONA FIRE  
WINONA POLICE



---

# Notes

---