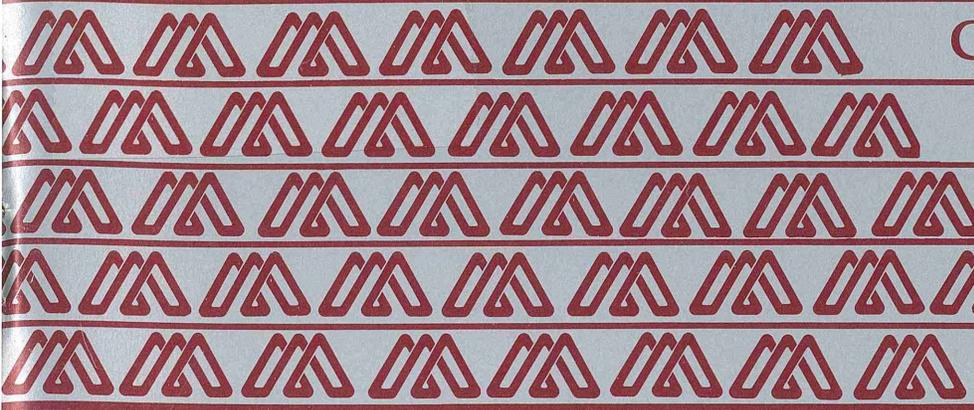


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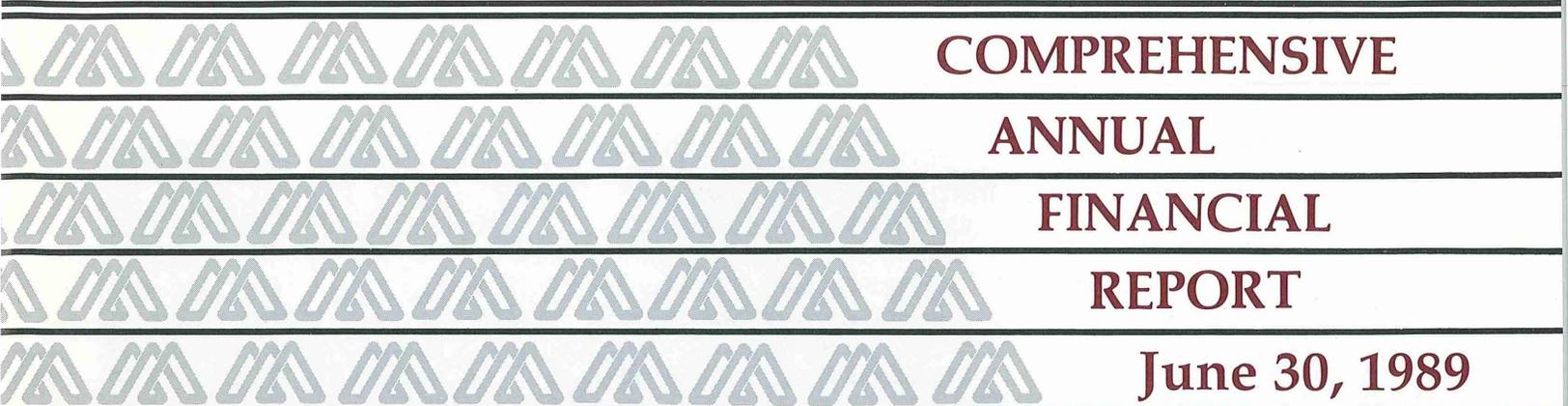
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 COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT
June 30, 1989
Public Employees Retirement Association of Minnesota



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COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

June 30, 1989

Public Employees Retirement Association of Minnesota

Board of Trustees

George A. Cicmil – Board President, Public Sector Representative

Gary A. McCloud – Board Vice President, Membership Representative

Edward G. Bayuk – Annuitant Representative

Arne H. Carlson – State Auditor

Mary Ann Dixen – School Boards Representative

Robert D. McCubbin – Membership Representative

Gary R. Norstrem – Cities Representative

Lois E. Riecken – Counties Representative

Eldred J. Schreifels – Membership Representative

James M. Hacking

Executive Director

Prepared by:

J. Michael Stoffel – Manager of Finance

Gary Hovland – Accounting Supervisor

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Certificate of Achievement

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, 1988

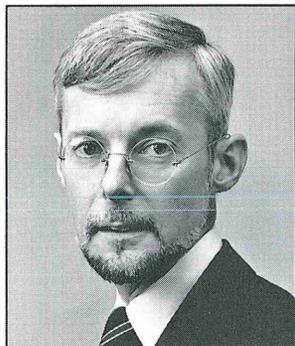
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) achieve the highest standards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



President

Executive Director

INTRODUCTORY SECTION
Letter of Transmittal



James M. Hacking
Executive Director

Public Employees Retirement Association of Minnesota
Suite 200 — Skyway Level
514 St. Peter Street
St. Paul, Minnesota 55102
612-296-7460



December 8, 1989

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

Dear Trustee:

As chief executive officer of the Public Employees Retirement Association (PERA), I am pleased to submit this fifty-eighth Comprehensive Annual Financial Report for the fiscal year ended June 30, 1989. This report consists of four sections: the introductory section contains this transmittal letter, the president's report, a summary of the membership requirements and benefit structures of PERA's Funds, and information about the Board of Trustees and the administrative organization. The financial section contains the independent auditor's report and the fiscal year-end financial statements. The actuarial section includes the report of the actuary, results of the fiscal year 1989 valuation, and other actuarial information. The statistical section contains tables of significant data pertaining to the Association. I trust you will find this report to be a full and complete disclosure of the structure and financial status of PERA and its Funds, including the new Ambulance Service Personnel Fund, which became operational December 31, 1988.

ACCOUNTING SYSTEMS AND REPORTS

All financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Financial statements also comply with Minnesota Statutes, Section 356.20.

PERA's internal accounting controls are designed to provide reasonable assurance for the safekeeping of assets and the reliability of all financial records. Transactions of the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, the Police and Fire Consolidation Fund and the Ambulance Service Personnel Fund are reported on the accrual basis of accounting.

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 fiscal year 1989 totaled \$620,362,000. This represents an increase of 30.6 percent over fiscal year 1988 revenues of \$475,074,000, shown on the following page.

The increase in member and employer contributions resulted primarily from an increase in average annual earnings and in the number of members contributing (see

Revenue Source (in thousands)	FY 1989	FY 1988	Percent Inc./ (Dec.)
Member Contributions	\$ 92,619	\$ 85,045	8.9%
Employer Contributions	108,386	98,377	10.2%
Investment Income	414,765	286,036	45.0%
Other Income	4,592	5,616	(18.2%)
Totals	\$620,362	\$475,074	30.6%

schedule on page 44). Statutory contribution rates for both employers and employees remained unchanged from the prior year.

The investment return of the PERA Funds accounted for the largest share--approximately 67 percent--of total fund income. The increase in investment income over the prior year is attributable to an increase in net realized capital gains on sales of investments and to an increase in interest earned on fixed income securities.

EXPENSES

The annual expenses of PERA 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 \$199,465,000, an increase of 7.8 percent over such expenses for FY'88, as shown below:

Expense Type (in thousands)	FY 1989	FY 1988	Percent Inc./ (Dec.)
Benefits	\$179,420	\$163,254	9.9%
Refunds	13,496	14,868	(9.2)%
Administrative, Investment & Other	6,549	6,915	(5.3)%
Totals	\$199,465	\$185,037	7.8%

The increase in benefits reported for the fiscal year resulted mainly from the growth in the number of benefit recipients and the higher average benefit payments (see schedule on page 45-46).

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. Pension assets of the currently working members of the Association (current market values of \$1,507,602,000 in the Public Employees Retirement Fund, \$534,725,000 in the Public Employees Police and Fire Fund and \$10,927,000 in the Police and Fire Consolidation Fund) are invested entirely by professional investment management firms. Assets of retired members of the Association and their survivors that are pooled in the Minnesota Post Retirement Investment Fund (current market values of \$1,802,335,000 for the Public Employees Retirement Fund, \$180,484,000 for the Public Employees Police and Fire Fund, and \$20,555,000 for the Police and Fire Consolidation Fund) are invested solely by SBI staff.

The SBI appoints a 17-member Investment Advisory Council to advise the State Board on asset allocation and other policy matters relating to investments, and to advise the State Board on methods to improve the rate of return while assur-

ing adequate security of the assets under management. The SBI also employs an investment consultant to monitor and evaluate the investment management firms' performance and to evaluate or suggest various alternatives pertaining to asset allocation or other investment policy matters.

CURRENT FUNDING RATIOS

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 Public Employees Retirement Fund and the Public Employees Police and Fire Fund be fully funded by the year 2020. Minnesota Statutes, Section 353A.09, subd. 5(2)(b)(1) requires full funding for the Police and Fire Consolidation Fund by the year 2010. The actuarial funding method followed by PERA is the entry age normal, level contribution as a percent of payroll method.

At the end of FY'89, the ratio of assets to liabilities of the Public Employees Retirement Fund was 72 percent. For the Public Employees Police and Fire Fund and the Police and Fire Consolidation Fund, the ratios were 101 percent and 74 percent respectively.

ASSOCIATION'S STATUS REPORT

In FY'88, the Police and Fire Consolidation Fund was created. This new fund allows 46 existing local police or fire relief associations to consolidate with PERA. During the past fiscal year, one local relief association exercised its option to consolidate and is now a participant in the new fund. Currently, a number of other relief associations are moving through the procedural steps necessary to effect consolidation. By the end of calendar year 1989, we anticipate that at least three additional relief associations will complete the consolidation process.

Another fund, the Ambulance Service Personnel Fund, was authorized by statute in 1987 and became operational in December 1988. Participation in the fund, a defined contribution plan, is voluntary for both the eligible ambulance services and their employees. All contributions are tax deferred and are fully taxable when withdrawn. During the fiscal year, 110 employees from six ambulance services elected to participate. At fiscal year-end, the market value of assets in the fund totaled \$15,000.

Fiscal year 1989 was marked by the passage of legislation that significantly improved benefits. For example, the vesting requirement was reduced from five to three years. For new employees, annuities will be calculated under a new, level benefit accrual formula, with actuarial reduction (with augmentation) for early retirement. Current employees will receive the higher annuity calculated under the old step rate benefit accrual formula, or under the new level formula.

To fund these and other benefit improvements, the combined employee and employer contribution rate was increased in the Public Employees Retirement Fund by .46 percent (.23 percent employee and .23 percent employer) of payroll, beginning in fiscal year 1990. The contribution requirements in the Public Employees Police and Fire Fund

INTRODUCTORY SECTION

Letter of Transmittal

(Continued)

were not changed since the contribution sufficiency was adequate to support the benefit improvements in that fund.

Two additional changes were made to allow for the improved benefits. The date required to achieve full funding was extended to 2020 for the Public Employees Retirement Fund and for the Public Employees Police and Fire Fund. Finally, the assumed rate of return on investments in the active employee portfolio was increased from 8 percent to 8.5 percent.

In terms of actuarial matters affecting the funds, there remains one demographic assumption that may be a cause for concern in the future--the assumed rate of termination among active PERA members. In FY'89, the Public Employees Retirement Fund experienced an actuarial loss of \$61 million because of fewer than expected terminations among active members. The actuary retained by PERA is currently conducting a comprehensive study of termination experience in the PERA Funds, over the last nine years. This study will provide the basis for decision-making as to whether or not the assumed rate of termination among active members is so at variance with actual experience as to require a change.

In terms of internal matters affecting management of PERA or the services it provides to its members, beneficiaries and governmental unit employers, a number of accomplishments should be noted. First PERA completed and is now implementing a comprehensive disaster recovery plan and is the first agency in state government to do so on an agency-wide basis. Second, PERA completed the redesign of the annual personal benefits statement in order to provide PERA members with more comprehensive and better quality information about their contributions, service credit and future benefit amounts. Finally, PERA staff have been implementing and integrating the agency's new single data base technology which should enable the agency to increase the quantity and quality of information communicated to the membership and governmental unit employers.

PROFESSIONAL SERVICES

The FY'89 actuarial valuation of the PERA Funds was conducted by The Wyatt Company and completed in October of 1989. Actuarial consulting services during the fiscal year were provided by Gabriel, Roeder, Smith & Company of Detroit. In addition to providing a thorough review of The Wyatt Company's FY'89 actuarial valuation, Gabriel Roeder also developed cost estimates for a variety of legislative proposals and for PERA's portion of the pension bill that was approved during the 1989 legislative session.

With respect to other professional services, the State's Attorney General continued to provide PERA with legal counsel; the State Board of Investment continued to manage and

invest the assets of the PERA Funds. Finally, the State's Legislative Auditor continued to provide professional financial auditing services. The comments of the Legislative Auditor are found on page 14 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 December or January of each year to all PERA members and annuity and benefit recipients.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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 for the fiscal year ended June 30, 1988. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe the current report for FY'89 continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGEMENTS

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

I am sure you join with me 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 and beneficiaries.

Respectfully submitted,

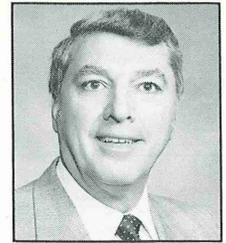


James M. Hacking
Executive Director

INTRODUCTORY SECTION

President's Report

Public Employees Retirement Association of Minnesota
Suite 200 — Skyway Level
514 St. Peter Street
St. Paul, Minnesota 55102
612-296-7460



George A. Cicmil
Board President

December 8, 1989

Dear Members, Annuitants, Beneficiaries and Governmental Employers:

This fifty-eighth annual report of the Public Employees Retirement Association (PERA) is designed to disclose financial, actuarial and other related information with respect to PERA and the funds it administers. At the June 30, 1989 fiscal year-end, the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, the Police and Fire Consolidation Fund, and the new Ambulance Service Personnel Fund had a combined total of \$3.6 billion in net assets. This reflected a \$425 million or 13 percent increase over net assets at the beginning of the fiscal year. The rate of return on the investment of the assets of active employees covered by the PERA funds was 15.5 percent. This rate of return was very encouraging, especially when compared with last year's disappointing -3 percent.

The Minnesota Post Retirement Investment Fund (MPRIF), in which PERA has a "pooled" interest along with other Minnesota statewide pension systems, had assets at fiscal year-end of \$5 billion. Not only does the MPRIF support the annuities payable to PERA retirees and their survivors (except for those retirees and survivors from the Police and Fire Consolidation Fund who have not elected to have their post-retirement adjustments determined by the MPRIF adjustment formula), it also finances annual post-retirement increases from earnings in excess of 5 percent. Given last fiscal year's rate of return for the MPRIF, the Fund will be able to finance an estimated 4 percent increase for PERA annuitants and their survivors as of January 1, 1990.

Overall, the financial condition of the PERA funds improved last fiscal year—despite the increased liability associated with the enactment of the most comprehensive benefit improvement package in over 15 years. The net financial improvement was attributable to a legislated increase (to 8 1/2 percent) in the statutory interest rate assumption, a better than expected rate of return for the fiscal year, and, in the case of the Public Employees Retirement Fund, a contribution rate increase of .23 percent for the employee and .23 percent for the employer. The net effect of these changes puts the Public Employees Retirement Fund, which includes both the PERA Basic and Coordinated Plans, ahead of schedule once again for achieving full (100 percent) funding by the year 2020 as required by state statute. Also, the reserve ratio (i.e., assets divided by liabilities) of the Fund increased from 70.75 percent at the end of FY'88 to 71.67 percent at the end of FY'89.

The Public Employees Police and Fire Fund was also positively impacted by the legislative change in the interest assumption and the better than expected rate of return for the fiscal year. The Fund is once again in surplus with a reserve ratio of 100.75 percent.

The FY'89 actuarial valuation report on the PERA funds underscored, however, a matter that the PERA Board of Trustees will address in the near future. A lower than expected termination rate among active PERA members covered by the Public Employees Retirement Fund resulted in an FY'89 actuarial loss to the Fund of \$61 million. Although this was more than offset by gains in other areas, it does underscore a problem that appears chronic. During the preceding fiscal year lower than expected terminations among active PERA members produced an actuarial loss of \$64.5 million. In March, the Board of Trustees asked Gabriel, Roeder, Smith & Company, the PERA actuarial firm, to study the pattern of terminations from 1981 to the present and, if necessary, recommend a new set of assumptions for consideration by the Board. That study is nearly completed and it is likely that the PERA Board will consider and adopt a revised set of assumptions reflecting substantially lower rates of termination. Lower rates of termination among active employees will result in a substantial increase in liability for both the Public Employees Retirement

Fund and the Public Employees Police and Fire Fund. If a new set of assumptions is adopted as expected, the effects of the increased liability will be reflected in the FY'90 valuation for the funds.

The only other significant cloud on the financial horizon that merits attention relates to the adoption by the SBI in October 1985 of a plan requiring divestment of SBI holdings in companies doing business in South Africa. To achieve the goal, the SBI has been following a "divestment through attrition" strategy under which investments in the targeted companies are being phased out while new investments in them are prohibited. The risk is that the universe for SBI investments may end up being substantially restricted and limited to companies the securities of which may tend to be lower in quality, more volatile, less liquid and lower yielding. That could translate into hundreds of millions of dollars in unnecessary losses and increased transaction costs for the pension funds over time.

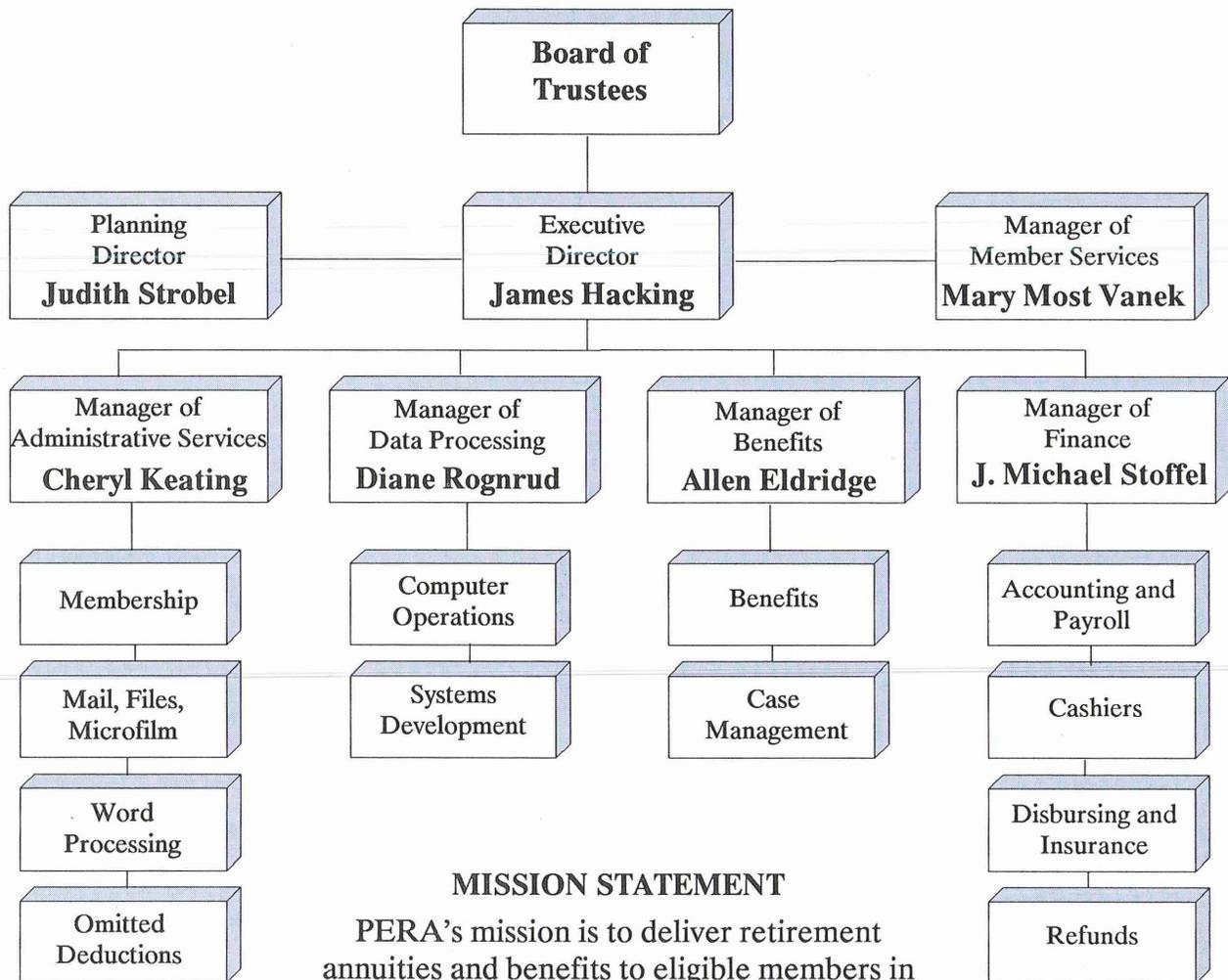
In closing, I wish to express the Trustees' continuing commitment to the preservation and growth of the assets of the PERA funds and to the protection and furtherance of the interests of PERA's members, annuitants and beneficiaries, as well as the interests of the governmental employer units, the State of Minnesota and its taxpayers.

Sincerely,

George A. Cicmil, President
PERA Board of Trustees

GC/sk

Administrative Organization



MISSION STATEMENT

PERA's mission is to deliver retirement annuities and benefits to eligible members in accordance with the law, and to maintain a financially sound retirement system.

PERA's success in carrying out its mission depends upon its employees, for through their development, training, and efforts,

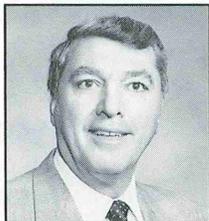
PERA achieves its goals which are:

- providing quality services that are appropriate, personalized, informative, accessible and timely;
- obtaining and disseminating accurate and complete information;
- influencing legislation that is beneficial to our members, beneficiaries, and governmental units while maintaining PERA's financial soundness.

INTRODUCTORY SECTION

Board of Trustees

Board President

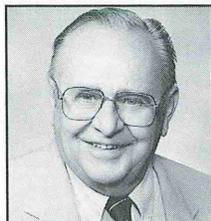


George A. Cicmil
Public Sector Representative
Independent School District #701
Eighth Avenue East and 21st Street
Hibbing, Minnesota 55746

Board Vice President



Gary A. McCloud
Elected Membership Representative
P. O. Box 247
1580 West Highway 55
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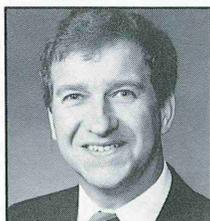
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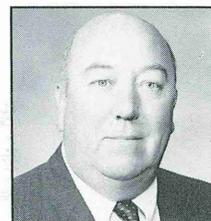
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School Board Representative
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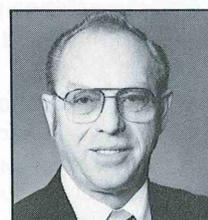
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Elected Membership Representative
City of Duluth
211 City Hall
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Gary R. Norstrom
Cities Representative
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219 City Hall
Saint Paul, Minnesota 55102



Lois E. Riecken
Counties Representative
P.O. Box 320, Administration Bldg.
327 King Street
Elk River, Minnesota 55330



Eldred J. Schreifels
Elected Membership Representative
4440 - 17th Avenue NW
Sauk Rapids, Minnesota 56379

The PERA Board consists of nine trustees as follows: The State Auditor is a trustee by virtue of office. Five trustees are appointed by the Governor to represent counties, cities, school boards, retired annuitants and the general public. One trustee was elected by the PERA membership in January 1986 and two additional trustees were elected by the membership in January of 1987 to fill positions held by transitional appointees of the Governor.

INTRODUCTORY SECTION

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 144,000 county, school and local public employees, their survivors and dependents.

Funds administered by the association provide a variety of retirement annuities, and survivor and disability benefits. In the case of Coordinated members, these annuities 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 employer units, the state and its taxpayers.

Administration

The PERA Board of Trustees is composed of nine members. The State Auditor is a member by statute. Five 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 three board members are elected by the PERA membership. One trustee was elected in January 1986 and the other two in January 1987. These membership representatives also serve four-year terms. A 1989 change in the governing statute provides for an election of these three trustees simultaneously in January 1991.

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 State Board of Investment on the management and investment of pension funds and other assets.

Multi-Employer Participation

Approximately 2,250 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, any person who performs personal services for a governmental unit and 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. PERA has over 105,000 active members.

Funds

PERA administers four separate funds. Each has specific membership, contribution, benefit and annuity 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 includes all police officers and firefighters hired since 1980.

The **Police and Fire Consolidation Fund** was created in 1987 for members of local police and fire relief associations which have elected to merge with PERA. Assets and administrative duties of these local associations have been transferred to PERA.

Also administered by PERA is the **Ambulance Service Personnel Fund**. Established by the Minnesota Legislature in

1987, the program provides a defined contribution retirement plan for personnel employed by public ambulance services and privately-operated services that receive operating subsidies from local units of government.

Contributions

The table below shows contribution rates for employees and employers under the various plans administered by PERA as of June 30, 1989. Rates are applied to total salary and are set by statute. Legislation enacted in 1989 increased Basic and Coordinated employee and employer contributions by .23 percent effective with the first pay period after July 1, 1989.

Fund	Employee Contribution	Employer Contribution
Public Employees Retirement Fund Coordinated	4%	4 1/4%
Basic	8%	10 1/2%
Public Employees Police and Fire Fund	8%	12%
Police and Fire Consolidation Fund	8%	12%

Ambulance Service Retirement Plan determined by employer and employee.*

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.

Retirement Benefits

Eligibility and Annuity Formulas

Basic and Coordinated Members

Two methods are used to compute benefits for Coordinated and Basic members following legislation that became effective May 16, 1989 — 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** for each of the first 10 years of public service 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 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 early retirement annuity is payable at any age with 30 or more years of service (reduced 1/4 percent for each month under age 62); or as early as age 55 with at least three but less than 30 years of service (reduced 1/4 percent for each month under age 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 1/2 percent of average salary for each of their first 25 years of service and 2 percent of that salary for each additional year of service under the plan.***

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

- Age 55 with a minimum of 5 years of service; or
- Age plus years of service equal at least 90.

A reduced retirement annuity is available for members at any age with 30 or more years of service (reduced 1/4 percent for each month under age 62.)

Police and Fire Consolidation Members

Members of the Police and Fire Consolidation Fund are covered by the benefit provisions and annuity formula 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:

***NOTE:** Employers decide whether they will participate in the Ambulance Service Personnel Retirement Plan and what the contribution will be for employees. Paid employees may match this contribution.

****NOTE:** Average salary is the average of the salary paid during the five highest-paid years of service. This is a period of 60 consecutive months of service — not calendar years or fiscal years.

*****NOTE:** Legislation enacted in 1989 will significantly affect annuity calculations as well as disability and survivor benefits for Police and Fire members in future years. These provisions became effective July 1, 1989 and will be reflected in future Comprehensive Annual Financial Reports.

INTRODUCTORY SECTION

Summary (Continued)

***NOTE:** A defined contribution plan, the Ambulance Service Personnel Fund was established solely as a retirement plan for volunteer ambulance personnel. It does not provide disability or survivor benefits for its members.

****NOTE:** Selection of a 50 percent or 100 percent Joint and Survivor option will result in a reduction in the amount of the annuity from the Normal or single-life annuity level. This reduction is made because the annuity will be payable over the lifetimes of both the member and the joint annuitant. The amount of the reduction depends on the age of both the retiring member and the joint annuitant.

Both Joint and Survivor annuity options incorporate an automatic "bounce back" feature. Added by legislation in 1989, 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.

*****NOTE:** The annuity amount for deferred annuities increased at a rate of 5 percent per year, compounded annually, prior to Jan. 1, 1981.

- 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 49 1/2 and 50; or
- At the time the member retires and submits an application for an annuity.

Ambulance Service Members

Since this is a defined contribution plan, the value of the member's account is payable upon termination of public service, retirement or death. The payment form is a lump sum, which may be remitted by the member to purchase an annuity.*

Types of Annuities 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 annuities.

Normal Annuity — A Normal annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable.

50 Percent Joint and Survivor Annuity** — This annuity option is payable for the lifetime of the retiree; 50 percent of the annuity amount at the time of the retiree's death is payable to the designated joint annuitant for his or her lifetime.

100 Percent Joint and Survivor Annuity** — Like the previous annuity option, the 100 percent Joint and Survivor annuity provides for continuation of annuity payments upon the death of the retiree. In this case, however, the annuity amount remains the same for the lifetime of the joint annuitant.

Pre-Age 62 Supplement — This annuity 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 annuity amount is then reduced by \$100 at age 62.

Deferred Annuity — A member who terminates public service (after May 15, 1989)

with three or more years of service may leave his or her contributions in the fund or funds in which he or she participated and qualify for an annuity at age 55 or over. The annuity amount, calculated as of the date of termination, will increase at a rate of 3 percent per year until the first of the year following the member's 55th birthday. It will then increase at a rate of 5 percent per year.***

Combined Service and Proportionate Annuities — 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 annuity 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 annuity if they have six or more months of service in the last fund and have not begun to receive an annuity from any of the designated funds. Benefits 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 are 65 or older with between one and three years of service in one or more of 12 designated funds may qualify for a proportionate annuity. Annuities 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 Annuity — The Normal annuity amount of a retiring member may not exceed 100 percent of his or her regular base salary for the final month of employment.

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 25 percent of that salary. For Police and Fire members disabled in the line of duty, the minimum benefit is 50 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 five or more years of service if disabled outside the line of duty. If injured 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 plans 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 annuities or survivor (death) benefits* for families of members who qualify for such coverage. The qualifications and types of benefits vary with each fund.

Under the Basic and Coordinated Plans and the Police and Fire Fund, a surviving spouse of a member who is 50 or older with three or more years of service may elect to receive a 100 percent Joint and Survivor annuity. If the deceased member was between ages 50 and 55, the surviving spouse's election must be deferred until the deceased member would have reached age 55. For surviving spouses of Basic and Police and Fire members, this optional annuity may be elected in lieu of any survivor benefits otherwise payable.

Qualifying survivors of Basic and Police and Fire Fund members have these alternative benefits:**

- The surviving spouse of a Basic member may receive 50 percent of the member's

average monthly salary earned during the last six months of service. The surviving spouse of a Police and Fire member may receive 30 percent of that average salary. Each dependent child is eligible to receive 10 percent of that average salary. The maximum monthly benefit is \$1,000 per family for Basic members and 50 percent of the average monthly salary for Police and Fire Fund members.

- 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 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.

Refunds

Refunds of contributions are available at any time to members who leave public service and have not yet begun receiving a retirement annuity or disability benefits. The refund includes employee contributions plus interest at the rate specified by state statute at the time of termination. Interest is compounded annually.

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 joint annuitant, if any, die before all employee contributions are paid in the form of annuities or benefits, the remaining balance would be paid in the same manner outlined for beneficiaries.

***NOTE:** Survivor benefits payable to the spouse of a deceased Basic or Police and Fire member end upon the spouse's remarriage. Survivor annuities, however, are payable for life.

****NOTE:** Survivor benefits are also available to the spouse and children of disabled Basic and Police and Fire Fund members but not to the survivors of disabled Coordinated members. Any contribution balance is payable to the designated beneficiary of a deceased disabled Coordinated member. Survivor benefits payable on the death of a disabled Basic or Police and Fire Fund member are determined in the same way as regular survivor benefits.

FINANCIAL SECTION
Legislative Auditor's Report



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
VETERANS SERVICE 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

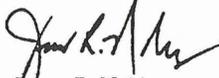
We have audited the accompanying financial statements of the Public Employees Retirement Association and the combining and individual fund financial statements of the association as of and for the year ended June 30, 1989, as listed in the table of contents. These financial statements are the responsibility of the association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

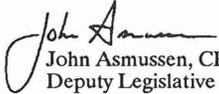
We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, 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.

As explained in Note B3, investments are valued at cost or amortized cost as required by generally accepted accounting principles. Minnesota statutes require valuation of all securities at cost plus one-third of unrealized capital gains or losses. Since the statutory provision deviates from generally accepted accounting principles, the basic statements are not in compliance with the statute. Note C1 contains the disclosures which must be considered together with the basic financial statements to achieve statutory reporting requirements.

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, 1989, and the results of its operations and changes in its financial position for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of the individual funds of the Public Employees Retirement Association at June 30, 1989, and the results of operations and changes in financial position of such funds for the year then ended, in conformity with generally accepted accounting principles. In addition, except for the valuation of securities, as discussed in the preceding paragraph, the aforementioned financial statements are in compliance with the reporting requirements of Minn. Stat. Section 356.20.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole and on the combining and individual fund financial statements. 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 combined, combining, and 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.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

November 13, 1989

FINANCIAL SECTION
Combined Balance Sheet

FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

Assets

Cash (F.1.)	\$ 734
Accounts Receivable	1,798
Due From Other Funds	287
Investments (B.2.,3.)	
Minnesota Outside Managed Pooled Accounts (Market Value \$2,008,334)	1,779,488
Short-term Pooled Cash	44,920
Equity in Minnesota Post Retirement Investment Fund (Market Value \$2,003,375)	1,783,637
Cash and Investments for Deferred Compensation Benefits (B.3., F.6.b.)	15
Fixed Assets, Net of Accumulated Depreciation (F.4.b.)	298
Other	<u>22</u>

Total Assets **\$ 3,611,199**

Liabilities and Fund Balance

Liabilities:

Accounts Payable	\$ 8,137
Accrued Compensated Absences (F.5.)	207
Deferred Compensation Benefits Payable to Other Funds	<u>15</u> <u>287</u>

Total Liabilities **\$ 8,646**

Fund Balance:

Member Reserves (F.3.a.)	\$ 645,371
Minnesota Post Retirement Investment Fund Reserve (F.2.)	1,783,637
Benefit Reserves (F.3.b.)	<u>2,438,612</u>

Total Reserves **\$ 4,867,620**

Unreserved Fund Balance —

Unfunded Actuarial Accrued Liability (C.1.,2.)	<u>\$(1,265,067)</u>
--	----------------------

Total Fund Balance **\$ 3,602,553**

Total Liabilities and Fund Balance **\$ 3,611,199**

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

FINANCIAL SECTION
Combined Statement
of Revenues, Expenses, and Changes in
Fund Balance
FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

Operating Revenues:

Member Contribution	\$ 92,619
Employer Contribution	108,386
Investment Income	226,865
Distributed Income of the Minnesota Post Retirement Investment Fund (F.2.c.)	187,900
State Appropriations	1,710
Police State Aid	1,845
Other	<u>1,037</u>

Total Operating Revenues **\$ 620,362**

Operating Expenses:

Benefits Paid	\$ 179,420
Refunds	13,496
Administrative Expenses	4,107
Investment Management Fees (B.3.c.)	2,038
Interest on Late Transfer to MPRI Fund	363
Other	<u>41</u>

Total Operating Expenses **\$ 199,465**

Other Changes in Reserves:

Local Relief Association Mergers (F.6.a.)	<u>\$ 4,102</u>
--	-----------------

Total Other Changes in Reserves **\$ 4,102**

Net Fund Balance Additions **\$ 424,999**

Fund Balance, July 1, 1988 **3,177,554**

Fund Balance, June 30, 1989 **\$3,602,553**

FINANCIAL SECTION

**Combined Statement
of Changes in Financial Position**
FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

Cash Provided:

From Operations –

Net Income \$ 424,999

Items Added to (Deducted From) Net Income:

Decrease (Increase) in Current Assets:

Accounts Receivable \$ (688)
Due From Other Funds (38)
Other Current Assets 3

Increase (Decrease) in Current Liabilities:

Accounts Payable (88,540)
Accrued Compensated Absences 8
Payable to Other Funds 38
Depreciation 81

Total Items Added (Deducted) \$ (89,136)

Total Cash Provided from Operations \$ 335,863

Cash Applied:

Investment in Fixed Assets \$ 132

Total Cash Applied \$ 132

Net Increase (Decrease)
in Cash and Investments \$ 335,731

Cash and Investments, July 1, 1988 3,273,048

Cash and Investments, June 30, 1989 \$3,608,779

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

Notes to the Financial Statements

YEAR ENDED JUNE 30, 1989

A. PLAN DESCRIPTION

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 Ambulance Service Personnel Fund (ASPF). The plans are established and administered in accordance with Minnesota Statutes, Chapters 353, 353A, 353B, 353D, and 356. It is also these statutes that define the scope of the reporting entity. PERA has no oversight responsibility of any agencies, therefore, this financial report only represents financial information of PERA. PERA is considered part of the State of Minnesota's financial reporting entity and is included in the State's Comprehensive Annual Financial Report as a pension trust fund.

2. Participating Employers

PERA defined benefit plans serve approximately 2,250 separate units of government including cities, counties, townships, school districts and generally other units of government whose revenues are derived from taxation, fees, or assessments. The defined contribution plan, the ASPF, serves any publicly or privately operated ambulance service that receives an operating subsidy from a governmental entity, and elects to participate. Currently there are six such participating employers.

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 fire fighters 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. (See note F.6.b.) Coverage under the ASPF is open to emergency medical service personnel employed by or providing service to any of the participating ambulance services. Ambulance personnel who are covered by a public or private pension plan because of their employment are not eligible to participate in the ASPF. At June 30, 1989, there were 110 members in the ASPF.

At June 30, 1989, membership in PERA defined benefit plans consisted of:

	PERF	PEPFF	PFCF
Retirees and beneficiaries receiving benefits	27,872	1,412	140
Terminated employees entitled to benefits/refunds but not yet receiving them			
Vested	2,349	110	1
Non-Vested	6,805	100	1
Current, active employees			
Vested	74,234	4,705	102
Non-Vested	25,281	1,186	0
Total	136,541	7,513	244

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 members 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 a Basic member is 2 percent of average salary for each of the first 10 years of service and 2.5 percent for each remaining year. For a Coordinated member, the

annuity accrual rate is 1 percent of average salary for each of the first 10 years and 1.5 percent for each remaining year. Using Method 2, the annuity accrual rate is 2.5 percent of average salary for Basic members and 1.5 percent for Coordinated members. For PEPFF members, the annuity accrual rate is 2.5 percent for each of the first 25 years and 2 percent for each remaining year. 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. 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. Of the 140 members receiving benefits in the PFCF, only 12 are covered by the benefit provisions of their local association.

b) Pension benefits are funded from member and employer contributions and income from investment of fund assets. Current contribution rates for the funds are set by Minnesota Statutes, Chapters 353, 353A, and 353B, and are shown below. Legislation enacted in 1989 increased both the employee and employer contribution rates in the Basic and Coordinated Plans by .23 percent, effective July 1, 1989.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

1. Basis of Accounting

PERA financial statements 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.

2. 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, 1989, the participation shares in the pooled accounts, excluding the Minnesota Post Retirement Investment Fund, totaled 22.81 percent for the PERF, 8.04 percent for the PEPFF and 0.16 percent for the PFCF. The funds' shares of net assets of the Minnesota Post Retirement Investment Fund totaled 35.95 percent, 3.60 percent and 0.41 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) PERA's investments are categorized to give an indication of the level of risk assumed by the funds at year end. 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 counterparty's trust department or agent in the state's name. Risk category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or

Retirement Plan Contribution Rates

	<u>Employee</u>	<u>Employer</u>	<u>Additional Employer</u>
Public Employees Retirement Fund:			
Basic Plan	8%	8%	2 1/2%
Coordinated Plan	4%	4%	1/4%
Public Employees Police and Fire Fund	8%	12%	---
Police and Fire Consolidation Fund	8%	12%	*

*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.

FINANCIAL SECTION

Notes (Continued)

agent but not in the state's name. All PERA investments are included in Risk category 1.

d) 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.

3. Method Used to Value Investments

a) Investments in the pooled accounts, except for the assets of the ASPF, are valued at cost for equity securities and amortized cost for fixed income securities, subject to adjustments for market declines judged to be other than temporary. The investments of the ASPF are shown at market value. The carrying amount and market value of PERA's investments (except assets of the ASPF) as of June 30, 1989, are shown below.

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 \$1,506,000 for PERF, \$517,000 for PEPFF, and \$15,000 for PFCF.

C. FUNDING STATUS AND PROGRESS

1. Actuarial Valuation of Plan Benefits

Minnesota Statutes, Section 356.215 Subd. 4, provides that annual actuarial valuations of plan benefits be computed in accordance with the entry age normal cost

method. Actuarial assumptions used are the same as discussed in note C.2. The unfunded actuarial accrued liabilities are the amounts by which reserves required to fund plan benefits exceed the assets of the funds, calculated in accordance with generally accepted accounting principles, as explained in note B.3. These amounts differ from the unfunded accrued liabilities reported in the actuarial section, because the actuarial calculation of net assets includes cost plus one third of unrealized capital gains or losses, as shown on the following page.

The unfunded actuarial accrued liabilities also differ from the pension benefit obligation discussed in note C.2 because of differing actuarial methods used for determining the value of benefits accrued.

2. Pension Benefit Obligation

The amount shown on page 22 as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine required contributions, discussed in Note D, also on the following page.

The pension benefit obligation was determined as part of an actuarial valuation at July 1, 1989. Significant actuarial assumptions used in the calculation of the pension benefit obligation for the PERF

PERA Investments (In Thousands)

Investment Pool	Carrying Amount	Market Value
Short-term	\$ 44,920	\$ 44,920
Fixed Income	429,781	435,331
Active Equity	410,265	451,442
Passive Equity	711,551	863,118
Real Estate	133,281	166,931
Resource	35,325	31,822
Venture Capital	59,285	59,690
Subtotal-Pools	\$1,824,408	\$2,053,254
Post Retirement Investment Fund	1,783,637	2,003,375
Total	\$3,608,045	\$4,056,629

and the PEPFF include (a) a rate of return on the investment of present and future assets of 8.5 percent per year compounded annually prior to retirement, and 5 percent per year compounded annually following retirement; (b) projected salary increases of 6.5 percent per year, compounded annually, attributable to the effects of inflation; (c) post-retirement benefit increases that are accounted for by the 5 percent rate of return assumption following retirement; and (d) mortality rates based on the 1971 Group Annuity Mortality Table projected to 1984 for males and females. The actuarial assumptions used for the PFCF are the same for members who select benefit provisions identical to those of the PEPFF. For those PFCF members selecting benefit provisions of the local relief association, some actuarial assumptions used may vary, based on the provisions in the particular plans.

As shown on the following page, the unfunded pension benefit obligation at June 30, 1989, was \$779,280,000 in the PERF and \$13,038,000 in the PFCF. In the PEPFF, assets in excess of the pension benefit obligation totaled \$55,569,000.

quirements were reduced for eligibility for a normal retirement annuity, an early retirement annuity, and for certain disability and survivor benefits.

For each fund, there were changes in the actuarial assumptions used in the annual actuarial valuation. Effective for all funds beginning in fiscal year 1989, the pre-retirement interest rate assumption was increased from 8 percent to 8.5 percent. Additionally for the PERF and the PEPFF, the amortization target date has been changed to 2020. Shown below are the effects on the pension benefit obligation of these changes in plan benefits and actuarial assumptions:

Increase (Decrease) in Pension Benefit Obligation Due to:			
(In Thousands)			
	<u>PERF</u>	<u>PEPFF</u>	<u>PFCF</u>
Changes in plan benefits	\$127,472	\$ 27,851	\$ 237
Changes in actuarial assumptions	(84,154)	(25,963)	(3,045)
Net increase (decrease) in pension benefit obligation	<u>\$ 43,318</u>	<u>\$ 1,888</u>	<u>\$(2,808)</u>

3. Changes in Actuarial Methods and Benefit Provisions

A number of benefit improvements became effective during fiscal year 1989. Some of the major improvements affecting each fund include a reduction in the period required for vesting from five years to three years; an option for members hired before July 1, 1989, to have their annuity calculated under a level benefit accrual formula; the interest rate credited on refunds of member contributions increased from 5 percent to 6 percent; and the provision for an automatic bounce back feature for all joint and survivor annuity options. In the PEPFF, age and/or service re-

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Minnesota Statutes, Chapters 353, 353A and 353B 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

Unfunded Actuarial Accrued Liability:			
(In Thousands)			
	<u>PERF</u>	<u>PEPFF</u>	<u>PFCF</u>
Net Assets on 6/30/89 Balance Sheet	\$2,934,977	\$637,868	\$29,708
Plus 1/3 of unrealized capital gains or losses	57,308	18,786	187
Net assets at actuarial cost	<u>\$2,992,285</u>	<u>\$656,654</u>	<u>\$29,895</u>
Total required reserves	\$4,175,240	\$651,776	\$40,604
Less net assets at actuarial cost	2,992,285	656,654	29,895
Unfunded accrued liability (surplus assets) actuarial section	<u>\$1,182,955</u>	<u>\$ (4,878)</u>	<u>\$10,709</u>

Notes

(Continued)

contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the dates required for full funding, and (c) an allowance for expenses.

As shown on the following page, the funding surplus (deficit) at June 30, 1989, was \$(9,183,000) in the PERF and \$6,015,000 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 employer share. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in Note C on the preceding page.

E. TEN-YEAR HISTORICAL TREND INFORMATION

Ten-year historical trend information designed to provide information about PERA's progress made in accumulating sufficient assets to pay benefits when due is presented on pages 25 to 27.

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 1989, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all PERA deposits.

2. Minnesota Post Retirement Investment Fund (MPRIF) Reserve

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 MPRIF formula, the reserves required to pay the cost of the member's annuity are transferred to the MPRIF where the funds are invested. Increases in annuities are based upon earnings of the MPRIF, as defined in Minnesota Statutes, Section 11A.18, Subd. 9.

b) Participation in the MPRIF is shown at the required reserves level in accordance with Minnesota Statutes, Section 11A.18, Subd. 7. The Public Employees Retirement Fund's share of net assets of

Pension Benefit Obligation: (In Thousands)			
	<u>PERF</u>	<u>PEPFF</u>	<u>PFCF</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$1,800,411	\$196,269	\$22,195
Current Employees:			
Accumulated employee contributions including allocated investment income	759,856	150,964	4,470
Employer-Financed Vested	985,790	159,127	16,081
Employer-Financed Non-Vested	<u>168,200</u>	<u>75,939</u>	<u>0</u>
Total Pension Benefit Obligation	\$3,714,257	\$582,299	\$42,746
Net Assets available for benefits, at cost (Market Value is \$3,831,399)	<u>2,934,977</u>	<u>637,868</u>	<u>29,708</u>
Unfunded (assets in excess of) pension benefit obligation	<u>\$ 779,280</u>	<u>\$(55,569)</u>	<u>\$13,038</u>

the MPRIF at June 30, 1989, is \$1,605,292,000. The Public Employees Police and Fire Fund's share of net assets of the MPRIF is \$159,565,000. The Police and Fire Consolidation Fund's share of net assets of the MPRIF is \$18,780,000.

c) The distributed MPRIF income represents the 5 percent earnings on required reserves for fiscal year 1989, plus fiscal year 1988 income used to pay the January 1, 1989 post retirement increase. In accordance with Minnesota Statutes, Section 11A.18, Subd. 9, the excess investment income of MPRIF for fiscal year 1989 will be used to increase retirement benefits for eligible annuitants, effective January 1, 1990.

3. Other Reserves

a) Accumulated member contributions, without interest, less the amounts refunded, transferred to the Minnesota Post Retirement Investment Fund for current retirees, or paid for disability and survivor benefits are recorded in the Member Reserve.

b) Employer contributions and investment income are recorded in the Benefit Reserve with administrative expenses and survivor and disability benefits paid therefrom.

4. Administrative Expenses

a) 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.

b) 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 six years for furniture and equipment, and three years for automobiles.

5. Accrued Compensated Absences

Employees accrue vacation leave, sick leave and compensatory leave at various rates within limits specified in collective bargaining agreements. Such leave is liquidated in cash primarily at the time of termination of employment.

6. Reporting Changes

a) The Police and Fire Consolidation Fund (PFCF) was created by the 1987 Legislature to authorize on a voluntary basis, any local police or salaried fire fighters relief association and the respective municipality to effect the consolidation of the local relief association with PERA. At the end of fiscal year 1988, there were two local relief associations in the PFCF. During the fiscal year 1989, one additional local relief association, the West St. Paul Firemen's Relief Association, elected to consolidate with PERA, effective December 31, 1988. All investment securities of the relief association were transferred to PERA, and an actuarial valuation was completed for the relief association prior to the effective date of

Funding Surplus: (In Thousands)			
	<u>PERF</u>	<u>PEPFF</u>	<u>PFCF</u>
Contributions actually made			
Employer share	\$ 84,306	\$22,210	\$1,870
Percent of current year covered payroll	4.64%	12.0%	12.0%*
Employee share	\$77,525	\$14,832	\$ 262
Percent of current year covered payroll	<u>4.27%</u>	<u>8.0%</u>	<u>8.0%</u>
Subtotal - Actual	\$161,831	\$37,042	\$2,132
Contributions actuarially required	<u>171,014</u>	<u>31,027</u>	<u>2,132</u>
Funding surplus (deficit)	<u>\$ (9,183)</u>	<u>\$ 6,015</u>	<u>\$ 0</u>

*NOTE: The 12 percent employer rate in the PFCF does not include the additional municipal contribution, totaling \$1,475,786 in fiscal year 1989.

consolidation. All members of the PFCF may elect to have benefits identical with those available under the provisions of the Public Employees Police and Fire Fund benefit plan or retain the benefits that were provided under the relief association's benefit provisions and guidelines on the effective date of consolidation.

b) Also created by the 1987 Legislature was the Ambulance Service Personnel Fund (ASPF), a multi-employer deferred compensation plan. The ASPF 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, A.3 for employee and employer membership requirements.) All amounts contributed to the fund, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employer units (without being restricted to the provisions of benefits under the plan), subject only to the claims of the general creditors of the employer units. Participants' rights under the plan are equal to those of general creditors of the employer units in an amount equal to the fair market value of the deferred account for each participant.

In accordance with state statute, the State of Minnesota and PERA have no liability for any losses under the plan but do have the duty of due care that would be required of a prudent investor.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Minnesota Statutes, Chapter 353D.03 specifies that employers shall determine the amount they will contribute for those qualified personnel who elect to participate. Employer contributions 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. An amount of 2 percent of employer contributions is deducted by PERA for administering the plan. There is no vesting period required to receive benefits in the ASPF. The market value of a member's account is distributed to the member at time of retirement or termination, or to a beneficiary upon death of a member. During fiscal year 1989, only contributions and investment income were recorded in the ASPF. There were no withdrawals during the year.

7. South Africa Divestment Plan

On October 2, 1985, the Minnesota State Board of Investment (SBI) adopted a resolution to carry out, within four years, a total divestment of its holdings in companies doing business in South Africa. The resolution also prohibits new investments in these same companies. The divestment plan includes four phases, the last of which was to be completed by August 3, 1989. However, action to divest under any phase of the plan may only be taken if, on the advice of the SBI's financial/legal advisors, such action would be consistent with SBI's members' obligations as fiduciaries for the management and investment of the funds under their control.

To date, no securities have been liquidated as a result of the resolution. At the suggestion of legal counsel, SBI chose not to proceed immediately with the divestment action called for by the plan. Instead, SBI instructed its active equity portfolio managers not to purchase in the future, any securities in companies that fail to meet requirements of the plan, unless such "nonpurchase" action would place SBI's members in jeopardy of violating their fiduciary responsibilities.

Should the "divestment by attrition" pattern that the SBI is following continue, active portfolio managers will have a dwindling number of companies in which to invest over time. That could significantly alter the risk/return characteristics of SBI's total portfolio.

FINANCIAL SECTION

**Required Supplementary Information
Analysis of Funding Progress***

(IN THOUSANDS)
Unaudited

Public Employees Retirement Fund

Fiscal Year	(1) Net Assets Available for Benefits**	(2) Pension Benefit Obligation (PBO)	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded PBO (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded PBO as a Percentage of Covered Payroll (4) ÷ (5)
1985	\$1,812,025	\$2,310,374	78.4%	\$498,349	\$1,337,535	37.3%
1986	2,076,864	2,590,445	80.2	513,581	1,457,848	35.2
1987	2,382,503	2,839,047	83.9	456,544	1,546,296	29.5
1988***	2,610,913	3,334,423	78.3	723,510	1,659,171	43.6
1989†	2,934,977	3,714,257	79.0	779,280	1,815,433	42.9

Public Employees Police and Fire Fund

Fiscal Year	(1) Net Assets Available for Benefits**	(2) Pension Benefit Obligation (PBO)	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded (assets in excess of) PBO (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded PBO as a Percentage of Covered Payroll (4) ÷ (5)
1985	\$ 330,662	\$ 352,356	93.8%	\$ 21,694	\$ 130,725	16.6%
1986	405,825	402,314	100.9	(3,511)	144,392	N/A
1987	484,462	437,229	110.8	(47,233)	154,906	N/A
1988***	544,068	512,921	106.1	(31,147)	167,857	N/A
1989†	637,868	582,299	135.4	(55,569)	185,899	N/A

Police and Fire Consolidation Fund

Fiscal Year	(1) Net Assets Available for Benefits**	(2) Pension Benefit Obligation (PBO)	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded PBO (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded PBO as a Percentage of Covered Payroll (4) ÷ (5)
1988***	\$ 22,574	\$ 38,408	58.8%	\$ 15,834	\$ 2,554	620.0%
1989†	29,708	42,746	69.5	13,038	3,455	377.4

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of PERA's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of PERA's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the retirement system.

*Ten-year historical trend information is unavailable for years prior to 1985.

**At cost (See Note B.3.a.).

***In fiscal year 1988, the effect of using a new mortality table increased the PBO by \$179,670,000 in the PERF, \$18,805,000 in the PEPFF, and \$2,460,000 in the PFCF.

†In fiscal year 1989, the effect of changes in plan benefits and actuarial assumptions increased (decreased) the PBO by \$43,318,000 in the PERF, \$1,888,000 in the PEPFF and \$(2,808,000) in the PFCF.

FINANCIAL SECTION

Required Supplementary Information
Revenue by Source
 (IN THOUSANDS)

Public Employees Retirement Fund

FISCAL YEAR	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION			INVESTMENT INCOME*	OTHER	TOTAL
		AMOUNT	PERCENT OF COVERED PAYROLL				
1980	\$44,051	\$59,581	6.4%	\$ 69,172	\$3,019	\$175,823	
1981	48,714	65,985	6.4	109,798	287	224,784	
1982	52,277	70,913	6.5	117,583	2,712	243,485	
1983	66,181	74,005	6.5	149,413	2,691	292,290	
1984	58,348	78,967	6.4	132,373	412	270,100	
1985	60,564	68,375	5.1	172,045	668	301,652	
1986	64,778	71,434	4.9	251,461	2,642	390,315	
1987	67,945	74,391	4.8	311,530	2,572	456,438	
1988	71,504	78,092	4.7	244,981	2,394	396,971	
1989	77,525	84,306	4.6	340,048	2,457	504,336	

Public Employees Police and Fire Fund

FISCAL YEAR	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION			INVESTMENT INCOME*	OTHER	TOTAL
		AMOUNT	PERCENT OF COVERED PAYROLL				
1980	\$ 6,305	\$ 9,460	12.8%	\$11,317	\$ 634	\$ 27,716	
1981	7,109	10,660	12.4	17,345	638	35,752	
1982	7,973	11,946	12.3	19,038	750	39,707	
1983	9,702	12,953	12.3	25,391	540	48,586	
1984	9,671	14,473	12.3	21,546	354	46,044	
1985	10,530	15,747	12.0	29,946	394	56,617	
1986	11,583	17,341	12.0	50,537	6,538	85,999	
1987	12,416	18,596	12.0	60,542	675	92,229	
1988	13,436	20,126	12.0	39,747	1,697	75,006	
1989	14,832	22,210	12.0	71,947	2,052	111,041	

Police and Fire Consolidation Fund

FISCAL YEAR	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION	INVESTMENT INCOME*	OTHER	TOTAL
1988	\$ 105	\$ 159	\$ 1,308	\$1,525	\$3,097
1989	262	1,870	2,770	83	4,985

*Includes Distributed Income of the Minnesota Post Retirement Investment Fund.

FINANCIAL SECTION

Required Supplementary Information
Expense by Type
 (IN THOUSANDS)

Public Employees Retirement Fund

<u>FISCAL YEAR</u>	<u>BENEFIT</u>	<u>REFUND</u>	<u>ADMINISTRATION</u>	<u>OTHER</u>	<u>TOTAL</u>
1980	\$ 41,338	\$10,962	\$1,463	\$ 23	\$ 53,786
1981	45,921	10,092	1,776	156	57,945
1982	52,744	11,869	2,357	146	67,116
1983	62,588	10,471	2,506	20,900	96,465
1984	74,237	23,756	2,792	26,608	127,393
1985	90,389	13,158	2,888	60	106,495
1986	108,133	12,566	2,868	1,909	125,476
1987	128,009	13,356	3,189	6,245	150,799
1988	148,587	14,175	3,412	2,387	168,561
1989	162,130	12,463	3,831	1,848	180,272

Public Employees Police and Fire Fund

<u>FISCAL YEAR</u>	<u>BENEFIT</u>	<u>REFUND</u>	<u>ADMINISTRATION</u>	<u>OTHER</u>	<u>TOTAL</u>
1980	\$ 3,289	\$1,022	\$ 76	\$ —	\$ 4,387
1981	3,717	788	93	15	4,613
1982	4,500	728	130	34	5,392
1983	5,358	825	141	1,935	8,259
1984	6,352	2,043	164	3,793	12,352
1985	7,616	1,032	175	363	9,186
1986	9,197	906	176	529	10,808
1987	11,314	1,055	208	1,017	13,594
1988	13,821	693	233	653	15,400
1989	15,446	969	263	563	17,241

Police and Fire Consolidation Fund

<u>FISCAL YEAR</u>	<u>BENEFIT</u>	<u>REFUND</u>	<u>ADMINISTRATION</u>	<u>OTHER</u>	<u>TOTAL</u>
1988	\$ 846	\$ —	\$ 6	\$ 224	\$ 1,076
1989	1,844	64	13	31	1,952

FINANCIAL SECTION

Combining Balance Sheet

FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

	Defined Benefit Funds			Agency Fund	Total
	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund	Ambulance Service Personnel Fund	
Assets					
Cash	\$ 634	\$ 98	\$ 2	\$	\$ 734
Accounts Receivable	212	215	1,371		1,798
Due From Other Funds	259	28			287
Investments					
Minnesota Outside Managed Pooled Accounts (Market: \$2,008,334)	1,305,554	464,171	9,763		1,779,488
Short-term Pooled Cash	30,123	14,195	602		44,920
Equity in Minnesota Post Retirement Investment Fund (Market: \$2,003,375)	1,605,292	159,565	18,780		1,783,637
Cash and Investments for Deferred Compensation Benefits				15	15
Fixed Assets, Net of Accumulated Depreciation	298				298
Other	22				22
Total Assets	\$ 2,942,394	\$ 638,272	\$ 30,518	\$ 15	\$ 3,611,199
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	\$ 7,182	\$ 154	\$ 801	\$	\$ 8,137
Accrued Compensated Absences	207				207
Deferred Compensation Benefits Payable to Other Funds	28	250	9	15	15
					287
Total Liabilities	\$ 7,417	\$ 404	\$ 810	\$ 15	\$ 8,646
Fund Balance:					
Member Reserves	\$ 534,906	\$ 107,659	\$ 2,806	\$	\$645,371
Minnesota Post Retirement Investment Fund Reserve	1,605,292	159,565	18,780		1,783,637
Benefit Reserves	2,035,042	384,551	19,019		2,438,612
Total Reserves	\$ 4,175,240	\$ 651,775	\$ 40,605	\$	\$ 4,867,620
Unreserved Fund Balance --					
Unfunded Actuarial Accrued Liability	\$(1,240,263)	\$ (13,907)	\$ (10,897)	\$	\$(1,265,067)
Total Fund Balance	\$ 2,934,977	\$ 637,868	\$ 29,708	\$	\$ 3,602,553
Total Liabilities and Fund Balance	\$ 2,942,394	\$ 638,272	\$ 30,518	\$ 15	\$ 3,611,199

FINANCIAL SECTION

**Combining Statement
of Revenues, Expenses, and Changes
in Fund Balance**

FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund	Total
Operating Revenues:				
Member Contribution	\$ 77,525	\$ 14,832	\$ 262	\$ 92,619
Employer Contribution	84,306	22,210	1,870	108,386
Investment Income	170,563	55,384	918	226,865
Distributed Income of the Minnesota Post Retirement Investment Fund	169,485	16,563	1,852	187,900
State Appropriations	1,639	71		1,710
Police State Aid		1,845		1,845
Other	818	136	83	1,037
Total Operating Revenues	\$ 504,336	\$ 111,041	\$ 4,985	\$ 620,362
Operating Expenses:				
Benefits Paid	\$ 162,130	\$ 15,446	\$ 1,844	\$ 179,420
Refunds	12,463	969	64	13,496
Administrative Expenses	3,831	263	13	4,107
Investment Management Fees	1,506	517	15	2,038
Interest on Late Transfer to MPRI Fund	315	32	16	363
Other	27	14		41
Total Operating Expenses	\$ 180,272	\$ 17,241	\$ 1,952	\$ 199,465
Other Changes in Reserves:				
Local Relief Association Mergers	\$ 0	\$ 0	\$ 4,102	\$ 4,102
Total Other Changes in Reserves	\$ 0	\$ 0	\$ 4,102	\$ 4,102
Net Fund Balance Additions	\$ 324,064	\$ 93,800	\$ 7,135	\$ 424,999
Fund Balance, July 1, 1988	2,610,913	544,068	22,573	3,177,554
Fund Balance, June 30, 1989	\$2,934,977	\$ 637,868	\$ 29,708	\$3,602,553

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

FINANCIAL SECTION

**Combining Statement
of Changes in Financial Position**

FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>	<u>Police and Fire Consolidation Fund</u>	<u>Total</u>
Cash Provided:				
From Operations –				
Net Income	\$ 324,064	\$ 93,800	\$ 7,135	\$ 424,999
Items Added to (Deducted From) Net Income:				
Decrease (Increase) in Current Assets:				
Accounts Receivable	\$ (55)	\$ (61)	\$ (572)	\$ (688)
Due From Other Funds	(28)	(10)		(38)
Other Current Assets	3			3
Increase (Decrease) in Current Liabilities:				
Accounts Payable	(82,680)	(5,811)	(49)	(88,540)
Accrued Compensated Absences	8			8
Payable to Other Funds	11	22	5	38
Depreciation	81			81
Total Items Added (Deducted)	\$ (82,660)	\$ (5,860)	\$ (616)	\$ (89,136)
Total Cash Provided from Operations	\$ 241,404	\$ 87,940	\$ 6,519	\$ 335,863
Cash Applied:				
Investment in Fixed Assets	\$ 132	\$ 0	\$ 0	\$ 132
Total Cash Applied	\$ 132	\$ 0	\$ 0	\$ 132
Net Increase (Decrease) in Cash and Investments	\$ 241,272	\$ 87,940	\$ 6,519	\$ 335,731
Cash and Investments, July 1, 1988	\$2,700,331	\$ 550,089	\$ 22,628	\$3,273,048
Cash and Investments, June 30, 1989	\$2,941,603	\$ 638,029	\$ 29,147	\$3,608,779

FINANCIAL SECTION
Statement of Revenues
Expenses, and Changes in Fund Balance
Public Employees Retirement Fund
 FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

	<u>Member</u>	<u>Minnesota Post Retirement Investment Fund</u>	<u>Benefit</u>	<u>Unreserved Fund Balance</u>	<u>Total</u>
Operating Revenues:					
Member Contribution	\$ 77,525	\$	\$	\$	\$ 77,525
Employer Contribution			84,306		84,306
Investment Income			170,563		170,563
Distributed Income of the Minnesota Post Retirement Investment Fund		169,485			169,485
State Appropriations			1,639		1,639
Other	6		812		818
Total Operating Revenues	\$ 77,531	\$ 169,485	\$ 257,320	\$	\$ 504,336
Operating Expenses:					
Benefits Paid	\$ 1,299	\$ 147,588	\$ 13,243	\$	\$ 162,130
Refunds	10,223		2,240		12,463
Administrative Expenses			3,831		3,831
Investment Management Fees			1,506		1,506
Interest on Late Transfer to MPRI Fund			315		315
Other	11		16		27
Total Operating Expenses	\$ 11,533	\$ 147,588	\$ 21,151	\$	\$ 180,272
Other Changes in Reserves:					
Annuities Awarded	\$ (15,731)	\$ 100,650	\$ (84,919)	\$	\$ 0
Mortality Loss		6,321	(6,321)		0
Transfers Between Reserves	(180)		180		0
Total Other Changes in Reserves	\$ (15,911)	\$ 106,971	\$ (91,060)	\$	\$ 0
Net Fund Balance Additions	\$ 50,087	\$ 128,868	\$ 145,109	\$	\$ 324,064
Change in Unfunded Accrued Liability			95,568	(95,968)	0
Fund Balance, July 1, 1988	484,819	1,476,424	1,794,365	(1,144,695)	2,610,913
Fund Balance, June 30, 1989	\$ 534,906	\$1,605,292	\$2,035,042	\$(1,240,263)	\$2,934,977

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

FINANCIAL SECTION

**Statement of Revenues
Expenses, and Changes in Fund Balance
Public Employees Police and Fire Fund**

FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

	<u>Member</u>	<u>Minnesota Post Retirement Investment Fund</u>	<u>Benefit</u>	<u>Unreserved Fund Balance</u>	<u>Total</u>
Operating Revenues:					
Member Contribution	\$ 14,832	\$	\$	\$	\$ 14,832
Employer Contribution			22,210		22,210
Investment Income			55,384		55,384
Distributed Income of the Minnesota Post Retirement Investment Fund		16,563			16,563
State Appropriations			71		71
Police State Aid			1,845		1,845
Other	11		125		136
Total Operating Revenues	\$ 14,843	\$ 16,563	\$ 79,635	\$	\$111,041
Operating Expenses:					
Benefits Paid	\$ 481	\$ 13,095	\$ 1,870	\$	\$ 15,446
Refunds	773		196		969
Administrative Expenses			263		263
Investment Management Fees			517		517
Interest on Late Transfer to MPRI Fund			32		32
Other	6		8		14
Total Operating Expenses	\$ 1,260	\$ 13,095	\$ 2,886	\$	\$ 17,241
Other Changes in Reserves:					
Annuities Awarded	\$ (1,334)	\$ 10,977	\$ (9,643)	\$	\$ 0
Mortality Loss		(67)	67		0
Transfers Between Reserves	(30)		30		0
Total Other Changes in Reserves	\$ (1,364)	\$ 10,910	\$ (9,546)	\$	\$ 0
Net Fund Balance Additions	\$ 12,219	\$ 14,378	\$ 67,203	\$	\$ 93,800
Change in Unfunded Accrued Liability			(16,158)	16,158	0
Fund Balance, July 1, 1988	95,440	145,187	333,506	(30,065)	544,068
Fund Balance, June 30, 1989	\$107,659	\$159,565	\$384,551	\$ (13,907)	\$637,868

FINANCIAL SECTION

**Statement of Revenues
Expenses, and Changes in Fund Balance
Police and Fire Consolidation Fund**

FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

	<u>Member</u>	<u>Minnesota Post Retirement Investment Fund</u>	<u>Benefit</u>	<u>Unreserved Fund Balance</u>	<u>Total</u>
Operating Revenues:					
Member Contribution	\$ 262	\$	\$	\$	\$ 262
Employer Contribution			1,870		1,870
Investment Income			918		918
Distributed Income of the Minnesota Post Retirement Investment Fund		1,852			1,852
Other			83		83
Total Operating Revenues	\$ 262	\$ 1,852	\$ 2,871	\$	\$ 4,985
Operating Expenses:					
Benefits Paid	\$ 23	\$ 1,701	\$ 120	\$	\$ 1,844
Refunds	44		20		64
Administrative Expenses			13		13
Investment Management Fees			15		15
Interest on Late Transfer to MPRI Fund			16		16
Total Operating Expenses	\$ 67	\$ 1,701	\$ 184	\$	\$ 1,952
Other Changes in Reserves:					
Annuities Awarded	\$ (108)	\$ 1,428	\$ (1,320)	\$	\$ 0
Mortality Loss		796	(796)		0
Transfer Between Reserves	(145)		145		0
Local Relief Association Mergers	342		3,760		4,102
Total Other Changes in Reserves	\$ 89	\$ 2,224	\$ 1,789	\$	\$ 4,102
Net Fund Balance Additions	\$ 284	\$ 2,375	\$ 4,476	\$	\$ 7,135
Change in Unfunded Accrued Liability			(1,751)	1,751	0
Fund Balance, July 1, 1988	2,522	16,405	16,294	(12,648)	22,573
Fund Balance, June 30, 1989	\$ 2,806	\$ 18,780	\$ 19,019	\$ (10,897)	\$ 29,708

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

FINANCIAL SECTION

Schedule of Administrative Expenses

FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

Personal Services:		
Staff Salaries	\$1,816	
Social Security	117	
Retirement	87	
Insurance and Workers' Compensation	138	
Total Personal Services		\$2,158
Professional Services:		
Actuarial	\$ 175	
Audit	34	
Legal	36	
Investment Consultants	75	
Management Consultants	95	
Total Professional Services		415
Communication:		
Printing	\$ 151	
Telephone	26	
Postage	329	
Travel	29	
Mailing Services	22	
Total Communication		557
Rentals:		
Office Space	\$ 306	
Equipment Leasing	34	
Total Rentals		340
Other:		
Medical Examinations	\$ 31	
Stationery and Office Supplies	44	
Maintenance Service Contracts	58	
Software - Data Base	280	
Depreciation	81	
Education (Employees)	10	
Publications and Subscriptions	12	
Meeting Expense	13	
Vehicle Expense	5	
Equipment (\$500 and Under)	4	
Fees and Other Fixed Charges	8	
Indirect Cost from State	69	
Miscellaneous	22	
Total Other		637
Total Administrative Expense		\$4,107
Allocation of Administrative Expense:		
Public Employees Retirement Fund	\$3,831	
Public Employees Police and Fire Fund	263	
Police and Fire Consolidation Fund	13	
Total		\$4,107

FINANCIAL SECTION

Summary Schedules

FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

Summary Schedule of Cash Receipts and Disbursements

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund	Total
Cash Balance at Beginning of Year	\$ 212	\$ 83	\$ 1	\$ 296
Add Receipts:				
Member Contributions	77,542	14,832	262	92,636
Employer Contributions	84,361	22,224	1,789	108,374
Investment Income	169,322	54,965	911	225,198
Minnesota Post Retirement Investment Fund	147,588	13,095	1,665	162,348
Investments Redeemed/Sold	676,110	180,881	13,489	870,480
Local Relief Association Mergers	0	0	3,722	3,722
Other	4,401	2,120	2	6,523
Total Cash Receipts	\$1,159,324	\$ 288,117	\$ 21,840	\$1,469,281
Less Disbursements:				
Benefit Payments	\$ 162,600	\$ 15,517	\$ 1,846	\$ 179,963
Refunds	12,552	983	64	13,599
Administrative Expense	5,475	288	36	5,799
Investments Purchased	788,092	254,428	17,660	1,060,180
Minnesota Post Retirement Investment Fund	189,774	16,831	2,218	208,823
Other	409	55	15	479
Total Cash Disbursements	\$1,158,902	\$ 288,102	\$ 21,839	\$1,468,843
Cash Balance at End of Year: June 30, 1989	\$ 634	\$ 98	\$ 2	\$ 734

Summary Schedule of Commissions and Payments to Consultants

Individual or Firm Name	Nature of Services	Fee Paid
Gabriel, Roeder, Smith & Co.	Actuary	\$ 45
Wyatt Co.	Actuary	130
Arnott Sauer, CPA	Audit	2
Richards & Tierney	Investment	40
Laventhal Horowath	Investment	33
The Sterling Group	Investment	2
McGladrey, Hendrickson & Pullen	Management	29
Pension Benefit Information	Management	2
Benefacts, Inc.	Communication	45
State of Minnesota —		
Attorney General	Legal	36
Administrative Hearings Office	Legal	7
Rehabilitation Services Div.	Management	4
Intertechnologies Group	Management	7
Legislative Auditor	Auditor	32
Revisor	Management	1
		<u>\$415</u>

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

FINANCIAL SECTION
Investment Summaries
 FOR FISCAL YEAR ENDED JUNE 30, 1989 (IN THOUSANDS)

Public Employees Retirement Fund			
	<u>Market Value June 30, 1988</u>	<u>Cost June 30, 1988</u>	<u>Acquisitions</u>
Pooled Accounts			
Venture Capital	\$ 35,911	\$ 35,847	\$ 10,222
External Active Managed	237,138	221,711	142,053
Indexed Fund	586,386	473,219	163,531
Real Estate Fund	121,063	100,685	3,549
Resources Fund	20,347	23,146	4,486
Fixed Income Pool	<u>306,021</u>	<u>313,883</u>	<u>179,724</u>
Total Pooled Accounts	<u>\$1,306,866</u>	<u>\$1,168,491</u>	<u>\$ 503,565</u>

Public Employees Police and Fire Fund			
	<u>Market Value June 30, 1988</u>	<u>Cost June 30, 1988</u>	<u>Acquisitions</u>
Pooled Accounts			
Venture Capital	\$ 11,701	\$ 11,679	\$ 3,913
External Active Managed	77,305	72,829	51,669
Indexed Fund	191,158	157,656	61,902
Real Estate Fund	39,465	33,308	2,487
Resources Fund	6,633	7,540	1,761
Fixed Income Pool	<u>99,761</u>	<u>102,208</u>	<u>62,241</u>
Total Pooled Accounts	<u>\$ 426,023</u>	<u>\$ 385,220</u>	<u>\$ 183,973</u>

Police and Fire Consolidation Fund			
	<u>Market Value June 30, 1988</u>	<u>Cost June 30, 1988</u>	<u>Acquisitions</u>
Pooled Accounts			
Venture Capital	\$ 148	\$ 154	\$ 156
External Active Managed	970	858	1,494
Indexed Fund	2,398	2,224	2,370
Real Estate Fund	495	485	342
Resources Fund	83	84	82
Equity/Fixed Income Securities	0	0	35
Fixed Income Pool	<u>1,251</u>	<u>1,318</u>	<u>3,661</u>
Total Pooled Accounts	<u>\$ 5,345</u>	<u>\$ 5,123</u>	<u>\$ 8,140</u>

<u>Dispositions</u>	<u>Cost June 30, 1989</u>	<u>Market Value June 30, 1989</u>
\$ 2,417	\$ 43,652	\$ 43,916
62,385	301,379	332,132
116,064	520,686	634,957
6,796	97,438	122,805
1,598	26,034	23,410
<u>177,242</u>	<u>316,365</u>	<u>320,259</u>
<u>\$ 366,502</u>	<u>\$1,305,554</u>	<u>\$1,477,479</u>

<u>Dispositions</u>	<u>Cost June 30, 1989</u>	<u>Market Value June 30, 1989</u>
\$ 265	\$ 15,327	\$ 15,473
17,746	106,752	117,013
32,822	186,736	223,701
768	35,027	43,265
173	9,128	8,248
<u>53,248</u>	<u>111,201</u>	<u>112,830</u>
<u>\$ 105,022</u>	<u>\$ 464,171</u>	<u>\$ 520,530</u>

<u>Dispositions</u>	<u>Cost June 30, 1989</u>	<u>Market Value June 30, 1989</u>
\$ 5	\$ 305	\$ 301
218	2,134	2,298
465	4,129	4,460
11	816	860
2	164	164
35	0	0
<u>2,764</u>	<u>2,215</u>	<u>2,242</u>
<u>\$ 3,500</u>	<u>\$ 9,763</u>	<u>\$ 10,325</u>

ACTUARIAL SECTION
Certification Letter

THE *Wyatt* COMPANY

15TH FLOOR
8400 NORMANDALE LAKE BOULEVARD
MINNEAPOLIS, MINNESOTA 55437

ACTUARIAL SERVICES
COMPENSATION PROGRAMS
ADMINISTRATIVE SYSTEMS
INTERNATIONAL SERVICES
ORGANIZATION SURVEYS

(612) 921-8700

EMPLOYEE BENEFITS
EMPLOYEE COMMUNICATIONS
RISK MANAGEMENT
INSURANCE CONSULTING
HEALTH CARE CONSULTING

October 18, 1989

Board of Trustees
Public Employees Retirement
Association of Minnesota
514 St. Peter Street
St. Paul, MN 55102-1190

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, 1989.

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 the Funds are either ahead of or on schedule to meet the required dates for full funding.

The actuarial valuation was based upon applicable statutory provisions and the Standards for Actuarial Work in effect on July 1, 1989. The basic financial and employee data used in the actuarial valuation are those submitted to us by the association office.

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.

Significant changes in plan benefits became effective this past year. As a result of these changes, the actuarial accrued liability increased by \$140,858,000 for the PERF and by \$24,183,000 for the PEPFF. The actuarial value of projected benefits increased by \$276,897 for the PFCF. Actuarial assumptions were also changed at the same time and that reduced the actuarial accrued liability by \$98,631,000 for the PERF and by \$21,280,000 for the PEPFF. The actuarial value of projected benefits decreased by \$3,331,521 for the PFCF.

The following table shows the date for full funding for each of the three plans and the funding percentage for the 1989 valuation. The funding percentage expresses current assets as a percentage of the actuarial accrued liability determined on the entry age normal cost method.

Fund	Funding Date	Funded Percentage
PERF	2020	72%
PEPFF	2020	101
PFCF	2010	74

With respect to the assumptions used in this valuation, we believe there is a need to evaluate the reasonableness of the assumed termination rates by comparing them with the actual experience of the Funds. The study of termination rates currently being conducted by the actuary retained by the association will be the basis for determining any necessary changes in this regard.

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

Respectfully submitted,

Robert E. Perkins

Robert E. Perkins
Fellow, Society of
Actuaries

ACTUARIAL SECTION
**Cost Method
 and Assumptions**

JUNE 30, 1989

Public Employees Retirement Fund

Actuarial Cost Method Entry Age Normal. Actuarial gains and losses are recognized as they occur and are amortized in accordance with state law.*

Actuarial Assumptions

- | | |
|---|---|
| 1. a. Retirement | Age 64. In addition, 50% utilization of retirement when age plus service totals 90.††† |
| b. Mortality | 1971 Group Annuity Mortality Table projected to 1984 for males and females.‡ |
| c. Mortality-Disabled | 1965 Railroad Workers Select Mortality.†† |
| d. Disability | Graduated rates. See table on following page for sample values.† |
| e. Termination | Graduated rates. Table on following page shows sample values.** |
| 2. Allowance for Expenses | .29% of payroll.‡‡ |
| 3. Asset Valuation | Cost plus 1/3 unrealized gains or losses.† |
| 4. Investment Return | 8.5% compounded annually, preretirement.‡‡
5% compounded annually, post-retirement.† |
| 5. Earnings Progression | 6.5% per year.† |
| 6. Active Member Payroll Growth (Reflects group size and inflation) | 6.5% per year.† |

Public Employees P & F Fund

Actuarial Cost Method Entry Age Normal. Actuarial gains and losses are recognized as they occur and are amortized in accordance with state law.*

Actuarial Assumptions

- | | |
|---|---|
| 1. a. Retirement | Age 60.*** |
| b. Mortality | 1971 Group Annuity Mortality Table projected to 1984 for males and females.‡ |
| c. Mortality-Disabled | 1965 Railroad Workers Select Mortality.†† |
| d. Disability | Graduated rates. Table on following page shows sample values.† |
| e. Termination | Graduated rates. See table on following page for sample values.** |
| 2. Allowance for Expenses | .42% of payroll.‡‡ |
| 3. Asset Valuation | Cost plus 1/3 unrealized gains or losses.† |
| 4. Investment Return | 8.5% compounded annually, preretirement.‡‡
5% compounded annually, post-retirement.† |
| 5. Earnings Progression | 6.5% per year.† |
| 6. Active Member Payroll Growth (Reflects group size and inflation) | 6.5% per year.† |

Police and Fire Consolidation Fund

For members selecting benefit provisions of the Public Employees Police and Fire Fund, the actuarial cost method and actuarial assumptions are the same as those indicated above. For members selecting benefit provisions of the local relief association, the actuarial assumptions used may vary depending upon the provisions of the particular relief association.

Adoption Dates

- | | | |
|-------|---------|---------|
| *1960 | ** 1965 | ***1976 |
| †1984 | ††1986 | †††1987 |
| ‡1988 | ‡ ‡1989 | |

ACTUARIAL SECTION
Actuarial Tables
 JUNE 30, 1989

Schedule of Recommended vs. Actual Contributions

	<u>Actual Contribution Rate</u>			<u>Recommended Rate</u>
	<u>Member</u>	<u>Employer</u>	<u>Total</u>	
Public Employees Retirement Fund	4.47	4.86	9.33	8.83
Public Employees Police and Fire Fund	8.00	12.00	20.00	16.21
Police and Fire Consolidation Fund	8.00	12.00	20.00	20.00 *

*Plus additional dollar amount determined annually to amortize the Unfunded Accrued Liability (UAL) by the year 2010.

Sample Annual Rate per 100 Employees

<u>Public Employees Retirement Fund</u>						<u>Public Employee Police and Fire Fund & Police and Fire Consolidation Fund</u>				
<u>Age</u>	<u>Mortality</u>		<u>Disability</u>	<u>Termination</u>		<u>Age</u>	<u>Mortality</u>		<u>Disability</u>	<u>Termination</u>
	<u>Male</u>	<u>Female</u>	<u>All Employees</u>	<u>Male</u>	<u>Female</u>		<u>Male</u>	<u>Female</u>	<u>All Employees</u>	<u>All Employees</u>
20	.05	.02	.09	27.50	38.32	20	.05	.02	.11	7.00
25	.06	.03	.10	21.60	33.56	25	.06	.03	.13	6.97
30	.07	.04	.11	16.10	28.05	30	.07	.04	.16	6.58
35	.10	.05	.12	11.70	21.60	35	.10	.05	.19	5.11
40	.15	.08	.15	8.18	13.40	40	.15	.08	.26	2.45
45	.27	.12	.22	5.80	9.00	45	.27	.12	.36	1.18
50	.49	.18	.33	3.85	6.63	50	.49	.18	.69	.50
55	.78	.27	.58	1.95	4.78	55	.78	.27	1.35	.11
60	1.21	.46	1.18	—	—	60	1.21	.46	—	—
65	1.95	.81	—	—	—	65	1.95	.81	—	—

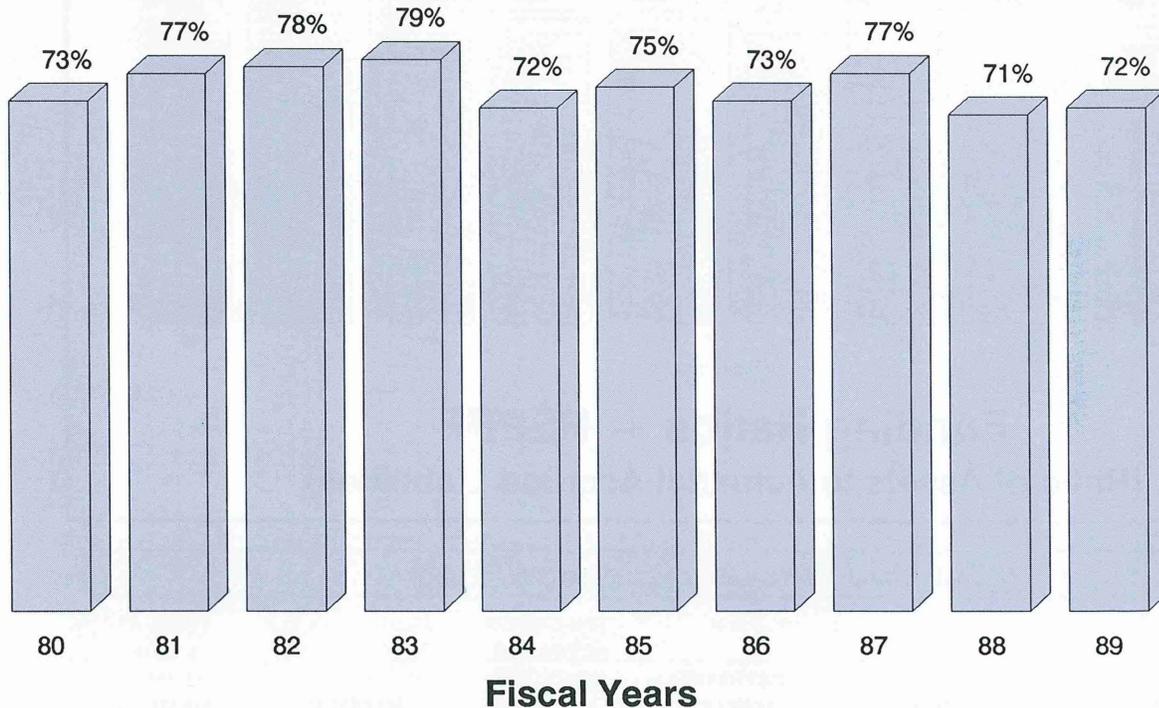
ACTUARIAL SECTION

Summary of Accrued and Unfunded Accrued Liabilities

LAST TEN YEARS
(IN THOUSANDS)

Public Employees Retirement Fund

VALUATION DATE	ACTUARIAL ACCRUED LIABILITIES (AAL)	VALUATION ASSETS	RATIO OF ASSETS TO AAL	UNFUNDED ACTUARIAL ACCRUED LIABILITIES (UAAL)	ACTIVE MEMBER PAYROLL	UAAL AS A % OF ACTIVE MEMBER PAYROLL
6-30-80	\$1,262,499	\$ 923,153	73%	\$ 339,347	\$ 930,299	36%
6-30-81	1,435,641	1,101,848	77	333,793	1,037,048	32
6-30-82	1,646,988	1,278,463	78	368,525	1,079,973	34
6-30-83	1,875,560	1,474,041	79	401,519	1,135,785	35
6-30-84	2,228,361	1,599,674	72	628,688	1,225,625	51
6-30-85	2,457,725	1,842,957	75	614,768	1,295,674	47
6-30-86	2,925,006	2,148,114	73	776,892	1,457,848	53
6-30-87	3,188,962	2,457,899	77	731,063	1,546,296	47
6-30-88	3,755,608	2,657,038	71	1,098,570	1,659,171	66
6-30-89	4,175,240	2,992,285	72	1,182,955	1,815,433	65



Funding Ratios – PERF
(Ratio of Assets to Actuarial Accrued Liabilities)

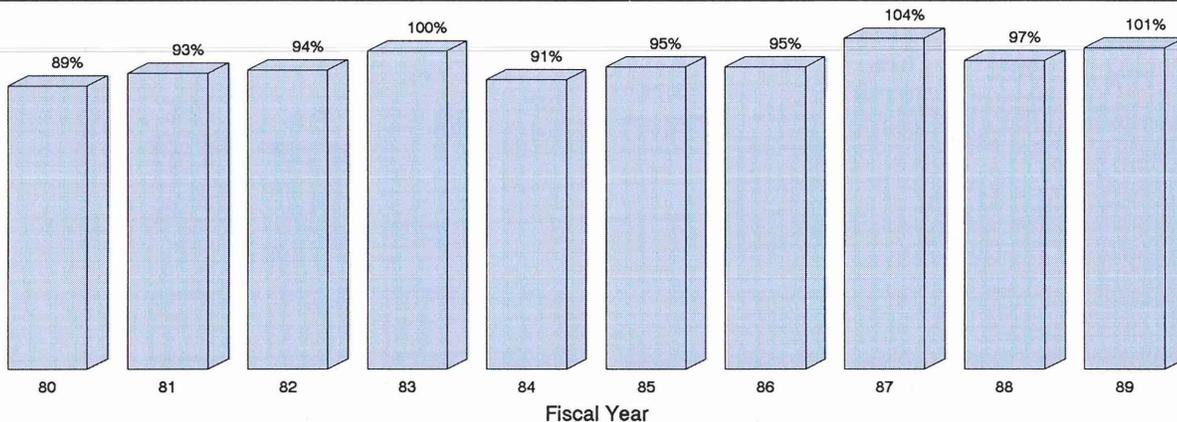
ACTUARIAL SECTION

**Summary of Accrued and
Unfunded Accrued Liabilities**

LAST TEN YEARS
(IN THOUSANDS)

Public Employees Police and Fire Fund

VALUATION DATE	ACTUARIAL ACCRUED LIABILITIES (AAL)	VALUATION ASSETS	RATIO OF ASSETS TO AAL	UNFUNDED ACTUARIAL ACCRUED LIABILITIES (UAAL)	ACTIVE MEMBER PAYROLL	UAAL AS A % OF ACTIVE MEMBER PAYROLL
6-30-80	\$161,723	\$143,125	89%	\$18,599	\$ 78,851	24%
6-30-81	187,934	174,896	93	13,038	85,810	15
6-30-82	222,472	209,225	94	13,247	97,296	14
6-30-83	250,280	249,540	100	740	105,153	1
6-30-84	306,817	279,757	91	27,060	117,881	23
6-30-85	357,742	338,400	95	19,342	128,518	15
6-30-86	447,742	424,936	95	22,806	144,392	16
6-30-87	486,674	506,153	104	-0-	154,906	-0-
6-30-88	574,133	557,669	97	16,464	167,857	10
6-30-89	651,776	656,654	101	-0-	185,899	-0-



Funding Ratios – PEPFF
(Ratio of Assets to Actuarial Accrued Liabilities)

Police and Fire Consolidation Fund

VALUATION DATE	ACCRUED LIABILITIES (AAL)	VALUATION ASSETS	RATIO OF ASSETS TO AAL	UNFUNDED ACTUARIAL ACCRUED LIABILITIES (UAAL)	MEMBER PAYROLL	UAAL AS A % OF ACTIVE MEMBER PAYROLL
6-30-88	\$ 35,221	\$ 22,648	64%	\$12,573	\$ 2,554	492%
6-30-89	40,605	29,895	74	10,710	3,455	310

ACTUARIAL SECTION

Solvency Test

LAST TEN YEARS
(IN THOUSANDS)

Public Employees Retirement Fund

ACTUARIAL ACCRUED LIABILITIES FOR:								
VALUATION DATE	(1)	(2)	(3)	VALUATION ASSETS	PORTION OF ACCRUED LIABILITIES COVERED BY VALUATION ASSETS			
	ACTIVE MEMBER CONTRIBUTIONS	RETIRANTS AND BENEFICIARIES	ACTIVE MEMBERS (EMPLOYER FINANCED) PORTION		(1)	(2)	(3)	
6-30-80	\$258,891	\$ 367,547	\$ 636,062	\$ 923,152	100%	100%	46.6%	
6-30-81	288,843	433,833	712,964	1,101,848	100	100	53.2	
6-30-82	319,169	513,219	814,600	1,278,463	100	100	54.8	
6-30-83	348,904	623,703	902,952	1,474,041	100	100	55.5	
6-30-84	367,381	743,815	1,117,165	1,599,674	100	100	43.7	
6-30-85	391,294	936,995	1,129,435	1,842,957	100	100	45.6	
6-30-86	421,678	1,153,359	1,349,969	2,148,114	100	100	42.5	
6-30-87	452,560	1,370,653	1,365,749	2,457,899	100	100	46.5	
6-30-88	484,819	1,633,391	1,637,398	2,657,038	100	100	20.3	
6-30-89	534,906	1,800,411	1,839,923	2,992,285	100	100	35.7	

Public Employees Police and Fire Fund

ACTUARIAL ACCRUED LIABILITIES FOR:								
VALUATION DATE	(1)	(2)	(3)	VALUATION ASSETS	PORTION OF ACCRUED LIABILITIES COVERED BY VALUATION ASSETS			
	ACTIVE MEMBER CONTRIBUTIONS	RETIRANTS AND BENEFICIARIES	ACTIVE MEMBERS (EMPLOYER FINANCED) PORTION		(1)	(2)	(3)	
6-30-80	\$33,388	\$ 38,873	\$ 89,462	\$143,124	100%	100%	79.2%	
6-30-81	39,000	44,502	104,433	174,896	100	100	87.5	
6-30-82	45,913	59,879	120,931	209,225	100	100	85.5	
6-30-83	52,234	65,633	132,413	249,540	100	100	99.4	
6-30-84	58,690	75,351	172,277	279,757	100	100	84.3	
6-30-85	66,628	92,676	198,438	338,400	100	100	90.3	
6-30-86	76,534	118,926	252,282	424,936	100	100	91.0	
6-30-87	85,542	141,324	259,808	506,153	100	100	107.5	
6-30-88	95,440	174,131	304,562	557,669	100	100	94.6	
6-30-89	107,659	196,269	347,848	656,654	100	100	101.4	

Police and Fire Consolidation Fund

ACTUARIAL ACCRUED LIABILITIES FOR:								
VALUATION DATE	(1)	(2)	(3)	VALUATION ASSETS	PORTION OF ACCRUED LIABILITIES COVERED BY VALUATION ASSETS			
	ACTIVE MEMBER CONTRIBUTIONS	RETIRANTS AND BENEFICIARIES	ACTIVE MEMBERS (EMPLOYER FINANCED) PORTION		(1)	(2)	(3)	
6-30-88	\$2,522	\$18,204	\$17,017	\$22,648	100%	100%	11.3%	
6-30-89	2,806	21,708	16,089	29,895	100	100	18.0	

ACTUARIAL SECTION

**Schedule of Active Member
Valuation Data**

LAST TEN YEARS

Public Employees Retirement Fund

<u>VALUATION DATE</u>	<u>NUMBER</u>	<u>ANNUAL PAYROLL</u>	<u>ANNUAL AVERAGE PAY</u>	<u>% INCREASE IN AVERAGE PAY</u>
6-30-80	85,860	\$ 930,299,069	\$10,835	8.2%
6-30-81	87,857	1,037,047,955	11,804	8.9
6-30-82	85,438	1,079,973,418	12,640	7.1
6-30-83	83,351	1,135,784,941	13,626	7.8
6-30-84	83,702	1,225,624,802	14,643	7.5
6-30-85	86,344	1,295,674,181	15,006	2.5
6-30-86	89,336	1,457,848,000	16,319	8.7
6-30-87	92,497	1,546,296,000	16,717	2.4
6-30-88	95,224	1,659,171,000	17,424	4.2
6-30-89	99,515	1,815,433,000	18,243	4.7

Public Employees Police and Fire Fund

<u>VALUATION DATE</u>	<u>NUMBER</u>	<u>ANNUAL PAYROLL</u>	<u>ANNUAL AVERAGE PAY</u>	<u>% INCREASE IN AVERAGE PAY</u>
6-30-80	4,185	\$ 75,851,475	\$18,125	8.9%
6-30-81	4,356	85,810,155	19,699	8.7
6-30-82	4,508	97,295,847	21,583	9.6
6-30-83	4,596	105,153,394	22,879	6.0
6-30-84	4,744	117,880,783	24,848	8.6
6-30-85	4,928	128,518,325	26,079	5.0
6-30-86	5,127	144,392,000	28,163	8.0
6-30-87	5,385	154,906,000	28,766	2.1
6-30-88	5,611	167,857,000	29,916	4.0
6-30-89	5,891	185,899,000	31,556	5.5

Police and Fire Consolidation Fund

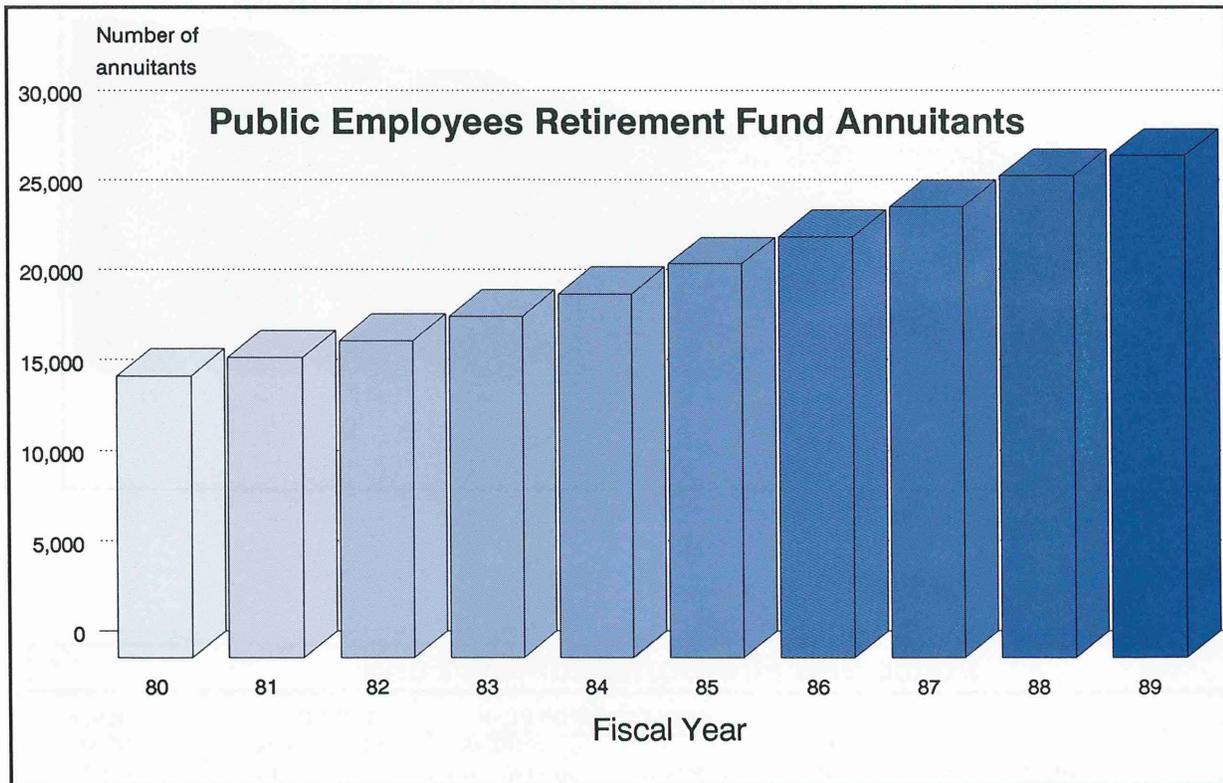
<u>VALUATION DATE</u>	<u>NUMBER</u>	<u>ANNUAL PAYROLL</u>	<u>ANNUAL AVERAGE PAY</u>	<u>% INCREASE IN AVERAGE PAY</u>
6-30-88	93	\$2,553,569	\$27,458	—%
6-30-89	102	3,454,608	33,869	23.3

ACTUARIAL SECTION

**Schedule of
Retirants and Beneficiaries**
LAST TEN YEARS

Public Employees Retirement Fund

YEAR ENDED	NUMBER ADDED	NUMBER REMOVED	ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
			NUMBER	ANNUAL ALLOWANCES		
6-30-80	1,670	803	15,616	\$ 39,887,823	10.3%	\$2,554
6-30-81	1,808	809	16,615	45,556,533	14.2	2,742
6-30-82	1,746	832	17,529	52,708,964	15.7	3,007
6-30-83	2,170	823	18,876	64,156,295	21.7	3,399
6-30-84	2,125	880	20,121	76,064,731	18.6	3,780
6-30-85	2,534	865	21,790	93,826,168	23.4	4,306
6-30-86	2,505	949	23,322	109,613,000	16.8	4,700
6-30-87	2,750	1,057	25,015	130,745,000	19.3	5,227
6-30-88	2,780	1,095	26,700	150,527,000	15.1	5,638
6-30-89	2,221	1,049	27,872	165,706,000	10.1	5,945

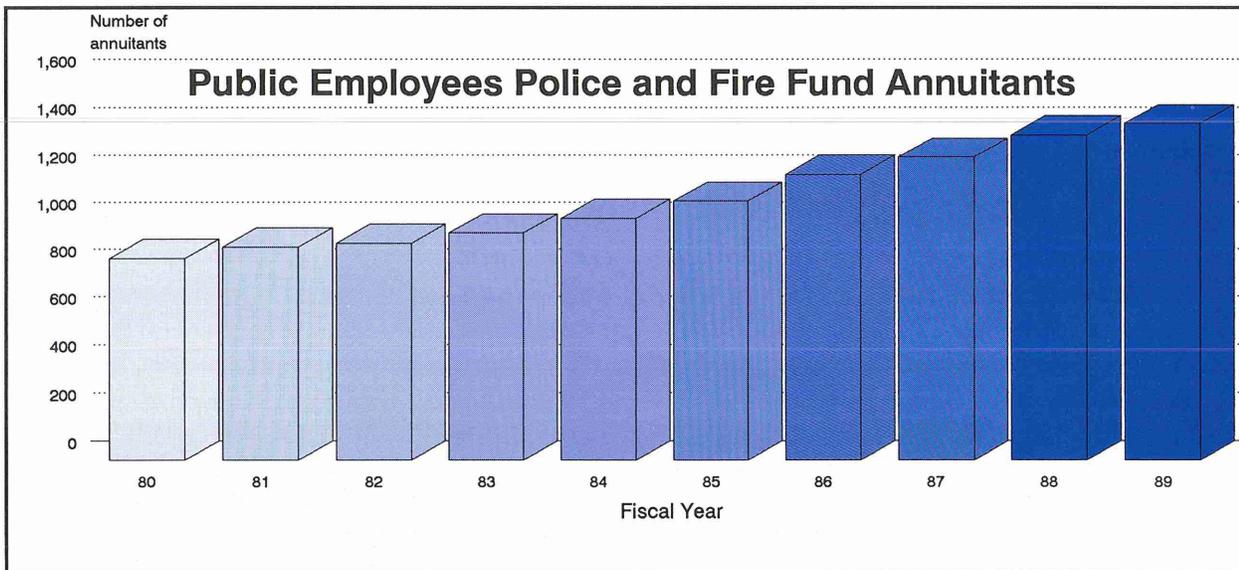


ACTUARIAL SECTION

**Schedule of
Retirants and Beneficiaries**
LAST TEN YEARS

Public Employees Police and Fire Fund

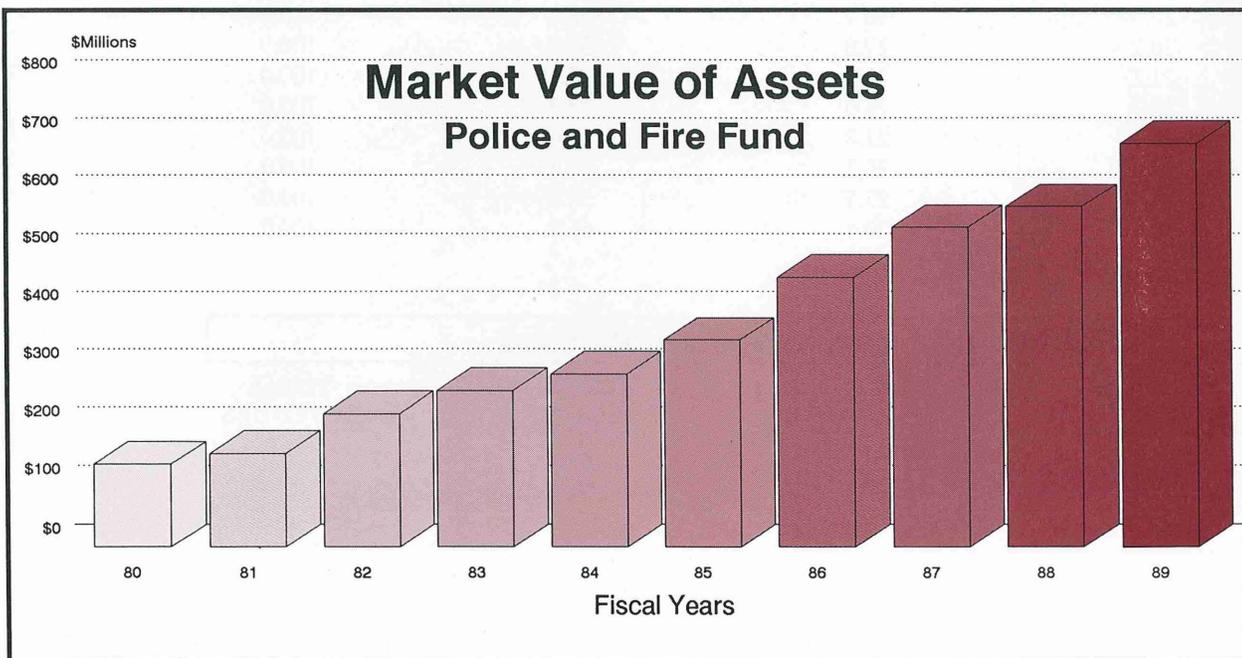
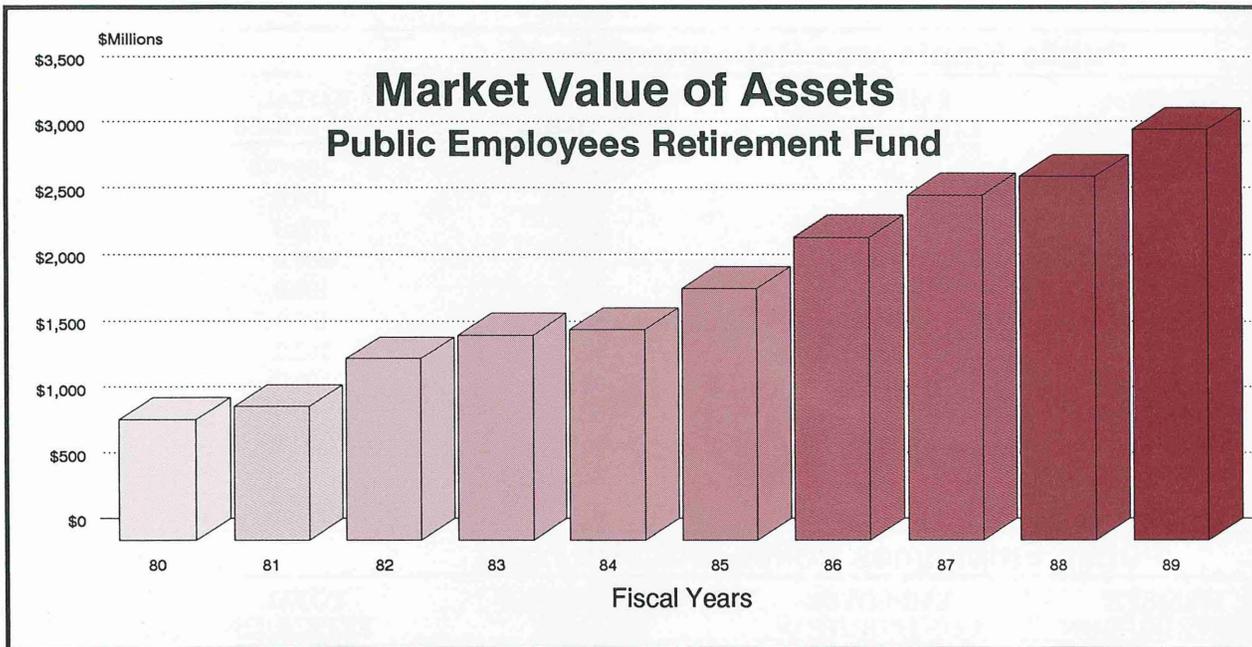
YEAR ENDED	NUMBER ADDED	NUMBER REMOVED	ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
			NUMBER	ANNUAL ALLOWANCES		
6-30-80	101	71	843	\$ 3,378,785	15.3%	4,008
6-30-81	120	74	889	3,874,616	14.7	4,358
6-30-82	94	76	907	4,691,766	21.1	5,173
6-30-83	84	41	950	5,576,067	18.8	5,870
6-30-84	102	39	1,013	6,592,773	18.2	6,508
6-30-85	120	46	1,087	8,004,954	21.4	7,364
6-30-86	150	47	1,198	9,554,000	19.4	7,975
6-30-87	143	70	1,271	11,788,000	23.4	9,275
6-30-88	152	60	1,363	14,090,000	19.5	10,337
6-30-89	98	49	1,412	15,831,000	12.4	11,212



Police and Fire Consolidation Fund

YEAR ENDED	NUMBER ADDED	NUMBER REMOVED	ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
			NUMBER	ANNUAL ALLOWANCES		
6-30-88	138	12	126	\$ 1,681,943	— %	\$13,349
6-30-89	18	4	140	1,977,728	17.6	14,127

STATISTICAL SECTION



STATISTICAL SECTION

**Revenue Ratios
by Source of Revenue**

EXCLUDING OTHER INCOME
LAST TEN YEARS

Public Employees Retirement Fund

<u>FISCAL YEAR</u>	<u>MEMBER CONTRIBUTION</u>	<u>EMPLOYER CONTRIBUTION</u>	<u>INVESTMENT INCOME</u>	<u>TOTAL REVENUES</u>
1980	25.5%	34.5%	40.0%	100.0%
1981	21.7	29.4	48.9	100.0
1982	21.7	29.5	48.8	100.0
1983	22.8	25.6	51.6	100.0
1984	21.6	29.3	49.1	100.0
1985	20.1	22.7	57.2	100.0
1986	16.7	18.4	64.9	100.0
1987	14.9	16.4	68.7	100.0
1988	18.1	19.8	62.1	100.0
1989	15.4	16.8	67.8	100.0

Public Employees Police and Fire Fund

<u>FISCAL YEAR</u>	<u>MEMBER CONTRIBUTION</u>	<u>EMPLOYER CONTRIBUTION</u>	<u>INVESTMENT INCOME</u>	<u>TOTAL REVENUES</u>
1980	23.3%	34.9%	41.8%	100.0%
1981	20.2	30.4	49.4	100.0
1982	20.5	30.7	48.8	100.0
1983	20.2	27.0	52.8	100.0
1984	21.2	31.7	47.1	100.0
1985	18.7	28.0	53.3	100.0
1986	14.6	21.8	63.6	100.0
1987	13.6	20.3	66.1	100.0
1988	18.3	27.5	54.2	100.0
1989	13.6	20.4	66.0	100.0

Police and Fire Consolidation Fund

<u>FISCAL YEAR</u>	<u>MEMBER CONTRIBUTION</u>	<u>EMPLOYER CONTRIBUTION</u>	<u>INVESTMENT INCOME</u>	<u>TOTAL REVENUES</u>
1988	6.7%	10.1%	83.2%	100.0%
1989	5.3	38.2	56.5	100.0%

STATISTICAL SECTION

Benefit Expense by Type

LAST TEN YEARS
(IN THOUSANDS)

Public Employees Retirement Fund

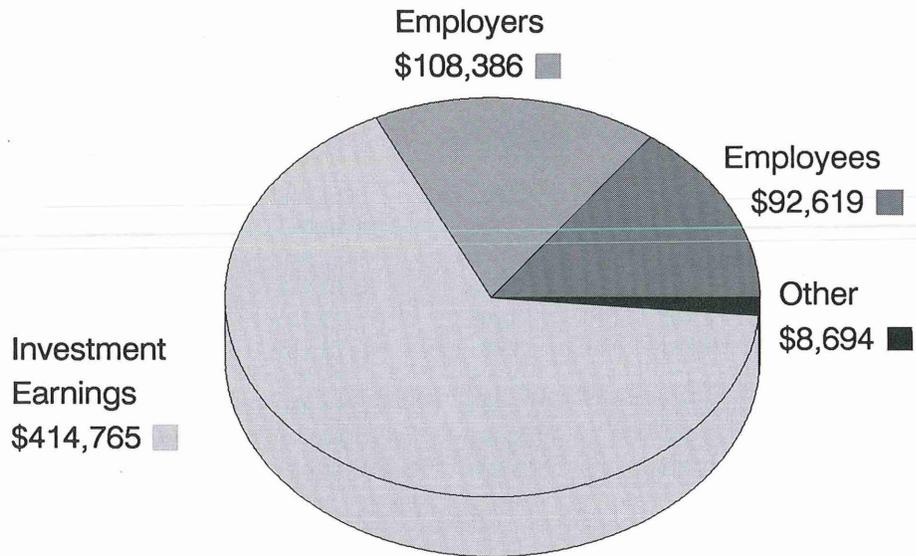
<u>FISCAL YEAR</u>	<u>RETIREMENT</u>	<u>SURVIVOR</u>	<u>DISABILITY</u>	<u>REFUND</u>	<u>TOTAL</u>
1980	\$ 33,458	\$ 5,618	\$2,262	\$10,962	\$ 52,300
1981	37,584	5,851	2,486	10,092	56,013
1982	48,865	6,213	2,666	11,869	64,613
1983	52,963	6,669	2,956	10,471	73,059
1984	64,011	7,161	3,065	23,756	97,993
1985	79,476	7,631	3,281	13,158	103,546
1986	96,584	8,174	3,375	12,566	120,699
1987	115,903	8,712	3,394	13,356	141,365
1988	135,602	9,302	3,683	14,175	162,762
1989	148,601	9,709	3,820	12,463	174,593

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>
1980	\$ 2,710	\$ 451	\$ 127	\$ 1,022	\$ 4,310
1981	3,073	486	157	788	4,504
1982	3,656	568	276	728	5,228
1983	4,377	680	300	825	6,182
1984	5,210	771	371	2,043	8,395
1985	6,328	860	427	1,032	8,647
1986	7,750	943	504	906	10,103
1987	9,662	1,023	629	1,055	12,369
1988	11,842	1,115	864	693	14,514
1989	13,142	1,217	1,087	969	16,415

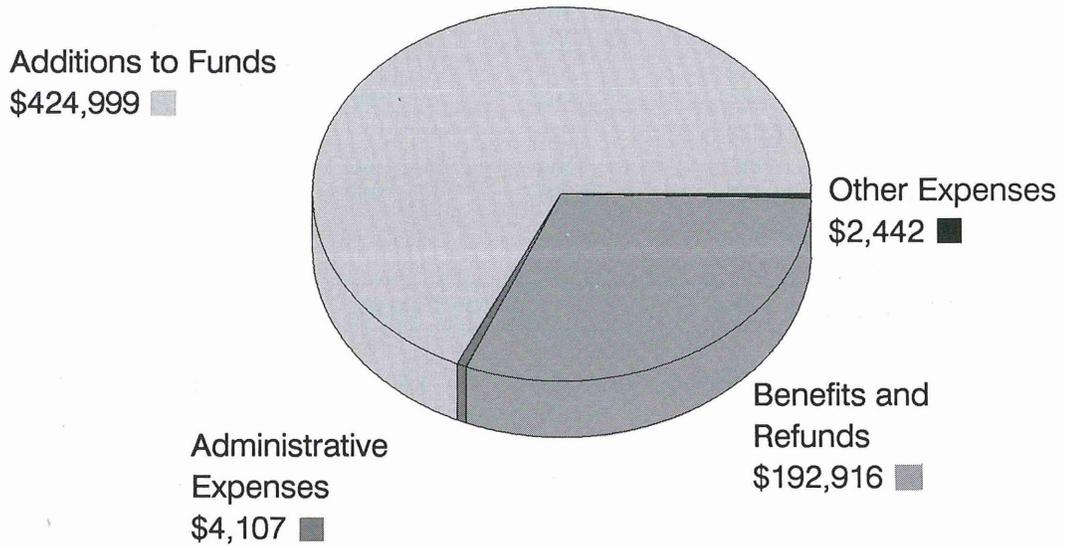
Police and Fire Consolidation Fund

<u>FISCAL YEAR</u>	<u>RETIREMENT</u>	<u>SURVIVOR</u>	<u>DISABILITY</u>	<u>REFUND</u>	<u>TOTAL</u>
1988	\$ 655	\$ 155	\$ 36	\$ —	\$ 864
1989	1,744	75	25	64	1,908



Revenue by Source

All Funds
(In Thousands)



Revenue Allocation

All Funds
(In Thousands)

STATISTICAL SECTION

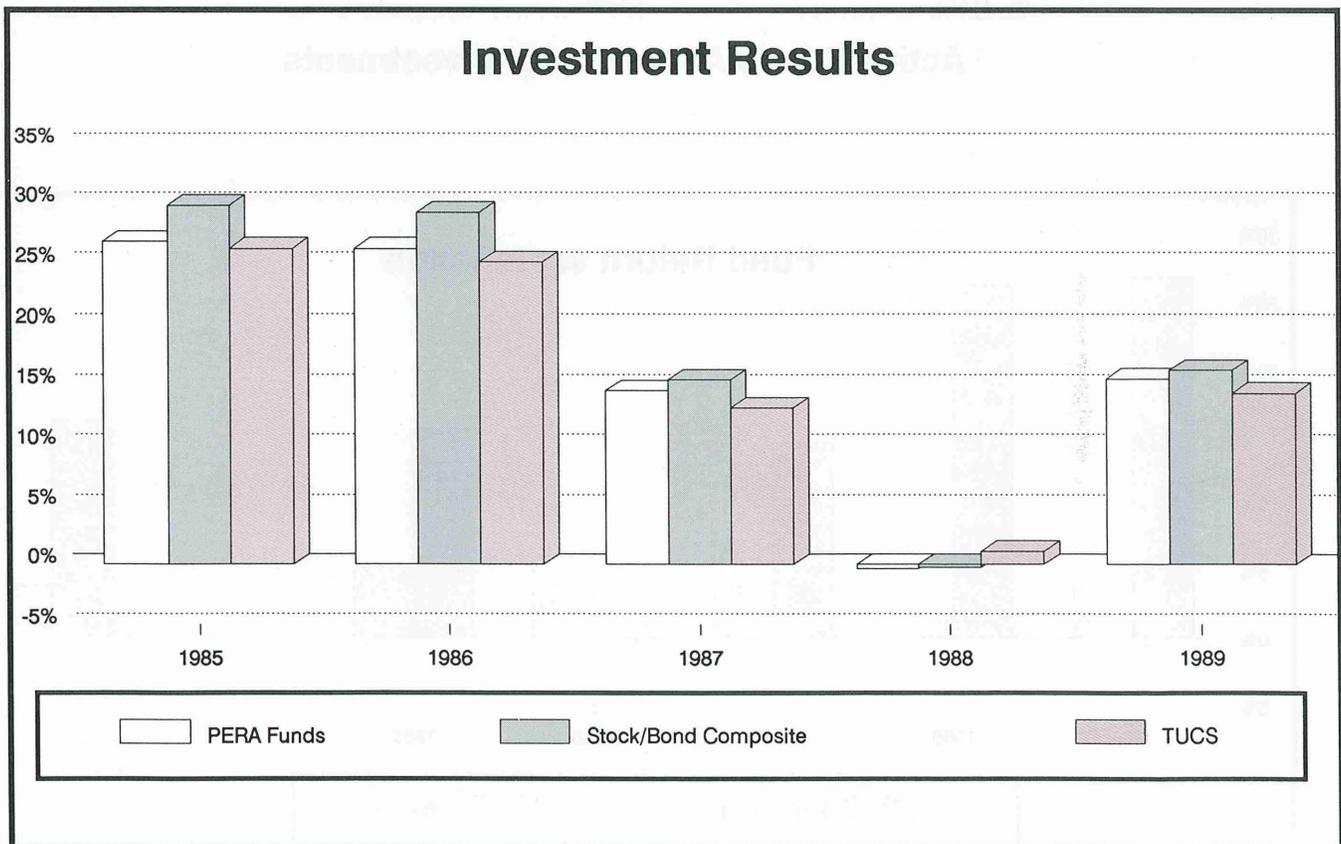
Investment Results

LAST FIVE YEARS

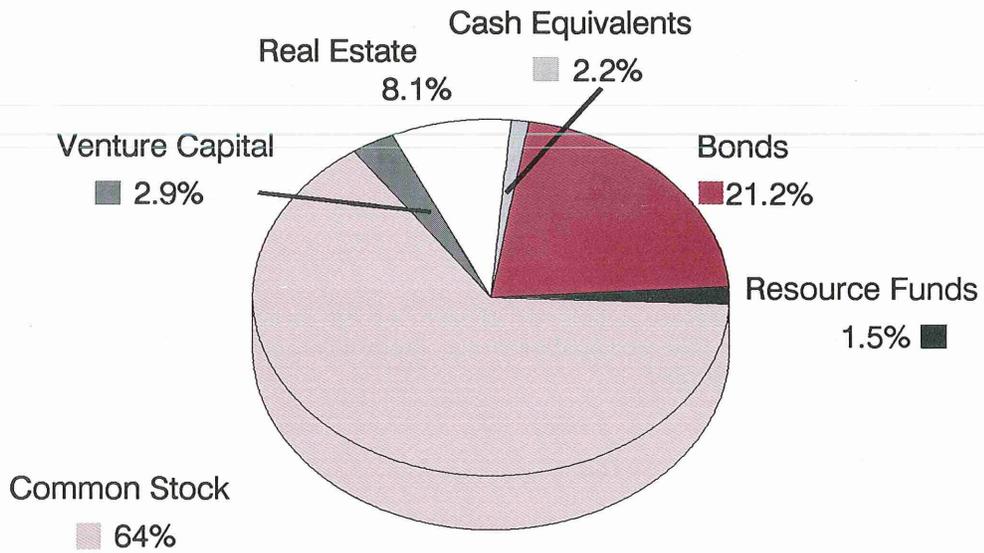
Investment Results Last 5 Years

	Fiscal Year					5 - Year Average
	1985	1986	1987	1988	1989	
Rate of Return – Time Weighted*						
PERA Funds	26.8	26.2	14.5	-0.3	15.5	16.1
Inflation Rate – Consumer Price Index	3.7	1.7	3.7	3.9	5.2	3.7
Market Indicator						
Stock/Bond Composite Index	29.8	29.2	15.4	-0.2	16.2	16.3
Trust Universe Comparison Service (TUCS)	26.2	25.1	13.1	1.1	14.3	16.6

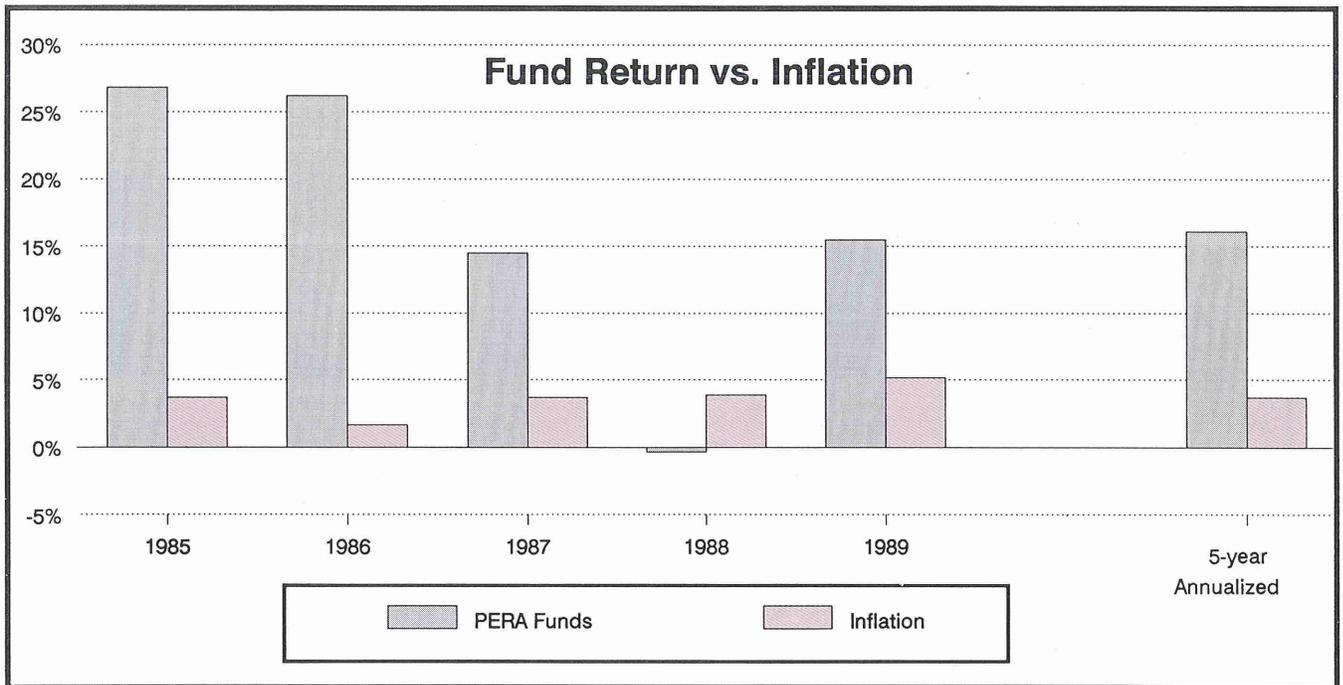
*The time-weighted performance measure includes the effect of income earned as well as realized and unrealized portfolio market value changes. In addition, the time-weighted total rate of return nets out the influence of contributions made to and distributions taken from the manager or fund.



Investments



Active Funds Allocation of Investments



STATISTICAL SECTION

Schedule of Retired Members
by Amount and Type of Benefit

Public Employees Retirement Fund

<u>Amount of Monthly Benefit</u>	<u>Annuitant</u>	<u>Optional Annuitant</u>	<u>Disabilitant</u>	<u>Survivor</u>	<u>Total</u>
\$ 1- 200	7,874	583	265	1,317	10,039
201- 400	5,206	394	179	787	6,566
401- 600	2,994	243	73	184	3,494
601- 800	1,794	151	39	205	2,189
801-1,000	1,335	88	41	101	1,565
1,001-1,200	955	52	34	30	1,071
1,201-1,400	805	40	22	12	879
1,401-1,600	599	21	12	1	633
1,601-1,800	451	17	11		479
1,801-2,000	291	7	7		305
Over 2,000	628	17	6	1	652
	<u>22,932</u>	<u>1,613</u>	<u>689</u>	<u>2,638</u>	<u>27,872</u>

Public Employees Police and Fire Fund

<u>Amount of Monthly Benefit</u>	<u>Annuitant</u>	<u>Optional Annuitant</u>	<u>Disabilitant</u>	<u>Survivor</u>	<u>Total</u>
\$ 1- 200	65	14	1	61	141
201- 400	87	27	3	53	170
401- 600	111	33	6	24	174
601- 800	106	17	15	20	158
801-1,000	111	12	12	30	165
1,001-1,200	113	8	15	14	150
1,201-1,400	102	6	18	4	130
1,401-1,600	100	4	7	3	114
1,601-1,800	58	1	3		62
1,801-2,000	61	1	2		64
Over 2,000	81	1	2		84
	<u>995</u>	<u>124</u>	<u>84</u>	<u>209</u>	<u>1,412</u>

Police and Fire Consolidation Fund

<u>Amount of Monthly Benefit</u>	<u>Annuitant</u>	<u>Optional Annuitant</u>	<u>Disabilitant</u>	<u>Survivor</u>	<u>Total</u>
401- 600				1	1
601- 800	1	31		7	39
801-1,000	1	4		2	7
1,001-1,200	14		3		17
1,201-1,400	10		1		11
1,401-1,600	60				60
1,601-1,800	5				5
	<u>91</u>	<u>35</u>	<u>4</u>	<u>10</u>	<u>140</u>

STATISTICAL SECTION

Average Benefit Payments

LAST FIVE YEARS

Schedule of Average Benefit Payments

Public Employees Retirement Fund							
Retirement Effective Dates	Years of Service						
July 1, 1984 to June 30, 1989	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/84 to 6/30/85:							
Average Monthly Benefit	\$91.01	\$153.68	\$176.56	\$399.41	\$769.56	\$1,241.06	\$1,688.59
Number of Active Retirants	56	103	433	446	328	332	280
Period 7/1/85 to 6/30/86:							
Average Monthly Benefit	\$87.84	\$123.42	\$168.02	\$341.36	\$758.23	\$1,155.38	\$1,750.36
Number of Active Retirants	71	126	486	485	340	259	234
Period 7/1/86 to 6/30/87:							
Average Monthly Benefit	\$88.38	\$121.09	\$166.08	\$312.52	\$714.82	\$1,127.36	\$1,725.32
Number of Active Retirants	82	168	526	574	382	251	238
Period 7/1/87 to 6/30/88:							
Average Monthly Benefit	\$88.24	\$104.89	\$161.05	\$288.71	\$624.29	\$1,072.45	\$1,667.94
Number of Active Retirants	83	216	596	558	371	179	219
Period 7/1/88 to 6/30/89:							
Average Monthly Benefit	\$58.38	\$100.91	\$160.62	\$285.53	\$535.72	\$940.39	\$1,522.12
Number of Active Retirants	71	245	466	462	302	87	117
Period 7/1/84 to 6/30/89:							
Average Monthly Benefit	\$82.78	\$115.60	\$166.06	\$323.21	\$682.92	\$1,144.43	\$1,687.85
Number of Active Retirants	363	873	2,507	2,525	1,723	1,108	1,088

STATISTICAL SECTION

Average Benefit Payments

LAST FIVE YEARS

Schedule of Average Benefit Payments

Public Employees Police and Fire Fund							
Retirement Effective Dates July 1, 1984 to June 30, 1989	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/84 to 6/30/85:							
Average Monthly Benefit	\$183.69	\$399.04	\$629.12	\$1,049.47	\$1,539.99	\$1,914.31	\$2,086.86
Number of Active Retirants	2	7	16	19	14	20	4
Period 7/1/85 to 6/30/86:							
Average Monthly Benefit	\$92.36	\$371.68	\$665.77	\$929.01	\$1,237.42	\$1,713.60	\$1,974.01
Number of Active Retirants	3	7	8	15	26	18	11
Period 7/1/86 to 6/30/87:							
Average Monthly Benefit	\$136.78	\$462.26	\$573.32	\$995.71	\$1,359.27	\$1,629.39	\$2,375.86
Number of Active Retirants	4	6	11	11	21	20	19
Period 7/1/87 to 6/30/88:							
Average Monthly Benefit	\$253.03	\$345.79	\$614.91	\$1,108.12	\$1,409.04	\$1,786.86	\$2,165.29
Number of Active Retirants	7	7	14	20	26	17	13
Period 7/1/88 to 6/30/89:							
Average Monthly Benefit	\$133.92	\$734.17	\$642.52	\$1,168.13	\$1,135.96	\$1,892.13	\$2,101.27
Number of Active Retirants	4	7	6	8	16	12	4
Period 7/1/84 to 6/30/89:							
Average Monthly Benefit	\$174.92	\$462.60	\$621.14	\$1,045.69	\$1,330.95	\$1,779.32	\$2,191.28
Number of Active Retirants	20	34	55	73	103	87	51

STATISTICAL SECTION

Participating Employers

Cities and Townships

Ada	Bird Island	Clarissa	Dunnell	Garvin	Hinckley
Adams	Biscay	Clarkfield	Eagan	Gary	Hitterdal
Adrian	Biwabik	Clarks Grove	Eagle Bend	Gaylord	Hoffman
Aitkin	Blackduck	Clear Lake	Eagle Lake	Ghent	Hokah
Akeley	Blaine	Clearbrook	East Bethel	Gibbon	Holding
Albany	Blooming Prairie	Clearwater	East Grand Forks	Gilbert	Holdingford
Albert Lea	Bloomington	Clements	Easton	Gilman	Holland
Albertville	Blue Earth	Cleveland	Echo	Glencoe	Holloway
Albion	Bovey	Clinton	Eden Prairie	Glenville	Hollywood
Alden	Boyd	Clontarf	Eden Valley	Glenwood	Home
Alexandria	Braham	Cloquet	Edgerton	Glyndon	Hopkins
Alpha	Brainerd	Cokato	Edina	Gnesen	Houston
Altura	Branch	Cold Spring	Eitzen	Golden Valley	Howard Lake
Alvarado	Brandon	Coleraine	Elbow Lake	Gonvick	Hoyt Lakes
Amboy	Breckenridge	Cologne	Elgin	Good Thunder	Hugo
Andover	Breezy Point	Columbia Heights	Elizabeth	Goodhue	Hutchinson
Annandale	Breitung	Columbus	Elk River	Goodridge	Ideal
Anoka	Brewster	Comfrey	Elko	Goodview	Independence
Antrim	Bricelyn	Concord	Ellendale	Graceville	International Falls
Appleton	Bristol	Conger	Ellsworth	Grand Marais	Inver Grove Heights
Apple Valley	Brook Park	Cook	Elmdale	Grand Meadow	Iona
Arden Hills	Brooklyn Center	Coon Rapids	Elmore	Grand Rapids	Iron Range
Argyle	Brooklyn Park	Corcoran	Ely	Granada	Irondale
Arlington	Brooten	Corinna	Elysian	Granite Falls	Ironton
Ashby	Browerville	Cosmos	Embarrass	Grant	Isanti
Ashland	Browns Valley	Cottage Grove	Emily	Grasston	Isle
Askov	Brownsdale	Cottonwood	Emmons	Great Scott	Ivanhoe
Atwater	Brownton	Courtland	Empire	Green Isle	Jackson
Audubon	Buffalo	Cromwell	Erhard	Greenbush	Janesville
Aurora	Buffalo Lake	Crookston	Erskine	Greenfield	Jasper
Austin	Buhl	Crosby	Evansville	Greenway	Jeffers
Avoca	Burns	Crosslake	Eveleth	Greenwood	Jenkins
Avon	Burnsville	Crow River	Excelsior	Grey Eagle	Johnsonville
Babbitt	Butterfield	Crystal	Eyota	Grove City	Jordan
Backus	Byron	Crystal Bay	Fair Haven	Grygla	Kandiyohi
Badger	Caledonia	Currie	Fairfax	Hackensack	Karlstad
Bagley	Callaway	Cyrus	Fairmont	Hadley	Kasota
Balaton	Calumet	Dahlgren	Falcon Heights	Hallock	Kasson
Balkan	Cambridge	Dalton	Fall Lake	Halstad	Keewatin
Barnesville	Camden	Danube	Faribault	Ham Lake	Kelliher
Barnum	Campbell	Danvers	Farmington	Hamburg	Kellogg
Barrett	Canby	Darwin	Fayal	Hancock	Kennedy
Bashaw	Cannon Falls	Dassel	Felton	Hanley Falls	Kensington
Bassbrook	Canosia	Dawson	Fergus Falls	Hanover	Kenyon
Battle Lake	Canton	Dayton	Fertile	Hanska	Kerkhoven
Baudette	Carlos	Deephaven	Fifty lakes	Harmony	Kettle River
Baxter	Carlton	Deer Creek	Finlayson	Harris	Kiester
Bayport	Carrollton	Deer River	Fish Lake	Hartland	Kimball
Beardsley	Carver	Deerwood	Fisher	Hasson	Kinney
Beaver Bay	Cass Lake	DeGraft	Flensburg	Hastings	Krain
Beaver Creek	Cedar Mills	Delano	Floodwood	Hawley	La Crescent
Becker	Center City	Delavan	Foley	Hayfield	Lafayette
Belgrade	Centerville	Dellwood	Forest Lake	Hazelton	La Grande
Belle Creek	Ceylon	Dent	Foreston	Hector	Lake Benton
Belle Plaine	Champlin	Detroit Lakes	Fosston	Henderson	Lake Bronson
Bellingham	Chandler	Dewald	Fountain	Hendricks	Lake City
Belview	Chanhassen	Dexter	Franconia	Hendrum	Lake Crystal
Bemidji	Chaska	Dilworth	Frankfort	Henning	Lake Edward
Benson	Chatfield	Dodge Center	Franklin	Herman	Lake Elmo
Benton	Chisago City	Donnelly	Frazee	Hermantown	Lake Hanska
Bertha	Chisago Lake	Dovray	Freeborn	Heron Lake	Lake Lillian
Big Falls	Chisholm	Duluth	Freeport	Hewitt	Lake Park
Big Lake	Chokio	Dumont	French Lake	Hibbing	Lake St. Croix Beach
Bigelow	Circle Pines	Dundas	Fridley	Hill City	Lake Shore
Bigfork	Clara City	Dundee	Frost	Hills	Lake View
Birchwood	Claremont	Dunn	Fulda	Hilltop	Lake Wilson

Lakefield
Lakeland
Laketown
Lakeville
Lakin
Lamberton
Lancaster
Landfall
Lanesboro
LaPrairie
Lauderdale
Le Center
Le Roy
Le Sueur
Lengby
Leon
Lester Prairie
Lewiston
Lewisville
Lexington
Linden
Lindstrom
Lino Lakes
Linwood
Lismore
Litchfield
Little Canada
Little Falls
Littlefork
Livonia
Long Lake
Long Prairie
Longville
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Luverne
Lyle
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Mabel
Madelia
Madison
Madison Lake
Magnolia
Mahnommen
Mahtomedi
Mankato
Mantorville
Maple Grove
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Maple Plain
Mapleton
Mapleview
Maplewood
Marble
Marietta
Marine on St. Croix
Marshall
Martin
Marysville
May
Mayer
Maynard
Mazepa
McKinley
McGrath
McGregor
McIntosh
Medford
Medina
Melrose
Menahga
Mendota Heights
Mentor
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Middle River
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Milaca
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Millville
Milroy
Milton

Miltona
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Minnetonka Beach
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Montgomery
Monticello
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Moose Lake
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Morris
Morristown
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Morton
Motley
Mound
Mounds View
Mountain Iron
Mountain Lake
Murdock
Nashwauk
Nessel
Nevis
New Brighton
New Germany
New Hope
New London
New Munich
New Prague
New Richland
New Scandia
New Ulm
New York Mills
Newburg
Newfolden
Newport
Nicollet
Nisswa
Nordland
North Branch
North Hero
North Mankato
North Oaks
North St. Paul
Northfield
Northome
Northrop
Norway
Norwood
Oak Grove
Oak Lawn
Oak Park Heights
Oakdale
Odessa
Ogema
Ogilvie
Okabena
Oklee
Olivia
Onamia
Orono
Oronoco
Orr
Ortonville
Osakis
Oslo
Osseo
Otsego
Ostrander
Owatonna
Palisade
Park Rapids
Parkers Prairie
Paynesville
Pelican
Pelican Rapids
Pequot Lakes

Perham
Pierz
Pilot Mound
Pine City
Pine Island
Pine River
Pipestone
Plainview
Plato
Plummer
Plymouth
Powers
Preble
Preston
Princeton
Prinsburg
Prior Lake
Proctor
Quincy
Ramsey
Randall
Randolph
Ranier
Raymond
Red Lake Falls
Red Wing
Redwood Falls
Remer
Renville
Rice Lake
Richfield
Richmond
Robbinsdale
Rochester
Rock Creek
Rockford
Rogers
Rollingstone
Roosevelt
Rose Creek
Roseau
Rosemount
Roseville
Rothsay
Round Lake
Royalton
Rush City
Rushford
Rushmore
Russell
Ruthton
Rutland
Sacred Heart
St. Anthony
St. Bonifacius
St. Charles
St. Clair
St. Cloud
St. Francis
St. Hilaire
St. James
St. Joseph
St. Leo
St. Louis Park
St. Michael
St. Paul
St. Paul Park
St. Peter
Sanborn
Sandstone
Sargeant
Sartell
Sauk Centre
Sauk Rapids
Savage
Scandia Valley
Scanlon
Sebeka
Shafer
Shakopee
Shamrock
Sherburn

Shetek
Shoreview
Shorewood
Silver Bay
Silver Creek
Silver Lake
Slayton
Sleepy Eye
South International Falls
South St. Paul
South Bend
South Branch
South Haven
Southside
Spencer
Spicer
Spring Grove
Spring Lake Park
Spring Park
Spring Valley
Springfield
Stacy
Stanford
Staples
Star Lake
Starbuck
Stephen
Stewart
Stewartville
Stillwater
Stockholm
Storden
Sverdrup
Swanville
Sylvan
Taconite
Taylors Falls
Thief River Falls
Thomson
Tintah
Tonka Bay
Tower
Tracy
Trimont
Truman
Twin Lakes
Twin Valley
Two Harbors
Tyler
Ulen
Underwood
Upsala
Vadnais Heights
Vasa
Vergas
Vermillion
Verndale
Vernon
Vernon Center
Vesta
Victor
Victoria
Villard
Virginia
Wabasha
Wabasso
Waconia
Wadena
Wahkon
Waite Park
Waldorf
Walker
Walnut Grove
Waltham
Wanamingo
Wanda
Warren
Warroad
Warsaw
Waseca
Watertown
Waterville

Watkins
Watson
Waubun
Waverly
Wayzata
Welcome
Wells
Wendell
West Concord
West St. Paul
Westbrook
Wheaton
White
White Bear
White Bear Lake
Willernie
Williams
Willmar
Wilmont
Windom
Winger
Winnebago
Winona
Winsted
Winthrop
Winton
Wolf Lake
Wolverton
Wood Lake
Woodbury
Woodland
Worthington
Wrenshall
Wuori
Wyanett
Wykoff
Wyoming
York
Young America
Yucatan
Zimmerman
Zumbrota

COUNTIES

Aitkin
Anoka
Becker
Beltrami
Benton
Big Stone
Blue Earth
Brown
Carlton
Carver
Cass
Chippewa
Chisago
Clay
Clearwater
Cook
Cottonwood
Crow Wing
Dakota
Dodge
Douglas
Faribault
Fillmore
Freeborn
Goodhue
Grant
Hennepin
Houston
Hubbard
Isanti
Itasca
Jackson
Kanabec
Kandiyohi
Kittson
Koochiching
Lacqui Parle
Lake

Lake of the Woods
Le Sueur
Lincoln
Lyon
Mahnommen
Marshall
Martin
McLeod
Meeker
Mille Lacs
Morrison
Mower
Murray
Nicollet
Nobles
Norman
Olmsted
Otertail
Pennington
Pine
Pipestone
Polk
Pope
Ramsey
Red Lake
Redwood
Renville
Rice
Rock
Roseau
St. Louis
Scott
Sherburn
Sibley
Stearns
Steele
Stevens
Swift
Todd
Traverse
Wabasha
Wadena
Waseca
Washington
Watsonwan
Wilkin
Winona
Wright
Yellow Medicine

SCHOOL DISTRICTS

Ada #521
Adrian #511
Aitkin #1
Akeley #301
Albany #745
Albert Lea #241
Alden #242
Alexandria #206
Alvarado #436
Amboy-Good Thunder #79
Annandale #876
Anoka-Hennepin #11
Anoka-Isanti #15
Appleton #784
Argyle #437
Arlington-Green Isle #731
Ashby #261
Askov #566
Atwater #341
Audubon #21
Aurora-Hoyt Lakes #691
Austin #492
Babbitt #692
Backus #114
Badger #676
Bagley #162
Balaton #411
Barnesville #146
Barnum #91
Barrett #262
Battle Lake #542

Beardsley #57
 Becker #726
 Belgrade #736
 Belle Plaine #716
 Bellingham #371
 Belview #631
 Bemidji #31
 Benson #777
 Bertha-Hewitt #786
 Big Lake #727
 Bird Island #646
 Biwabik #693
 Blackduck #32
 Blooming Prairie #756
 Bloomington #271
 Blue Earth #240
 Borup #522
 Braham #314
 Brainerd #181
 Brandon #207
 Breckenridge #846
 Brewster #513
 Bricelyn #217
 Brooklyn Center #286
 Brocton #737
 Brownville #787
 Browns Valley #801
 Brownton #421
 Buffalo #877
 Buffalo Lake #647
 Buhl #694
 Buhl-Mountain Iron #713
 Burnsville #191
 Butterfield #836
 Byron #531
 Caledonia #299
 Cambridge #911
 Cambell-Tintah #852
 Canby #891
 Cannon Falls #252
 Carlton #93
 Cass Lake #115
 Ceylon #451
 Chaska #112
 Chatfield #227
 Chisholm #695
 Chokio #771
 Circle Pines #12
 Clara City #126
 Claremont #201
 Clarissa #789
 Clarkfield #892
 Clearbrook #161
 Cleveland #391
 Climax #592
 Clinton #58
 Cloquet #94
 Cold Spring #750
 Coleraine #316
 Columbia Heights #13
 Comfrey #81
 Cosmos #461
 Cottonwood #412
 Cromwell #95
 Crookston #593
 Crosby-Ironton #182
 Cyrus #611
 Dakota County Vo Tech
 Danube #648
 Dassel-Cokato #466
 Dawson #378
 Deer Creek #543
 Deer River #317
 Delano #879
 Delavan #218
 Detroit Lakes #22
 Dilworth #147
 Dodge Center #202
 Duluth #709
 Eagle Bend #790
 East Chain #453
 East Grand Forks #595
 Echo #893
 Eden Prairie #272
 Eden Valley-Watkins #463
 Edgerton #581
 Edina #273
 Elbow Lake-Wendell #263
 Elgin #806
 Elk River #728
 Ellendale #762
 Ellsworth #514
 Elmore #219
 Ely #696
 Emmons #243
 Erskine #597
 Esko #99
 Evansville #208
 Eveleth #697
 Eyota-Dover #533
 Fairfax #649
 Fairmont #454
 Faribault #656
 Farmington #192
 Fergus Falls #544
 Fergus Falls #935
 Fertile #599
 Finlayson #570
 Fisher #600
 Floodwood #698
 Foley #51
 Forest Lake #831
 Fosston #601
 Franklin #650
 Frazee #23
 Freeborn #244
 Fridley #14
 Fulda #505
 Garden City #78
 Gary #523
 Gaylord #732
 Gibbon #733
 Gilbert #699
 Glencoe #422
 Glenville #245
 Glenwood #612
 Glyndon-Felton #145
 Gonvick #158
 Goodhue #253
 Goodridge #561
 Graceville #60
 Granada-Huntley #460
 Grand Marais #166
 Grand Meadow #495
 Grand Rapids #318
 Granite Falls #894
 Greenbush #678
 Grey Eagle #791
 Grove City #464
 Grygla #447
 Hallock #351
 Halstad #524
 Hancock #768
 Harmony #228
 Hastings #200
 Hawley #150
 Hayfield #203
 Hector #651
 Henderson #734
 Hendricks #402
 Hendrum #525
 Hennepin Vo Tech #287
 Henning #545
 Herman #264
 Hermantown #700
 Heron Lake-Okabena #330
 Hibbing #701
 Hill City #2
 Hills-Beaver Creek #671
 Hinckley #573
 Hoffman #265
 Holdingford #738
 Hopkins #270
 Houston #294
 Howard Lake #880
 Humboldt #352
 Hutchinson #423
 International Falls #361
 Inver Grove Heights #199
 Isle #473
 Ivanhoe #403
 Jackson #324
 Janesville #830
 Jasper #582
 Jeffers-Storden #178
 Jordan #717
 Karlstad #353
 Kasson #204
 Kelliher #36
 Kennedy #354
 Kensington #209
 Kenyon #254
 Kerkhoven-Murdock-Sunburg #775
 Kiester #222
 Kimball #739
 Koochiching Co. #363
 La Crescent #300
 Lake County #381
 Lake Benton #404
 Lake City #813
 Lake Crystal #70
 Lake Park #24
 Lake Wilson-Chandler #918
 Lake of the Woods #390
 Lakefield #325
 Lakeville #194
 Lambertson #633
 Lancaster #356
 Lanesboro #229
 Laporte #306
 LeCenter #392
 LeRoy-Ostrander #499
 LeSueur #393
 Lester Prairie #424
 Lewiston #857
 Lindstrom-Chisago Lakes #141
 Litchfield #465
 Little Falls #482
 Littlefork-Big Falls #362
 Long Prairie #792
 Lyle #497
 Lynd #415
 Mabel-Canton #238
 Madeira #837
 Madison #377
 Magnolia #669
 Mahnommen #432
 Mahtomedi #832
 Mankato #77
 Maple Lake #881
 Mapleton #72
 Marietta #376
 Marshall #413
 Maynard #127
 Mazeppa #809
 McGregor #4
 McIntosh #603
 Medford #763
 Melrose #740
 Menahga #821
 Mentor #604
 Middle River #440
 Milaca #912
 Milan #128
 Milroy #635
 Minneapolis #15
 Minnesota #414
 Minnesota Lake #233
 Minnesota River Valley #993
 Minnetonka #276
 Montevideo #129
 Montgomery #394
 Monticello #882
 Moorhead #152
 Moose Lake #97
 Mora #332
 Morgan #636
 Morris #769
 Morristown #657
 Morriston #652
 Motley #483
 Mound #277
 Mounds View #621
 Mountain Iron #703
 Mountain Lake #173
 Nashwauk-Keewatin #319
 Nett Lake #707
 Nevis #308
 New London-Spicer #345
 New Prague #721
 New Richland #827
 New Ulm-Hanska #88
 New York Mills #553
 Newfolden #441
 Nicollet #507
 North Branch #138
 North St. Paul-Maplewood #622
 Northfield #659
 Norwood-Young America #108
 Ogilvie #333
 Oklee #627
 Olivia #653
 Onamia #480
 Orono #278
 Ortonville #62
 Osakis #213
 Oslo #442
 Osseo #279
 Owatonna #761
 Park Rapids #309
 Parkers Prairie #547
 Paynesville #741
 Pelican Rapids #548
 Pequot Lakes #186
 Perham #549
 Peterson #232
 Pierz #484
 Pillager #116
 Pine City #578
 Pine City Vo Tech
 Pine Island #255
 Pine River #117
 Pipestone #583
 Plainview #810
 Plummer #628
 Preston #233
 Princeton #477
 Prior Lake #719
 Proctor #704
 Randolph #195
 Raymond #346
 Red Lake #38
 Red Lake Falls #630
 Red Wing #256
 Redwood Falls #637
 Remer #118
 Renville #654
 Richfield #280
 Robbinsdale #281
 Rochester #535
 Rock County #670
 Rockford #883
 Roseau #682
 Rosemount #196
 Roseville #623
 Rothsay #850
 Round Lake #516
 Royalton #485
 Rush City #139
 Rushford #234
 Russell #418
 Rutherford #584
 Sacred Heart #655
 St. Anthony #282
 St. Charles #858
 St. Clair #75
 St. Cloud #742
 St. James #840
 St. Louis County #710
 St. Louis Park #283
 St. Michael-Albertville #885
 St. Paul #625
 St. Peter #508
 Sanborn #638
 Sandstone #576
 Sartell #748
 Sauk Centre #743
 Sauk Rapids #47
 Sebek #820
 Shakopee #720
 Sherburn #456
 Silver Lake #425
 Sioux Valley #328
 Slayton #504
 Sleepy Eye #84
 South Koochiching County-Rainy River
 Southland #500
 South St. Paul #6
 South Washington County #833
 Spring Grove #297
 Spring Lake Park #16
 Spring Valley #237
 Springfield #85
 Staples #793
 Starbuck #614
 Stephen #443
 Stewart #426
 Stewartville #534
 Stillwater #834
 Strandquist #444
 Suburban Hennepin Vo Tech
 Swanville #486
 Taylors Falls #140
 Thief River Falls #564
 Tower-Soudan #708
 Tracy #417
 Trimont #457
 Truman #458
 Twin Valley #526
 Tyler #409
 Ulen-Hitterdal #914
 Underwood #550
 Upsala #487
 Verdi #408
 Verdale #818
 Villard #615
 Virginia #706
 Wabasha-Kellogg #811
 Wabasso #640
 Waconia #110
 Wadena #819
 Wadena Vo Tech
 Waldorf-Pemberton #913
 Walker #119
 Walnut Grove #641
 Wanamingo #258
 Warren #446
 Warroad #690
 Waseca #829
 Watertown-Mayer #111
 Waterville-Elysian #395
 Waubun-Ogema-White Earth #435
 Wayzata #284
 Welcome #459
 Wellcome Memorial-Garden City #78
 Wells #224
 West Concord #205
 West St. Paul #197
 Westbrook #175
 Wheaton #803
 White Bear Lake Vo Tech #916
 Willmar #347
 Willow River #577
 Windom #177
 Winnebago #225
 Winona #861
 Winsted #427
 Winthrop #735
 Wood Lake #896
 Worthington #518
 Wrenshall #100
 Wykoff #236
 Zumbrota #260

MISCELLANEOUS

Adams Health Care Center
Agassiz Valley Vocational Center
Aitkin County Soil and Water
Alexandria Lake Area Sanitary District
Ambulatory Care Center of Lamberton
Anoka County Soil and Water
Arrowhead Library System
Arrowhead Regional Development
Association of Minnesota Counties
Battle Lake Area Landfill Association
Battle Lake Motor
Becker Water and Soil
Beltrami County Water and Soil
Bemidji Regional Interdistrict Council
Benton County Water and Soil
Benton-Stearns Special Education Co-op
Big Stone Water and Soil
Blue Earth County Water and Soil
Blue Mound Co-op Center #9
Bonanza Valley Co-op Center
Boundary Water Special Education Co-op
Bovey-Coleraine Joint Tri Plant Commission
Brown County Water and Soil
Brown Nicollet Human Service Board
Burns-Homer-Pleasant Water and Soil
Carlton County Water and Soil
Carver County Water and Soil
Carver-Scott Co-op Center
Cass County Water and Soil
Central Minnesota ERDC
Central Minnesota Libraries Extension
Central Minnesota Regional Development
Central St. Croix Valley Cable Commission
Chisago Water and Soil
Circle Pines-Lexington Joint Police Commission
Clay County Vocational Center
Clay County Water and Soil
Clearwater County Nursing Service
Clearwater County Water and Soil
Coon Creek Watershed District
Cottonwood County Water and Soil
Cottonwood River Vocational Center
Crow River Recreational Department
Crow River Regional Library
Crow Wing County Water and Soil
Dakota County Water and Soil
Des Moines Valley Nursing Service
Dodge Center Water and Soil
Douglas County Water and Soil
Dover-Eyota St. Charles Sanitation
East Agassiz Water and Soil
East Central Co-op Center
East Central Regional Development Commission
East Central Regional Library
East Ottertail Water and Soil
East Polk Water and Soil
East Range Vocational Center
Educational Co-op Service
Educational Co-op Service Unit
Faribault County Water and Soil
Faribault Martin Watonwan Human Service Bd.
Fergus Falls Special Education Co-op
Freeborn County Water and Soil
Glacial Ridge Co-op Center
Goodhue County Water and Soil
Government Training Service
Governor's Office State Central Payroll
Grant County Water and Soil
Great River Regional Library
Greenway Joint Recreation Association
Headwater Nutrition Project
Headwaters Regional Development Commission
Hennepin County Park Reserve
Highland Vocational Co-op Center #1
Hubbard County Water and Soil
Hudson Sanitary Landfill Authority
Inter County Nursing Service
Interdistrict Special Ed. Co-op
Interdistrict Vocational Center
International Union Operating Engineers
Itasca County Water and Soil
Joint Powers Board
Kanabec County Water and Soil
Kandiyohi Water and Soil

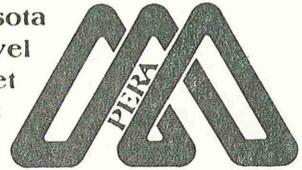
Kitchigami Regional Library
Kittson County Water and Soil
Kittson-Marshall Rural Water System
Koochiching County Water and Soil
Lac qui Parle County Water and Soil
Lake Agassiz Regional Library
Lake Agassiz Special Ed. Co-op
Lake County Water and Soil
Lake Minnetonka Conservation District
Lake of the Woods Water and Soil
Leaf River Valley Vo Tech Center
League of Minnesota Cities
Lincoln County Joint Cities Committee
Lincoln County Water and Soil
Local Government Information Systems
Long Lake Conservation Center
Low Income Energy Assistance
Lyon County Water and Soil
Mahnomon County Water and Soil
Marshall-Beltrami Water and Soil
Marshall County Water and Soil
Marshall-Polk Water System
Martin County Water and Soil
McLeod County Water and Soil
Meeker County Water and Soil
Meeker-Wright County Special Ed. Co-op
Metronet
Metropolitan Airports Commission
Metropolitan Council
Metropolitan Inter County Association
Metropolitan Library Service Agency
Metropolitan Mosquito District
Metropolitan Sports Facility Commission
Metropolitan Transit Commission
Metropolitan Water Control Commission
Middle River-Snake River Watershed District
Mid-Range Special Ed. Co-op
Midwest Special Ed. Co-op District 5
Mille Lacs Vocational Center
Mille Lacs County Water and Soil
Minneapolis Community Development Agency
Minnesota Municipal Utilities Association
Minnesota School District Data Processing Jt. Bd.
Minnesota Valley Co-op
Minnesota Valley Regional Library
Minnesota Valley Vocational Center
Moose Lake-Windemere Sewer District
Morrison County Water and Soil
Motor Patrol
Mower County Water and Soil
Mower Education Service Co-op
Multi County Nursing Service
New Richland Care Center
Nicollet County Water and Soil
Nobles County Water and Soil
North Central Suburban Cable Commission
North Country Vacation Co-op Center
North Country Library Co-op
Northeast Ed. Co-op Service Unit
North Kittson Rural Water System
North St. Louis Water and Soil
North Suburban Cable Commission
Northwest ECSU
Northwest Hennepin Human Services
Northwest Migrant Region
Northwest Regional Development Commission
Northwest Regional Interdistrict Council
Northwest Suburban Cable Community Comm.
Oak Terrace Nursing Home
Olmsted County Water and Soil
Ottertail Lakes Area Sewer District
Pelican Valley Health Center
Pennington County Water and Soil
Pine County Water and Soil
Pine Point Exp. School
Pine River Sanitary District
Pine to Prairie Co-op Center
Pioneerland Library System
Pipestone County Water and Soil
Plum Creek Library System
Pope County Water and Soil
Prior Lake-Spring Lake Watershed District
Public Employees Retirement Association
Range Association of Municipalities
Red Lake County Water and Soil

Red Lake Falls Special Ed. Co-op
Red Lake Watershed District
Red River Co-op Center
Redwood County Water and Soil
Redwood-Cottonwood Control Area Recreation
Region Eight N. Welfare Board
Region Five Computer Service
Region Five Development Commission
Region Nine Regional Development Commission
Region One Elementary Secondary Vocational
Region Three Comp. Employees and Train Cons.
Renville County Water and Soil
Rice County Water and Soil
Rice Creek Watershed District
River Bend Special Service Co-op
Rock County Rural Water System
Rock County Water and Soil
Roseau County Energy Assistance Program
Roseau County Water and Soil
Rum River Co-op Center
Runestone Co-op Center
Runestone Community Center
Rural Fire Association
Scott County Water and Soil
Sherburne Water and Soil
Sibley County Co-op Center
Sibley Water and Soil
Six East Regional Development Commission
South Central Ed. Co-op Service
Southeast Minnesota Ed. Co-op Service Unit
Southern Minnesota Municipal Power Agency
South Lake Minnetonka Public Safety Dept.
South St. Louis County Water and Soil
Southwest and West Central Ed. Service
Southwest Multi-County Interlibrary Ex.
Southwest Regional Development Commission
Spring Grove Ambulance Corp.
State Community Colleges
State Court Administration Judicial Districts
St. Bonifacius-Minnetrissa Police Commission
St. Cloud Area Planning Organization
St. Cloud Metro Transit Commission
St. Louis County Northwoods Landfill Authority
Stearns County Water and Soil
Steele County Water and Soil
Stevens County Water and Soil
Suburban School Employees #284
Sunnyside Nursing Home
Swift County Water and Soil
Todd County Water and Soil
Township Main Association
Traverse County Water and Soil
Traverse Des Sioux Regional Library
Tri County Co-op Center
United Auto Workers
University of Minnesota Police Officers
Upper Minnesota Valley Reg. Dev. Commission
Upper Minnesota Valley RV Watershed District
Viking Library System
Viking Vocational Center
Wabasha County Water and Soil
Wadena County Water and Soil
Waseca County Water and Soil
Washington County Water and Soil
Watonwan Water and Soil
West Central Area on Aging
West Central ECSU
West Central Migrant Region
West Central Regional Development
Western Plains Library System
West Hennepin County Human Services
West Hennepin Public Safety Department
West Lake Superior Sanitation District
West Ottertail County Water and Soil
West Polk Water and Soil
Wilkin County Water and Soil
Windom Area Hospital Inc.
Winona County Water and Soil
Woodland Co-op Center
Wright County Water and Soil
Wright Vo Tech Center
Yellow Medicine Water and Soil



NOTES

Public Employees Retirement Association of Minnesota
Suite 200 — Skyway Level
514 St. Peter Street
St. Paul, Minnesota 55102
612-296-7460



Dear Chief Financial Officer:

I am pleased to forward our Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 1989. Our 1988 CAFR was presented a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). I believe this current report continues to conform with program requirements. I am, therefore, submitting it to the GFOA so that they may determine its eligibility for a certificate.

As in the past, and in conjunction with the Governmental Accounting and Auditing Committee of the Minnesota Society of Certified Public Accountants, we have prepared suggested financial statement footnote disclosures relating to PERA for inclusion in your financial statements for fiscal year 1989.

I hope this information will assist you in preparing your fiscal year 1989 financial statements. Please give a copy of this letter and enclosures to your auditing firm for their use during the annual audit. If either you or your auditor have questions about this material, please call me at (612) 297-3573 or Gary Hovland, Accounting Supervisor at (612) 296-9170.

Sincerely,

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

J. Michael Stoffel
Manager of Finance

DISCLOSURE OF PENSION INFORMATION BY
PUBLIC EMPLOYEES RETIREMENT SYSTEMS AND STATE
AND LOCAL GOVERNMENTAL EMPLOYERS

SUGGESTED FOOTNOTE DISCLOSURE

PREPARED BY THE GOVERNMENTAL ACCOUNTING
AND AUDITING COMMITTEE
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 1989

This suggested footnote disclosure was prepared by the Governmental Accounting and Auditing Committee of the Minnesota Society of Certified Public Accountants. It is not intended to be a substitute for judgement by the individual CPA, is not intended to be all inclusive and has not been approved or disapproved by the Minnesota Society of Certified Public Accounts.

EXAMPLE - REPORT OF A GOVERNMENTAL EMPLOYER CONTRIBUTING TO A
COST-SHARING MULTIPLE EMPLOYER PERS (MINNESOTA PERA)

XX. Defined Benefit Pension Plans - Statewide

A. Plan Description

All full-time and certain part-time employees of the City of Anytown are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF. The payroll for employees covered by PERF and PEPFF for the year ended December 31, 1989, was \$_____ and \$_____, respectively; the City's total payroll was \$_____.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated and Basic members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic member is 2 percent of average salary for each of the first 10 years of service and 2.5 percent for each remaining year. For a Coordinated member, the annuity accrual rate is 1 percent of average salary for each of the first 10 years and 1.5 percent for each remaining year. Using Method 2, the annuity accrual rate is 2.5 percent of average salary for Basic members and 1.5 percent for Coordinated members. For PEPFF members, the annuity accrual rate is 2.5 percent for each of the first 25 years and 2 percent for each remaining year. 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 90.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options

available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

B. Contributions Required and Contributions Made

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. The City makes annual contributions to the pension plans equal to the amount required by state statutes. According to Minnesota Statutes Chapter 356.215, Subd. 4(g), the date of full funding required for the PERF and the PEPFF is the year 2020. As part of the annual actuarial valuation, PERA's actuary determines the sufficiency of the statutory contribution rates towards meeting the required full funding deadline. The actuary compares the actual contribution rate to a "required" contribution rate. Current combined statutory contribution rates and actuarially required contribution rates for the plans are as follows:

	<u>Statutory Rates:</u>		<u>Required</u>
	<u>Employees</u>	<u>Employer</u>	<u>Rates</u>
PERF (Basic & Coordinated Plans)	4.27%	4.67%	9.42%
PEPFF	8%	12%	16.69%

Total contributions made by the City during fiscal year 1989 were:

	<u>Amounts</u>		<u>Percentage of Covered Payroll</u>	
	<u>Employees</u>	<u>Employer</u>	<u>Employees</u>	<u>Employer</u>
PERF:	\$	\$	%	%
PEPFF	\$	\$	%	%
Totals	\$	\$		

The City's contribution for the year ended June 30, 1989 to the PERF represented ___ percent of total contributions required of all participating entities. For the PEPFF, contributions for the year ended June 30, 1989, represented ___ percent of total contributions required of all participating entities.

(Note to preparer of the CAFR: To calculate your percentage, use a total for the PERF of \$84,306,000 and a total in the PEPFF of \$22,210,000.)

C. Funding Status and Progress

1. Pension Benefit Obligation

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employees Retirement Systems and among employers. PERA does not make separate measurements of assets and pension benefit obligation for individual employers.

The pension benefit obligations as of June 30, 1989, are shown below:

(In Thousands)	<u>PERF</u>	<u>PEPFF</u>
Total pension benefit obligation	\$3,714,257	\$582,299
Net assets available for benefits, at cost (Market Values for PERF = \$3,801,129; PEPFF = \$694,227)	<u>2,934,977</u>	<u>637,868</u>
Unfunded (assets in excess of) pension benefit obligation	<u>\$ 779,280</u>	<u>\$(55,569)</u>

The measurement of the pension benefit obligation is based on an actuarial valuation as of June 30, 1989. Net assets available to pay pension benefits were valued as of June 30, 1989.

2. Changes in Actuarial Methods and Benefit Provisions.

A number of benefit improvements became effective during fiscal year 1989. Some of the major improvements affecting each fund include a reduction in the period required for vesting from five years to three years; an option for members hired before July 1, 1989, to have their annuity calculated under a level benefit accrual formula; the interest rate credited on refunds of member contributions increased from 5 percent to 6 percent; and the provision for an automatic bounce back feature for all joint and survivor annuity options. In the PEPFF, age and/or service requirements were reduced for eligibility for a normal retirement annuity, and early retirement annuity, and for certain disability and survivor benefits.

For each fund, there were changes in the actuarial assumptions used in the annual actuarial valuation. Effective for all funds beginning in fiscal year 1989, the preretirement interest rate assumption was increased from 8 percent to 8.5 percent. Additionally for the PERF and the PEPFF, the amortization target date has been changed to 2020. Shown below are the effects on the pension benefit obligation of these changes in plan benefits and actuarial assumptions.

Increase (Decrease) in Pension
Benefit Obligation Due to:
(In Thousands)

	<u>PERF</u>	<u>PEPFF</u>
Changes in plan benefits	\$127,472	\$ 27,851
Changes in actuarial assumptions	<u>(84,154)</u>	<u>(25,963)</u>
Net increase in pension benefit obligation	<u>\$ 43,318</u>	<u>\$ 1,888</u>

D. Ten-Year Historical Trend Information

Ten-year historical trend information is presented in PERA's Comprehensive Annual Financial Report for the year ended June 30, 1989. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

E. Related Party Investments

As of June 30, 1989, and for the fiscal year then ended, PERA held no securities issued by the City or other related parties.