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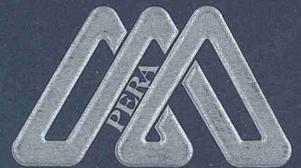
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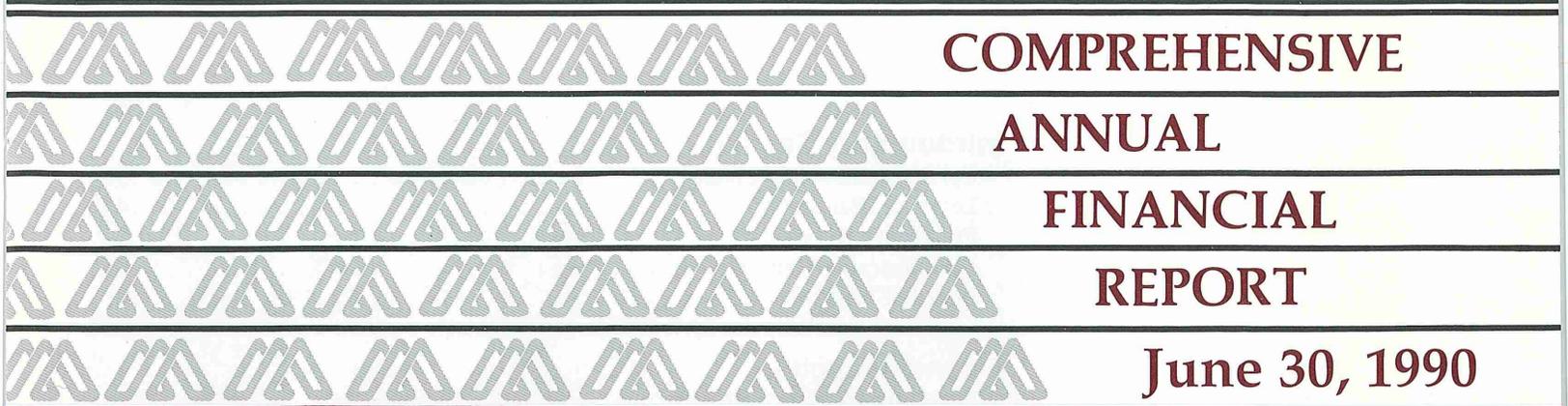
REPORT

June 30, 1990

Public Employees Retirement Association of Minnesota



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**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

June 30, 1990

Public Employees Retirement Association of Minnesota

Board of Trustees

George A. Cicmil – Board President, Public Sector Representative

Eldred J. Schreifels – Board Vice President, Membership Representative

Edward G. Bayuk – Annuitant Representative

Arne H. Carlson – State Auditor

Mary Ann Dixen – School Boards Representative

Gary A. McCloud – Membership Representative

Robert D. McCubbin – Membership Representative

Gary R. Norstrem – Cities Representative

Lois Riecken – Counties Representative

Mary Most Vanek

Acting Executive Director

Prepared by:

J. Michael Stoffel – Manager of Finance

Gary Hovland – Accounting Supervisor

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St. Paul, Minnesota 55102
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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 Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1989

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 component unit financial reports (CUFR's) achieve the highest standards in government accounting and financial reporting.



Gary R. Norstrom

President

Jeffrey L. Esler

Executive Director

Letter of Transmittal

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



November 16, 1990

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

Dear Trustee:

We are pleased to present this fifty-ninth Comprehensive Annual Financial Report for the fiscal year (FY) ended June 30, 1990. 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 1990 valuation, and other actuarial information. The statistical section contains tables of significant data pertaining to the Association. We trust you will find this report to be a full and complete disclosure of the structure and financial status of PERA and its Funds.

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 Public Employees Defined Contribution Plan 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 FY'90 totaled \$650,133,000. This represents an increase of 4.8 percent over fiscal year 1989 revenues, as shown below. The increase in employee and employer contributions resulted primarily from an increase in average annual earnings and in the number of members contributing (see schedule on page 43). Statutory contribution rates for both employers and employees also increased from the prior year, which increased revenues.

Revenue Source (in thousands)	FY 1990	FY 1989	Percent Inc./Dec.
Member Contributions	\$103,851	\$92,619	12.1%
Employer Contributions	123,486	108,386	13.9
Investment Income	420,226	414,765	1.3
Other Income	2,570	4,592	(44.0)
Totals	\$650,133	\$620,362	4.8%

The investment return of the PERA Funds accounted for the largest share — approximately 65 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 \$227,923,000, an increase of 14.3 percent over such expenses for FY'89, as shown below:

Expense Type (in thousands)	FY 1990	FY 1989	Percent Inc./Dec.
Benefits	\$203,738	\$179,420	13.6%
Refunds	13,932	13,496	3.2
Investment Managers	3,415	2,038	67.6
Administrative	4,108	4,107	0.0
Other	2,730	404	576.0
Totals	\$227,923	\$199,465	14.3%

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 schedules on page 44-45). The increased fees paid to investment managers relates directly to the performance of the external money managers. As these firms are paid a performance-based fee, improved performance will result in increased fees. Finally, the large increase in other expenses was due to operating transfers which occurred for the first time from the Police and Fire Fund to an insurance trust fund administered by the State Department of Employee Relations. These transfers will now occur annually.

INVESTMENTS

In accordance with Minnesota Statutes, Section 353.06, assets of the PERA Funds are invested by the Minnesota State Board of Investment (SBI). All investments undertaken by the SBI are governed by the common law prudent person rule and other standards codified in Chapter 11A of the Minnesota Statutes.

The 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 assuring 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.

Pension assets of the currently working members of the Association (see table below) are invested entirely by professional investment management firms. The greatest share of these assets, 61 percent, is invested in equity securities in order to maximize long-term rate of return. For the year ended June 30, 1990, the overall rate of return on active member assets was 10.8 percent.

Fund	Market Value of Investments, June 30, 1990 (in thousands)	
	Active Members	Retired Members
PERF	\$1,637,048	\$1,919,594
PEPFF	607,207	197,547
PFCF	45,669	45,704
Totals	\$2,289,924	\$2,162,845

Assets of the retired members of the Association and their joint annuitants (see table above) are pooled in the Minnesota Post Retirement Investment Fund and are invested by SBI staff. In contrast to the portfolio for the currently working members, 85 percent of the assets for retirees are invested in fixed income securities. This asset mix is chosen to create a sizable, steady stream of income sufficient to pay promised benefits. The portfolio is structured such that cash inflows match required cash outflows. Thus, total return is not a relevant performance measure for the portfolio since the total return calculation factors in unrealized market values. Nevertheless, the bond segment provided a 5.4 percent return for the year. For the fiscal year ended June 30, 1990, the current yield of the Post Retirement Fund was 9.5 percent. Current yield is calculated irrespective of unrealized market valuations.

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

Letter of Transmittal

(Continued)

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'90, 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 105 percent and 71 percent respectively.

ASSOCIATION'S STATUS REPORT

In FY'88, the Police and Fire Consolidation Fund was created. This new fund allows existing local police or fire relief associations to consolidate with PERA. During the past fiscal year, nine local relief associations exercised their option to consolidate. Currently, a number of other relief associations are moving through the procedural steps necessary to effect consolidation. By the end of calendar year 1990, we anticipate that at least six additional relief associations will complete the consolidation process.

Another fund, the Public Employees Defined Contribution Plan, was titled the Ambulance Service Personnel Fund in our FY'89 annual report. This fund became operational in December 1988, for eligible ambulance services and their employees. In 1990, the Legislature expanded coverage of the fund to all elected local government officials except sheriffs. Participation in the fund, a defined contribution plan, is voluntary for all members. All contributions are tax deferred and are fully taxable when withdrawn.

Fiscal year 1989 was marked by the passage of legislation that significantly improved benefits. To help fund these benefit improvements, the combined employee and employer contribution rate in the Public Employees Retirement Fund was increased by .46 percent (.23 percent employee and .23 percent employer) of payroll, beginning in FY'90. The contribution requirements in the Public Employees Police and Fire Fund were not changed since the contribution sufficiency was adequate to maintain the benefit improvements in that fund.

In terms of actuarial matters affecting the funds, FY'90 was marked by the PERA Board of Trustees' decision to adopt new withdrawal rates. It was evident through a recent, comprehensive actuarial study that fewer members were terminating employment and taking refunds of past contributions than was expected under past assumptions. The change to new withdrawal rates was made in order to reflect more accurately the PERA-covered group's actual employment termination experience. This change should reduce in the future the series of large, annually recurring

actuarial losses that have been identified in the actuarial valuations in the past few years.

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, the PERA staff completed a new three-year plan for the agency. An overall theme — "Together Toward Tomorrow" — was chosen to represent PERA's planning direction for the 1990's. The planning objectives are to determine the services desired by our customers and to evaluate existing service quality. Various forms of feedback mechanisms and research will be used to identify trends and to forecast changes to assure that our service programs continue to respond to future customer needs. The following project activities will begin to provide a basis for planning project initiatives over the next three fiscal years:

- Design methods and tools to determine the needs of our customer groups;
- Evaluate and improve our written correspondence;
- Improve our ability to respond to phone inquiries;
- Design data base information systems to ensure the accuracy and completeness of our information; and
- Enhance our organizational training program.

Another notable accomplishment was the implementation of a new data base system for the calculation, billing and processing of omitted deductions. The new system will not only improve and clarify the omitted deduction process with our employer units, but will also improve our internal administrative process for these payments.

Finally, the PERA Board of Trustees and staff continued their efforts to reach out to the membership. A series of town meetings, pre-retirement conferences and group meetings were held at many locations throughout the state to make information and counseling services as accessible as possible.

PROFESSIONAL SERVICES

The FY'90 actuarial valuation of the PERA Funds was conducted by The Wyatt Company and completed in October of 1990. 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'90 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 1990 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 15 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, 1989. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents 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. PERA has received a Certificate of Achievement for the last five consecutive years. We believe our current report for FY'90 continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Additionally, the National Association of Government Communicators awarded an honorable mention in the "Blue Pencil Competition" to PERA's FY'89 Comprehensive Annual Financial Report. Our report was judged, along with other annual reports, yearbooks and technical publications, on organization, clarity, design and use of visuals and

graphics. We are proud that we have been judged highly on the technical aspects of our report, as well as on its readability.

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.

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

Respectfully submitted,

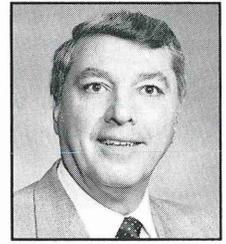


Mary Most Vanek
Acting Executive Director



J. Michael Stoffel
Manager of Finance

President's Report



George A. Cicmil
Board President

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



November 15, 1990

Dear Members, Annuitants, Beneficiaries and Governmental Employers:

This fifty-ninth 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, 1990, fiscal year-end, the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, the Police and Fire Consolidation Fund, and the Public Employees Defined Contribution Plan had a combined total of \$4.1 billion in net assets. This reflected a \$473 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 10.8 percent. This rate of return was very encouraging, especially considering how volatile the financial markets have been in the recent past.

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 joint annuitants (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, the MPRIF will be able to finance an estimated 4.5 percent increase for PERA annuitants and their survivors as of January 1, 1991.

Overall, the financial condition of the PERA funds remained stable during the fiscal year, although various indicators showed mixed results. The overall funding ratio (i.e. assets divided by liabilities) improved for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. Factors that positively affected the funding ratio were a better return on investments than expected, and an actuarial gain due to lower than expected salary increases of the active employee group. In the case of the Public Employees Retirement Fund, these positive factors were offset by actuarial losses due mainly to fewer than expected members terminating employment and taking refunds, and due to the increased liabilities assumed with the adoption of new termination rates. The new termination rates were adopted by the Board of Trustees on the advice of PERA's consulting actuary, after a comprehensive ten-year study of termination experience. The new rates will hopefully reduce, if not eliminate, the large actuarial losses that have occurred in the last few years due to lower than expected terminations. The change to new termination rates actually had a positive impact on actuarial accrued liabilities in the Public Employees Police and Fire Fund, and had no significant impact in the Police and Fire Consolidation Fund.

All of these factors, and the change in termination rates, have an impact on another important actuarial calculation--the sufficiency ratio. The sufficiency ratio indicates if the current statutorily set contribution rates are sufficient to achieve full (100 percent) funding by the year 2020 as required by state statute. The net effect of the factors and changes mentioned above puts the Public Employees Police and Fire Fund and the Police and Fire Consolidation Fund on or ahead of schedule once again for achieving full funding. But in the Public Employees Retirement Fund, a sufficiency ratio of 0.5 percent of covered payroll reported at the end of last fiscal year, is reported to be -0.79 percent at June 30, 1990. This ratio, as always, will continually be monitored in the future.

Another item of significance that merits attention relates to the structure of the portfolio and the calculation of the annual benefit increase in the MPRIF. On October 11, 1990, the PERA Board of Trustees adopted a legislative policy position to support a change in the annual adjustment formula in an effort to better protect retirees from inflation. The reason for concern is that in the past, adjustments have ranged from zero during some high inflation years in the 1970's, to very high adjustments during low inflationary periods. The possibility that retirees may be locked into low adjustment amounts in the future when inflation appears to be rising concerns the PERA Board of Trustees. If the proposed formula change gets the go ahead from the three statewide retirement systems, it is likely that a bill will be introduced during the 1991 legislative session. If a change is approved, it would likely take effect for benefit increases paid beginning January 1993.

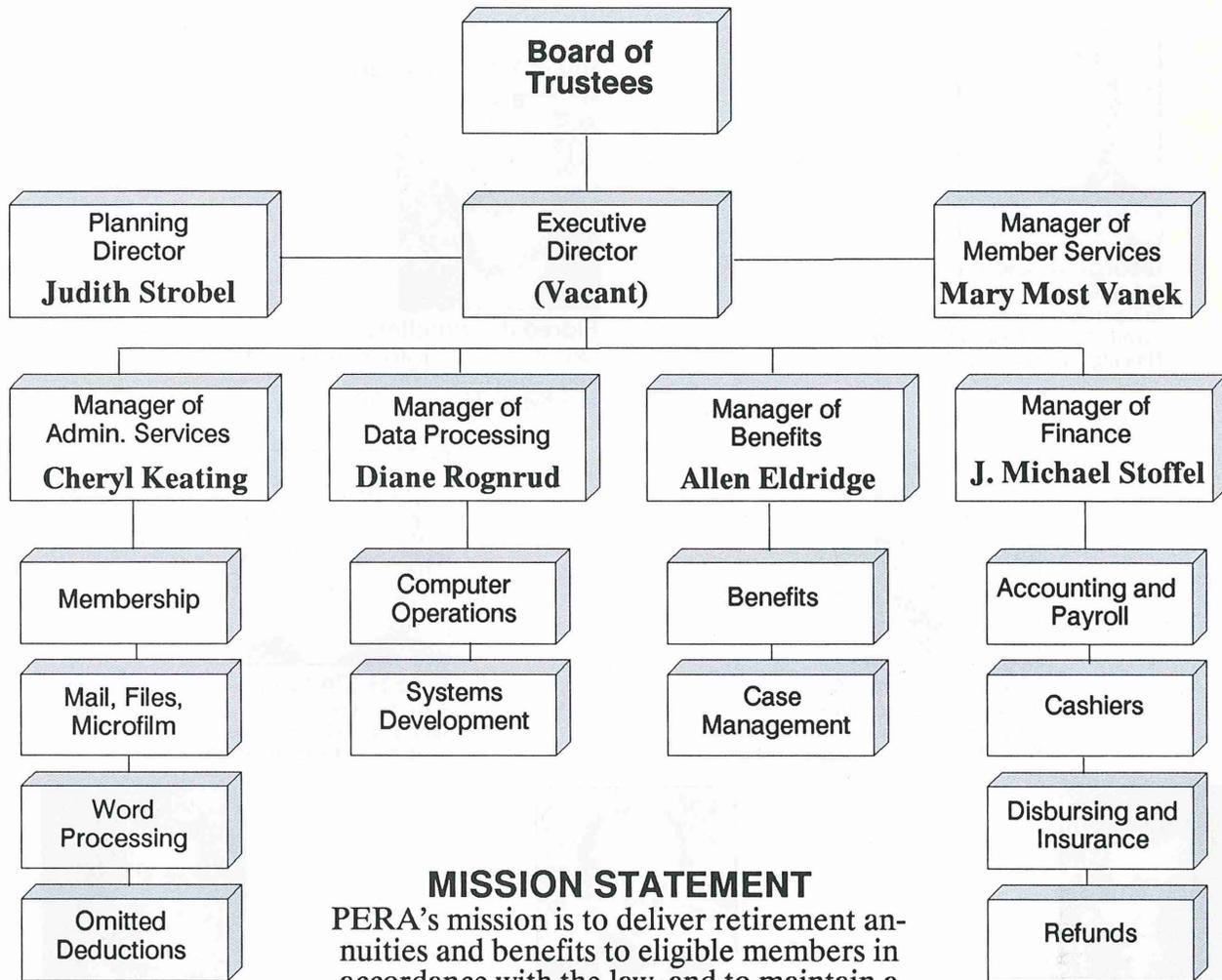
In closing, I wish to express the Trustees' continuing commitment to the preservation and growth of the assets of the PERA funds and to the protection and furtherance of the interests of PERA's members, annuitants and beneficiaries, as well as the interests of the governmental employer units, the State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

Sincerely,


George A. Cicmil, President
PERA Board of Trustees

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Administrative Organization



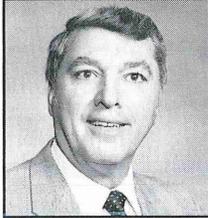
MISSION STATEMENT

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.

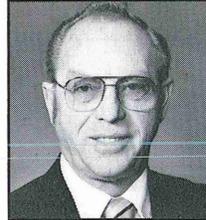
Board of Trustees

Board President

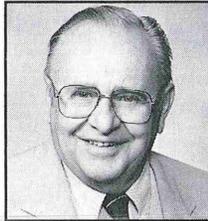


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Eighth Avenue East and 21st Street
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Board Vice President



Eldred J. Schreifels
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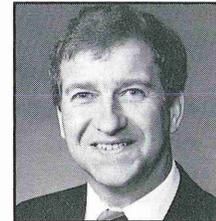
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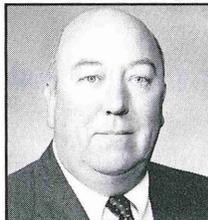
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219 City Hall
Saint Paul, Minnesota 55102



Lois E. Riecken
Counties Representative
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327 King Street
Elk River, Minnesota 55330

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.

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 155,000 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 active 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 109,000 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.

Summary

(Continued)

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 **Public Employees Defined Contribution Plan**. Established by the Minnesota Legislature in 1987 to provide a retirement plan for personnel employed by public ambulance services, the plan was expanded in 1990 to include most locally-elected public officials.

Contributions

The table below shows contribution rates for employees and employers under the various plans administered by PERA as of June 30, 1990. Rates are applied to total salary and are set by statute.

Fund	Employee Contribution	Employer Contribution
Public Employees Retirement Fund		
Coordinated	4.23%	4.48%
Basic	8.23%	10.73%
Public Employees Police and Fire Fund	8.00%	12.00%
Police and Fire Consolidation Fund	8.00%	12.00%
Defined Contribution Plan	5.00%	5.00%*

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

Retirement Benefits Eligibility and Annuity Formulas

Basic and Coordinated Members

Two methods are used to compute benefits for Coordinated and Basic members — a step-rate benefit accrual

formula (Method 1) and a level accrual formula (Method 2). The retiring member receives the higher of the two calculated amounts.

Method 1: Coordinated members accrue 1 percent of the average salary** 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 years of service.

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

- Age 55 with a minimum of 3 years of service; or
- Age plus years of service equal at least 90.

***NOTE:** This is the rate established for elected public officials. Participation in the program is voluntary for these members. Once an elected official decides to participate, employer participation is mandatory. For ambulance service personnel, employers decide whether they will participate in the plan and what the contribution will be for employees. Salaried employees may match this contribution.

****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.

A reduced retirement annuity is available to members between the ages of 50 and 55. There is an actuarial reduction with augmentation (about 4 percent per year) for members retiring prior to qualifying for an unreduced retirement annuity.

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:

- 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.

Defined Contribution Plan Members

Since this is a defined contribution plan, the value of the member's account is payable upon termination of public service, disability, 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 vested member who terminates public service may leave 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, compounded annually, until the first of the year following the member's 55th birthday. It will then increase at a rate of 5 percent per year, compounded annually.***

Combined Service and Proportionate 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 retire at age 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.

***NOTE:** The Defined Contribution Plan was established as a retirement plan for volunteer ambulance personnel and elected public officials. The benefit amount is determined by the performance of the plans in which contributions are invested.

****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.

Summary

(Continued)

***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.

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 37.5 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 one 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 age 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 or Police and Fire Fund member may receive 50 percent of the member's average monthly salary earned during the last six months of service. 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 70 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.

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

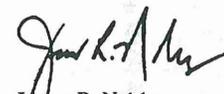
We have audited the accompanying financial statements of the Public Employees Retirement Association and the combining and individual fund financial statements of the association as of and for the year ended June 30, 1990, as listed in the table of contents. These financial statements are the responsibility 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, 1990, 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, 1990, 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 5, 1990

Combined Balance Sheet

For Fiscal Year Ended June 30, 1990 (in thousands)

Assets

Cash (F.1.)	\$ 9,577
Accounts Receivable	2,357
Due From Other Funds	286
Investments (B.2.,3.)	
Minnesota Outside Managed Pooled Accounts (Market Value: \$2,227,204)	2,036,630
Short-term Pooled Cash	53,143
Equity in Minnesota Post Retirement Investment Fund (Market Value: \$2,162,845)	1,986,054
Cash and Investments for Deferred Compensation Benefits (A.5., B.3.)	52
Fixed Assets, Net of Accumulated Depreciation (F.4.b.)	267
Other	31

Total Assets \$ 4,088,397

Liabilities and Fund Balance

Liabilities:

Accounts Payable	\$ 12,255
Accrued Compensated Absences (F.5.)	209
Deferred Compensation Benefits	51
Payable to Other Funds	286

Total Liabilities \$ 12,801

Fund Balance:

Member Reserves (F.3.a.)	\$ 717,180
Minnesota Post Retirement Investment Fund Reserve (F.2.)	1,986,054
Benefit Reserves (F.3.b.)	2,695,241

Total Reserves \$ 5,398,475

Unreserved Fund Balance –

Unfunded Actuarial Accrued Liability (C.1.,2.)	<u><u>\$(1,322,879)</u></u>
--	-----------------------------

Total Fund Balance \$ 4,075,596

Total Liabilities and Fund Balance \$ 4,088,397

Combined Statement

of Revenues, Expenses and Changes
in Fund Balance

For Fiscal Year Ended June 30, 1990 (in thousands)

Operating Revenues:

Member Contribution	\$ 103,851
Employer Contribution	123,486
Investment Income	259,268
Distributed Income of the Minnesota Post Retirement Investment Fund (F.2.c.)	160,958
State Appropriations	9
Police State Aid	1,659
Other	<u>902</u>

Total Operating Revenues **\$ 650,133**

Operating Expenses:

Benefits Paid	\$ 203,738
Refunds	13,932
Administrative Expenses	4,108
Investment Management Fees (B.3.c.)	3,415
Interest on Late Transfer to MPRI Fund	1,038
Other	<u>1,692</u>

Total Operating Expenses **\$ 227,923**

Other Changes in Reserves:

Local Relief Association Mergers (F.6.)	<u>\$ 50,834</u>
--	------------------

Total Other Changes in Reserves **\$ 50,834**

Net Fund Balance Additions **\$ 473,044**

Fund Balance, July 1, 1989 **3,602,552**

Fund Balance, June 30, 1990 **\$4,075,596**

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 1990

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 Public Employees Defined Contribution Plan (PEDCP). 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 serves any local unit of government whose current or former elected officials elect to participate. The PEDCP also serves any publicly operated ambulance service that receives an operating subsidy from a governmental entity, and elects to participate. Currently there are 11 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 firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. The PFCF covers police officers and firefighters belonging to a local relief association that elects to merge with and transfer assets and administration to PERA.

Coverage under the PEDCP is open to elected local government officials, except elected county sheriffs, and emergency medical service personnel employed by or providing service to any of the participating ambulance services. Elected officials and ambulance personnel who are covered by a public or private pension plan because of their employment are not eligible to participate in the PEDCP. At June 30, 1990, there were 237 members in the plan.

Shown in Figure 1 below are the membership totals in the PERA defined benefit plans as of June 30, 1990.

Fig. 1 PERA Membership

	<u>PERF</u>	<u>PEPFF</u>	<u>PFCF</u>
Retirees and beneficiaries receiving benefits	29,436	1,493	393
Terminated employees entitled to benefits/refunds but not yet receiving them			
Vested	2,699	128	3
Non-Vested	7,695	121	1
Current, active employees			
Vested	72,235	4,904	272
Non-Vested	30,429	1,232	15
Total	142,494	7,878	684

4. Benefit Provisions and Contribution Rates - Defined Benefit Plans

a) PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. All benefits vest after three years of credited service. The defined retirement benefits are based on a member's 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 mem-

bers. 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 year of service. For PERF members whose annuity is calculated using Method 1, and for all PEPFF members, a full annuity is available when age plus years of service equal at least 90. 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 393 members receiving benefits in the PFCF, 100 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 PERA defined benefit plans are set by Minnesota Statutes, Chapters 353, 353A, and 353B, and are shown in Figure 2 below.

5. Benefit Provisions and Contribution Rates – Defined Contribution Plan

The Public Employees Defined Contribution Plan (PEDCP), formerly titled the Ambulance Service Personnel Fund, is a multi-employer deferred compensation plan. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees

are tax deferred until time of withdrawal. (See Notes A.2, A.3 for employee and employer membership requirements.)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary, which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. 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 PEDCP. 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.

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

Fig. 2 Retirement Plan Contribution Rates

	<u>Employee</u>	<u>Employer</u>	<u>Additional Employer</u>
Public Employees Retirement Fund:			
Basic Plan	8.23%	8.23%	2.50%
Coordinated Plan	4.23%	4.23%	0.25%
Public Employees Police and Fire Fund	8.00%	12.00%	0.00%
Police and Fire Consolidation Fund	8.00%	12.00%	*

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

Notes

(Continued)

assets are commingled in various pooled investment accounts, administered by the State Board of Investment. As of June 30, 1990, the participation shares in the pooled accounts, excluding the Minnesota Post Retirement Investment Fund, totaled 22.9 percent for the PERF, 8.5 percent for the PEPFF and 0.6 percent for the PFCF. The funds' shares of net assets of the Minnesota Post Retirement Investment Fund totaled 35.96 percent, 3.70 percent and 0.86 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

Fig. 3 PERA Investments
(In Thousands)

Investment Pool	Carrying Amount	Market Value
Short-term	\$ 53,143	\$ 53,143
Fixed Income	587,539	581,807
Active Equity	502,332	548,621
Passive Equity	708,588	829,718
Real Estate	132,926	164,564
Resource	29,166	26,429
Venture Capital	76,079	76,065
Subtotal-Pools	\$ 2,089,773	\$ 2,280,347
Post Retirement Investment Fund	1,986,054	2,162,845
Total	\$4,075,827	\$4,443,192

trust department or 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 PEDCP, 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 PEDCP are shown at market value. The carrying amount and market value of PERA's investments (except assets of the PEDCP) as of June 30, 1990, are shown in Figure 3 above.

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.

Fig. 4 Unfunded Actuarial Accrued Liability:
(In Thousands)

	PERF	PEPFF	PFCF
Net Assets on 6/30/90 Balance Sheet	\$3,250,157	\$ 739,068	\$ 86,371
Plus 1/3 of unrealized capital gains or losses	47,059	16,136	331
Net assets at actuarial cost	\$3,297,216	\$755,204	\$ 86,702
Total required reserves	\$ 4,560,469	\$ 715,963	\$122,045
Less net assets at actuarial cost	3,297,216	755,204	86,702
Unfunded accrued liability (surplus assets) actuarial section	\$1,263,253	\$ (39,241)	\$ 35,343

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 \$2,468,000 for PERF, \$904,000 for PEPFF, and \$43,000 for PFCF.

2. Pension Benefit Obligation

The amount shown in Figure 5 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, 1990. Significant actuarial assumptions used in the calculation of the pension benefit obligation for the PERF 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 identi-

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 in figure 4.

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.

Fig. 5 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	\$1,970,629	\$222,683	\$ 70,338
Current Employees:			
Accumulated employee contributions including allocated investment income	837,519	169,242	12,239
Employer-Financed Vested	1,071,788	175,876	31,668
Employer-Financed Non-Vested	<u>210,024</u>	<u>89,652</u>	<u>3,141</u>
Total Pension Benefit Obligation	\$4,089,960	\$657,453	\$117,386
Net Assets available for benefits, at cost (Market Value is \$4,442,960)	<u>3,250,157</u>	<u>739,068</u>	<u>86,371</u>
Unfunded (assets in excess of) pension benefit obligation	<u>\$ 839,803</u>	<u>\$(81,615)</u>	<u>\$ 31,015</u>

Notes

(Continued)

cal 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 in Figure 5, the unfunded pension benefit obligation at June 30, 1990, was \$839,803,000 in the PERF and \$31,015,000 in the PFCF. In the PEPFF, assets in excess of the pension benefit obligation totaled \$81,615,000.

3. Changes in Actuarial Methods

For the fiscal year 1990 actuarial valuation, the PERA Board of Trustees approved the use of new withdrawal rates. The change was made to reduce, if not eliminate, the series of large, annually recurring actuarial losses in the last few years due to lower than expected terminations.

With the adoption of new withdrawal rates, the pension benefit obligation increased \$59,942,000 in the PERF and \$6,978,000 in the PEPFF. The change in rates had essentially no effect on the pension benefit obligation in the PFCF.

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 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 in Figure 6, the funding surplus on June 30, 1990, was \$8,931,000 in the PERF and \$7,618,000 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.

Fig. 6

Funding Surplus: (In Thousands)

	<u>PERF</u>	<u>PEPFF</u>	<u>PFCF</u>
Contributions actually made			
Employer share	\$ 93,865	\$ 24,274	\$5,347
Percent of current year covered payroll	4.82%	12.0%	12.0%*
Employee share	\$ 87,031	\$16,224	\$ 596
Percent of current year covered payroll	<u>4.47%</u>	<u>8.0%</u>	<u>8.0%</u>
Subtotal - Actual	\$ 180,896	\$ 40,498	\$5,943
Contributions actuarially required	<u>171,965</u>	<u>32,880</u>	<u>5,943</u>
Funding surplus	<u>\$ 8,931</u>	<u>\$ 7,618</u>	<u>\$ 0</u>

*NOTE: The 12 percent employer rate in the PFCF does not include the additional municipal contribution, totaling \$4,550,964 in fiscal year 1990.

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 1990, 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 the MPRIF at June 30, 1990, is \$1,763,685,000. The Public Employees Police and Fire Fund's share of net assets of the MPRIF is \$181,703,000. The Police and Fire Consolidation Fund's share of net assets of the MPRIF is \$40,666,000.

c) The distributed MPRIF income represents the 5 percent earnings on required reserves for fiscal year 1990, plus fiscal year 1989 income used to pay the January 1, 1990 post retirement increase. In accordance with Minnesota Statutes, Section 11A.18, Subd. 9, the excess investment income of MPRIF for fiscal year 1990 will be used to increase retirement benefits for eligible annuitants, effective January 1, 1991.

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 liqui-

Notes

(Continued)

dated in cash primarily at the time of termination of employment.

6. Reporting Changes

The Police and Fire Consolidation Fund (PFCF) was created by the 1987 Legislature to authorize on a voluntary basis, any local police or salaried firefighters relief association and the respective municipality to effect the consolidation of the local relief association with PERA. At the end of fiscal year 1989, there were three local relief associations in the PFCF. During fiscal year 1990, nine additional local relief associations elected to consolidate with PERA. Net assets totaling \$50,834,000 were transferred from the nine relief associations to PERA on the date of consolidation. There were 192 active employees and 251 benefit recipients in the new consolidating units.

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.

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 (CP)	(6) Unfunded PBO as a % of CP (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
1990††	3,250,157	4,089,960	79.5	839,803	1,947,504	43.1

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 (CP)	(6) Unfunded PBO as a % of CP (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	109.5	(55,569)	185,899	N/A
1990††	739,068	657,453	112.4	(81,615)	202,838	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 (CP)	(6) Unfunded PBO as a % of CP (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
1990	86,371	117,386	73.6	31,015	10,221	303.4

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 in the PERF, \$18,805 in the PEPFF, and \$2,460 in the PFCF.

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

††In fiscal year 1990, the effect of using new withdrawal rates increased the PBO by \$59,942 in the PERF and \$6,978 in the PEPFF.

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			
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
1990	87,031	93,865	4.8	335,392	872	517,160

Public Employees Police and Fire Fund

FISCAL YEAR	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION		INVESTMENT INCOME*	OTHER	TOTAL
		AMOUNT	PERCENT OF COVERED PAYROLL			
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
1990	16,224	24,274	12.0	80,564	1,720	122,782

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
1990	596	5,347	4,270	(22)	10,191

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

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>
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
1990	182,363	12,711	3,828	3,077	201,979

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>
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
1990	17,631	1,038	263	2,650	21,582

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	\$ 0	\$ 6	\$224	\$1,076
1989	1,844	64	13	31	1,952
1990	3,744	183	17	418	4,362

Combining Balance Sheet

For Fiscal Year Ended June 30, 1990 (in thousands)

	Defined Benefit Funds			Agency Fund	Total
	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund	Public Employees Defined Contribution Plan	
Assets					
Cash	\$ 8,127	\$ 861	\$ 589		\$ 9,577
Accounts Receivable	263	160	1,934		2,357
Due From Other Funds	271	15			286
Investments					
Minnesota Outside Managed Pooled Accounts (Market: \$2,227,204)	1,453,246	541,662	41,722		2,036,630
Short-term Pooled Cash	34,498	16,276	2,369		53,143
Equity in Minnesota Post Retirement Investment Fund (Market: \$2,162,845)	1,763,685	181,703	40,666		1,986,054
Cash and Investments for Deferred Compensation Benefits				\$ 52	52
Fixed Assets, Net of Accumulated Depreciation	267				267
Other	31				31
Total Assets	\$ 3,260,388	\$ 740,677	\$ 87,280	\$ 52	\$ 4,088,397
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	\$ 10,007	\$ 1,355	\$ 893		\$ 12,255
Accrued Compensated Absences	209				209
Deferred Compensation Benefits Payable to Other Funds	15	254	16	\$ 51	51
				1	286
Total Liabilities	\$ 10,231	\$ 1,609	\$ 909	\$ 52	\$ 12,801
Fund Balance:					
Member Reserves	\$ 588,793	\$ 120,005	\$ 8,382		\$717,180
Minnesota Post Retirement Investment Fund Reserve	1,763,685	181,703	40,666		1,986,054
Benefit Reserves	2,207,991	414,255	72,995		2,695,241
Total Reserves	\$ 4,560,469	\$ 715,963	\$ 122,043		\$ 5,398,475
Unreserved Fund Balance --					
Unfunded Actuarial Accrued Liability	\$(1,310,312)	\$ 23,105	\$(35,672)		\$(1,322,879)
Total Fund Balance	\$ 3,250,157	\$ 739,068	\$ 86,371		\$ 4,075,596
Total Liabilities and Fund Balance	\$ 3,260,388	\$ 740,677	\$ 87,280	\$ 52	\$ 4,088,397

Combining Statement

of Revenues, Expenses and Changes in Fund Balance

For Fiscal Year Ended June 30, 1990 (in thousands)

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Police and Fire Consolidation Fund	Total
Operating Revenues:				
Member Contribution	\$ 87,031	\$ 16,224	\$ 596	\$ 103,851
Employer Contribution	93,865	24,274	5,347	123,486
Investment Income	190,863	66,039	2,366	259,268
Distributed Income of the Minnesota Post Retirement Investment Fund	144,529	14,525	1,904	160,958
State Appropriations	9			9
Police State Aid		1,659		1,659
Other	863	61	(22)	902
Total Operating Revenues	\$ 517,160	\$ 122,782	\$ 10,191	\$ 650,133
Operating Expenses:				
Benefits Paid	\$ 182,363	\$ 17,631	\$ 3,744	\$ 203,738
Refunds	12,711	1,038	183	13,932
Administrative Expenses	3,828	263	17	4,108
Investment Management Fees	2,468	904	43	3,415
Interest on Late Transfer to MPRI Fund	594	69	375	1,038
Other	15	1,677		1,692
Total Operating Expenses	\$ 201,979	\$ 21,582	\$ 4,362	\$ 227,923
Other Changes in Reserves:				
Local Relief Association Mergers	\$ 0	\$ 0	\$ 50,834	\$ 50,834
Total Other Changes in Reserves	\$ 0	\$ 0	\$ 50,834	\$ 50,834
Net Fund Balance Additions	\$ 315,181	\$ 101,200	\$ 56,663	\$ 473,044
Fund Balance, July 1, 1989	2,934,976	637,868	29,708	3,602,552
Fund Balance, June 30, 1990	\$3,250,157	\$ 739,068	\$ 86,371	\$4,075,596

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

Statement of Revenues

Expenses and Changes in Fund Balance Public Employees Retirement Fund

For Fiscal Year Ended June 30, 1990 (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	\$ 87,031				\$ 87,031
Employer Contribution			\$ 93,865		93,865
Investment Income			190,863		190,863
Distributed Income of the Minnesota Post Retirement Investment Fund		\$ 144,529			144,529
State Appropriations			9		9
Other	6		857		863
Total Operating Revenues	\$ 87,037	\$ 144,529	\$ 285,594		\$ 517,160
Operating Expenses:					
Benefits Paid	\$ 1,282	\$ 163,390	\$ 17,691		\$ 182,363
Refunds	10,155		2,556		12,711
Administrative Expenses			3,828		3,828
Investment Management Fees			2,468		2,468
Interest on Late Transfer to MPRI Fund			594		594
Other	6		9		15
Total Operating Expenses	\$ 11,443	\$ 163,390	\$ 27,146		\$ 201,979
Other Changes in Reserves:					
Annuities Awarded	\$ (21,422)	\$ 176,250	\$ (154,828)		\$ 0
Mortality Loss and Other Adjustments		1,004	(1,004)		0
Transfers Between Reserves	(285)		285		0
Total Other Changes in Reserves	\$ (21,707)	\$ 177,254	\$ (155,547)		\$ 0
Net Fund Balance Additions	\$ 53,887	\$ 158,393	\$ 102,901		\$ 315,181
Change in Unfunded Accrued Liability			70,049	\$ (70,049)	0
Fund Balance, July 1, 1989	534,906	1,605,292	2,035,041	(1,240,263)	2,934,976
Fund Balance, June 30, 1990	\$ 588,793	\$1,763,685	\$2,207,991	\$(1,310,312)	\$3,250,157

Statement of Revenues

Expenses and Changes in Fund Balance Public Employees Police and Fire Fund

For Fiscal Year Ended June 30, 1990 (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	\$ 16,224				\$ 16,224
Employer Contribution			\$ 24,274		24,274
Investment Income			66,039		66,039
Distributed Income of the Minnesota Post Retirement Investment Fund		\$ 14,525			14,525
Police State Aid			1,659		1,659
Other	<u>6</u>	<u> </u>	<u>55</u>	<u> </u>	<u>61</u>
Total Operating Revenues	<u>\$ 16,230</u>	<u>\$ 14,525</u>	<u>\$ 92,027</u>		<u>\$122,782</u>
Operating Expenses:					
Benefits Paid	\$ 517	\$ 14,895	\$ 2,219		\$ 17,631
Refunds	806		232		1,038
Administrative Expenses			263		263
Investment Management Fees			904		904
Interest on Late Transfer to MPRI Fund			69		69
Other	<u>5</u>	<u> </u>	<u>1,672</u>	<u> </u>	<u>1,677</u>
Total Operating Expenses	<u>\$ 1,328</u>	<u>\$ 14,895</u>	<u>\$ 5,359</u>		<u>\$ 21,582</u>
Other Changes in Reserves:					
Annuities Awarded	\$ (2,578)	\$ 22,204	\$ (19,626)		\$ 0
Mortality Loss and Other Adjustments		304	(304)		0
Transfers Between Reserves	<u>22</u>	<u> </u>	<u>(22)</u>	<u> </u>	<u>0</u>
Total Other Changes in Reserves	<u>\$ (2,556)</u>	<u>\$ 22,508</u>	<u>\$ (19,952)</u>		<u>\$ 0</u>
Net Fund Balance Additions	\$ 12,346	\$ 22,138	\$ 66,716		\$101,200
Change in Unfunded Accrued Liability			(37,012)	\$ 37,012	0
Fund Balance, July 1, 1989	<u>107,659</u>	<u>159,565</u>	<u>384,551</u>	<u>(13,907)</u>	<u>637,868</u>
Fund Balance, June 30, 1990	<u>\$120,005</u>	<u>\$181,703</u>	<u>\$414,255</u>	<u>\$ 23,105</u>	<u>\$739,068</u>

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

Statement of Revenues

Expenses and Changes in Fund Balance Police and Fire Consolidation Fund

For Fiscal Year Ended June 30, 1990 (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	\$ 596				\$ 596
Employer Contribution			\$ 5,347		5,347
Investment Income			2,366		2,366
Distributed Income of the Minnesota Post Retirement Investment Fund		\$ 1,904			1,904
Other			(22)		(22)
Total Operating Revenues	\$ 596	\$ 1,904	\$ 7,691		\$ 10,191
Operating Expenses:					
Benefits Paid	\$ 70	\$ 2,761	\$ 913		\$ 3,744
Refunds	1		182		183
Administrative Expenses			17		17
Investment Management Fees			43		43
Interest on Late Transfer to MPRI Fund			375		375
Total Operating Expenses	\$ 71	\$ 2,761	\$ 1,530		\$ 4,362
Other Changes in Reserves:					
Annuities Awarded	\$ (156)	\$ 24,044	\$(23,888)		\$ 0
Mortality Gain and Other Adjustments		(1,301)	1,301		0
Local Relief Association Mergers	5,207		45,627		50,834
Total Other Changes in Reserves	\$ 5,051	\$ 22,743	\$ 23,040		\$ 50,834
Net Fund Balance Additions	\$ 5,576	\$ 21,886	\$ 29,201		\$ 56,663
Change in Unfunded Accrued Liability			24,776	\$(24,776)	0
Fund Balance, July 1, 1989	2,806	18,780	19,018	(10,896)	29,708
Fund Balance, June 30, 1990	\$ 8,382	\$ 40,666	\$ 72,995	\$(35,672)	\$ 86,371

Schedule of Administrative Expenses

For Fiscal Year Ended June 30, 1990 (in thousands)

Personal Services:	
Staff Salaries	\$1,926
Social Security	127
Retirement	98
Insurance and Workers' Compensation	169
Total Personal Services	\$2,320
Professional Services:	
Actuarial	\$ 185
Audit	34
Legal	17
Investment Consultants	55
Management Consultants	143
Total Professional Services	434
Communication:	
Printing	\$ 144
Telephone	29
Postage	316
Travel	20
Mailing Services	18
Total Communication	527
Rentals:	
Office Space	\$ 296
Equipment Leasing	39
Total Rentals	335
Other:	
Medical Examinations	\$ 2
Stationery and Office Supplies	43
Maintenance Service Contracts	97
Software - Data Base	156
Depreciation	100
Education (Employees)	8
Publications and Subscriptions	9
Meeting Expense	10
Vehicle Expense	5
Equipment (\$500 and Under)	7
Fees and Other Fixed Charges	6
Indirect Cost from State	43
Miscellaneous	6
Total Other	492
Total Administrative Expense	\$4,108
Allocation of Administrative Expense:	
Public Employees Retirement Fund	\$3,828
Public Employees Police and Fire Fund	263
Police and Fire Consolidation Fund	17
Total	\$4,108

Investment Summaries

For Fiscal Year Ended June 30, 1990 (in thousands)

Public Employees Retirement Fund

	Market Value June 30, 1989	Cost June 30, 1989	Acquisitions
Pooled Accounts			
Passive Equity Pool	\$ 634,957	\$ 520,686	\$ 115,145
Active Equity Pool	332,132	301,379	89,927
Fixed Income Pool	320,256	316,365	132,323
Real Estate Pool	122,805	97,438	6,017
Venture Capital Pool	43,916	43,652	13,924
Resources Pool	23,410	26,034	2,147
Total Pooled Accounts	\$1,477,476	\$1,305,554	\$ 359,483

Public Employees Police and Fire Fund

	Market Value June 30, 1989	Cost June 30, 1989	Acquisitions
Pooled Accounts			
Passive Equity Pool	\$ 223,701	\$ 186,736	\$ 43,819
Active Equity Pool	117,013	106,752	35,851
Fixed Income Pool	112,830	111,201	49,193
Real Estate Pool	43,265	35,027	2,866
Venture Capital Pool	15,473	15,327	5,390
Resources Pool	8,248	9,128	901
Total Pooled Accounts	\$ 520,530	\$ 464,171	\$ 138,020

Police and Fire Consolidation Fund

	Market Value June 30, 1989	Cost June 30, 1989	Acquisitions
Pooled Accounts			
Passive Equity Pool	\$ 4,460	\$ 4,129	\$ 25,597
Active Equity Pool	2,298	2,134	8,339
Fixed Income Pool	2,242	2,215	32,712
Real Estate Pool	860	816	2,478
Venture Capital Pool	301	305	1,221
Resources Pool	164	164	412
Total Pooled Accounts	\$ 10,325	\$ 9,763	\$ 70,759

<u>Dispositions</u>	<u>Cost June 30, 1990</u>	<u>Market Value June 30, 1990</u>
\$ 132,090	\$ 503,741	\$ 593,753
32,509	358,797	392,784
27,613	421,075	416,666
9,279	94,176	117,822
3,074	54,502	54,465
7,226	20,955	18,933
<u>\$ 211,791</u>	<u>\$1,453,246</u>	<u>\$1,594,423</u>

<u>Dispositions</u>	<u>Cost June 30, 1990</u>	<u>Market Value June 30, 1990</u>
\$ 41,471	\$ 189,084	\$ 219,738
9,017	133,586	145,363
4,870	155,524	154,201
2,264	35,629	43,604
596	20,121	20,157
2,311	7,718	7,007
<u>\$ 60,529</u>	<u>\$ 541,662</u>	<u>\$ 590,070</u>

<u>Dispositions</u>	<u>Cost June 30, 1990</u>	<u>Market Value June 30, 1990</u>
\$ 13,963	\$ 15,763	\$ 16,227
524	9,949	10,474
23,987	10,940	10,940
173	3,121	3,138
70	1,456	1,443
83	493	489
<u>\$ 38,800</u>	<u>\$ 41,722</u>	<u>\$ 42,711</u>

Summary Schedules

For Fiscal Year Ended June 30, 1990 (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	\$ 634	\$ 98	\$ 2	\$ 734
Add Receipts:				
Member Contributions	87,007	16,216	557	103,780
Employer Contributions	93,942	24,283	6,719	124,944
Investment Income	251,164	71,466	4,230	326,860
Minnesota Post Retirement Investment Fund	163,390	14,895	2,762	181,047
Investments Redeemed/Sold	432,923	120,344	105,337	658,604
Local Relief Association Mergers	0	0	50,869	50,869
Other	10,911	2,709	802	14,422
Total Cash Receipts	\$1,039,337	\$ 249,913	\$ 171,276	\$1,460,526
Less Disbursements:				
Benefit Payments	\$ 182,966	\$ 17,710	\$ 4,293	\$ 204,969
Refunds	12,766	1,082	183	14,031
Administrative Expense	5,627	334	28	5,989
Investments Purchased	584,990	199,917	139,064	923,971
Minnesota Post Retirement Investment Fund	244,901	28,372	26,746	300,019
Other	594	1,735	375	2,704
Total Cash Disbursements	\$1,031,844	\$ 249,150	\$ 170,689	\$1,451,683
Cash Balance at End of Year: June 30, 1990	\$ 8,127	\$ 861	\$ 589	\$ 9,577

Summary Schedule of Commissions and Payments to Consultants

Individual or Firm Name	Nature of Services	Fee Paid
Gabriel, Roeder, Smith & Co.	Actuary	\$ 51
Wyatt Co.	Actuary	134
Richards & Tierney	Investment	54
The Sterling Group	Investment	1
Pension Benefit Information Benefacts, Inc.	Management	3
State of Minnesota – Attorney General	Management	75
Administrative Hearings Office	Legal	17
Rehabilitation Services Div.	Management	17
Medical Officer	Management	4
Legislative Auditor	Management	44
	Auditor	34
		<u>\$434</u>

Certification Letter

THE *Wyatt* COMPANY

15TH FLOOR
8400 NORMANDALE LAKE BOULEVARD
MINNEAPOLIS, MINNESOTA 55437

ACTUARIAL SERVICES
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INSURANCE CONSULTING
HEALTH CARE CONSULTING

October 24, 1990

Board of Trustees
Public Employees Retirement
Association of Minnesota
514 St. Peter Street
St. Paul, Minnesota 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, 1990.

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

The results of the valuation indicate that the PEPFF and the PFCF are either ahead of or on schedule to meet the required dates for full funding. The valuation of the PERF resulted in a deficiency in the current funding level. The deficiency of .79% of payroll was the result of the actuarially computed required contribution of 10.04% exceeding the statutory contribution of 9.25%.

The actuarial valuation was based upon applicable statutory provisions and the Standards for Actuarial Work in effect on July 1, 1990. The basic financial and membership 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.

Effective for the July 1, 1990 valuation, all three funds changed their assumed rates of separation. As a result of this change, the actuarial accrued liability increased \$32,783,000 for the PERF and decreased \$11,014,000 for the PEPFF. This change did not have a significant impact on the PFCF.

The following table shows the date for full funding for each of the three plans and the funding percentage for the 1990 valuation. The funding percentage expresses current assets as a percentage of the actuarial accrued liability determined on the entry age normal cost method.

<u>Fund</u>	<u>Funding Date</u>	<u>Funded Percentage</u>
PERF	2020	72%
PEPFF	2020	105
PFCF	2010	71

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

Respectfully submitted,

Robert E. Perkins

Robert E. Perkins
Fellow, Society of
Actuaries

REP:kp

Cost Method and Assumptions

June 30, 1990

Public Employees Retirement Fund

Actuarial Cost Method	Entry Age Normal. Actuarial gains (losses) reduce (increase) the unfunded actuarial accrued liability.*
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	.32% 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 (losses) reduce (increase) the unfunded actuarial accrued liability.*
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	.58% 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	†1984	‡1988
**1990	††1986	‡‡1989
***1976	†††1987	

Actuarial Tables

June 30, 1990

Schedule of Recommended vs. Actual Contributions

	Actual Contribution Rate			Recommended Rate
	Member	Employer	Total	
Public Employees Retirement Fund	4.44	4.81	9.25	10.04
Public Employees Police and Fire Fund	8.00	12.00	20.00	17.56
Police and Fire Consolidation Fund	8.00	12.00	20.00	20.00 *

*Plus an additional dollar amount determined annually to amortize the unfunded actuarial accrued liability by the year 2010, and to amortize any actuarial losses or gains over a 15-year period.

Sample Annual Rates per 100 Employees

Public Employees Retirement Fund

Age	Mortality		Disability	Termination	
	Male	Female	All Employees	Male	Female
20	.05	.02	.09	25.42	29.13
25	.06	.03	.10	15.36	19.42
30	.07	.04	.11	10.18	13.94
35	.10	.05	.12	7.19	10.53
40	.15	.08	.15	5.32	8.26
45	.27	.12	.22	4.08	6.67
50	.49	.18	.33	3.21	5.50
55	.78	.27	.58	1.95	4.78
60	1.21	.46	1.18	—	—
65	1.95	.81	—	—	—

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

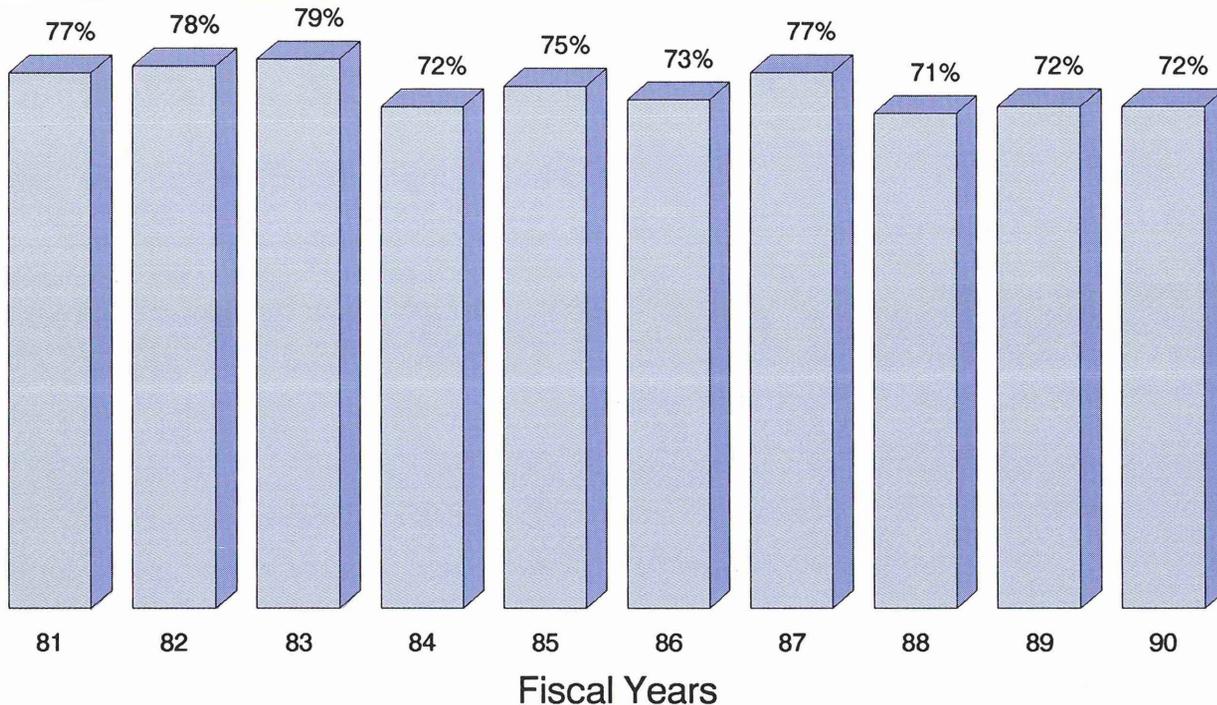
Age	Mortality		Disability	Termination
	Male	Female	All Employees	All Employees
20	.05	.02	.11	8.59
25	.06	.03	.13	4.63
30	.07	.04	.16	2.80
35	.10	.05	.19	1.83
40	.15	.08	.26	1.26
45	.27	.12	.36	.91
50	.49	.18	.69	.50
55	.78	.27	1.35	.11
60	1.21	.46	—	—
65	1.95	.81	—	—

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
6-30-81	\$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
6-30-90	4,560,469	3,297,216	72	1,263,253	1,947,504	65



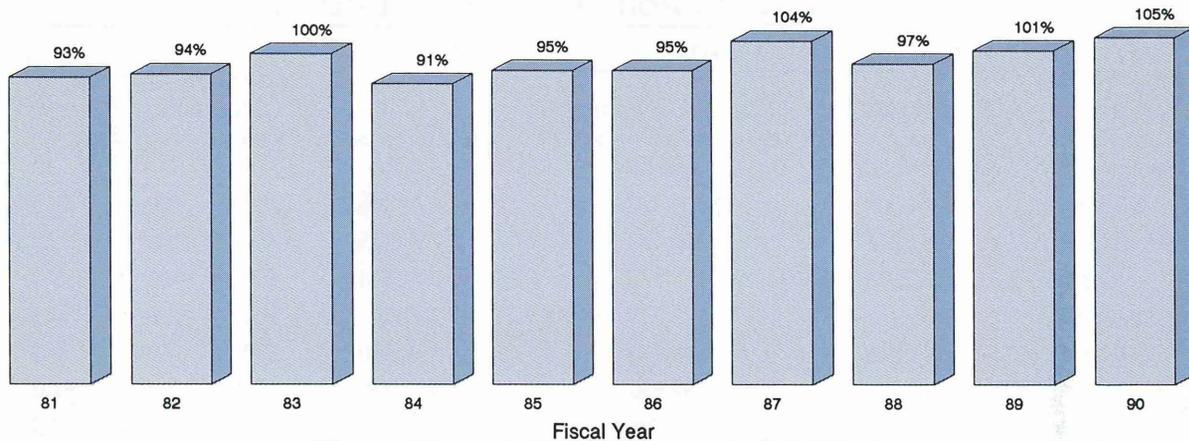
Funding Ratios – PERF
(Ratio of Assets to Actuarial Accrued Liabilities)

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
6-30-81	\$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-
6-30-90	715,963	755,204	105	-0-	202,838	-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
6-30-90	122,045	86,702	71	35,343	10,221	346

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)
6-30-81	\$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
6-30-90	588,793	1,970,629	2,001,047	3,297,216	100	100	36.9

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)
6-30-81	\$ 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
6-30-90	120,005	222,683	373,275	755,204	100	100	110.5

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	33.4
6-30-90	8,383	69,549	44,113	86,702	100	100	19.8

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>
6-30-81	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
6-30-90	102,664	1,947,504,000	18,970	4.0

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>
6-30-81	4,356	\$ 85,810,155	\$ 9,699	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
6-30-90	6,136	202,838,000	33,057	4.8

Police and Fire Consolidation Fund

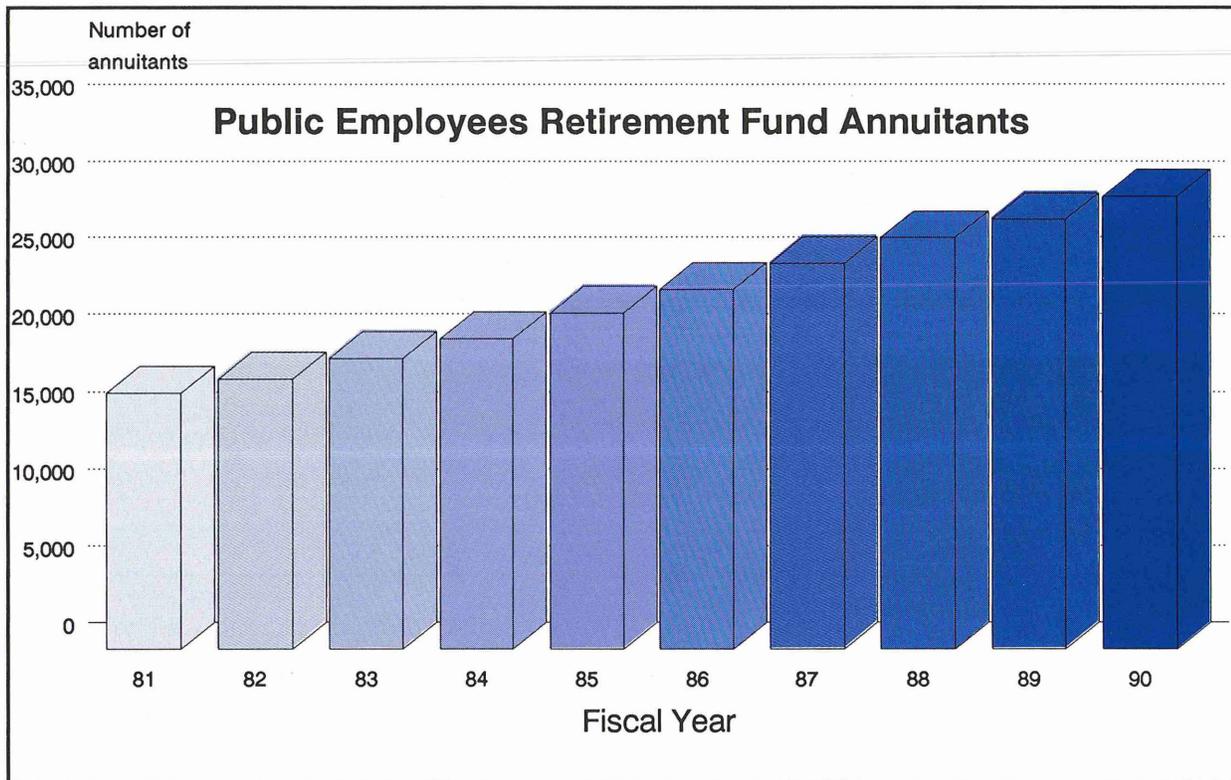
<u>VALUATION DATE</u>	<u>NUMBER</u>	<u>ANNUAL PAYROLL</u>	<u>ANNUAL AVERAGE PAY</u>	<u>% INCREASE IN AVERAGE PAY</u>
6-30-88	93	\$ 2,553,569	\$27,458	0.0 %
6-30-89	102	3,454,608	33,869	23.3
6-30-90	287	10,220,881	35,613	5.1

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		
6-30-81	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
6-30-90	2,614	1,050	29,436	181,514,000	9.5	6,166

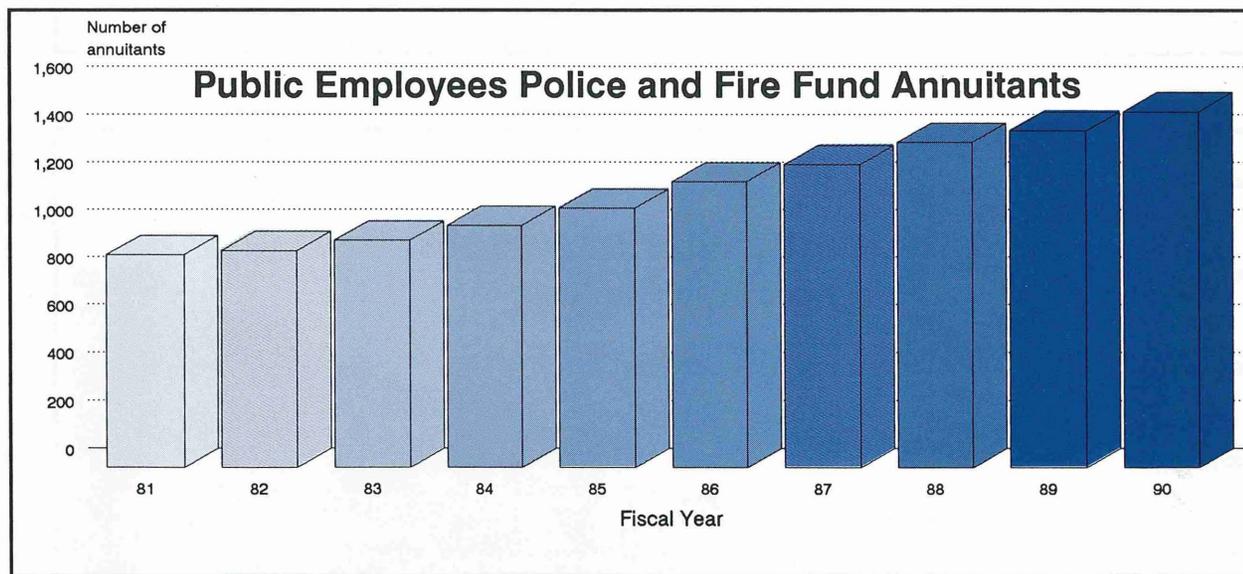


Schedule of Retirants and Beneficiaries

Last Ten Years

Public Employees Police and Fire Fund

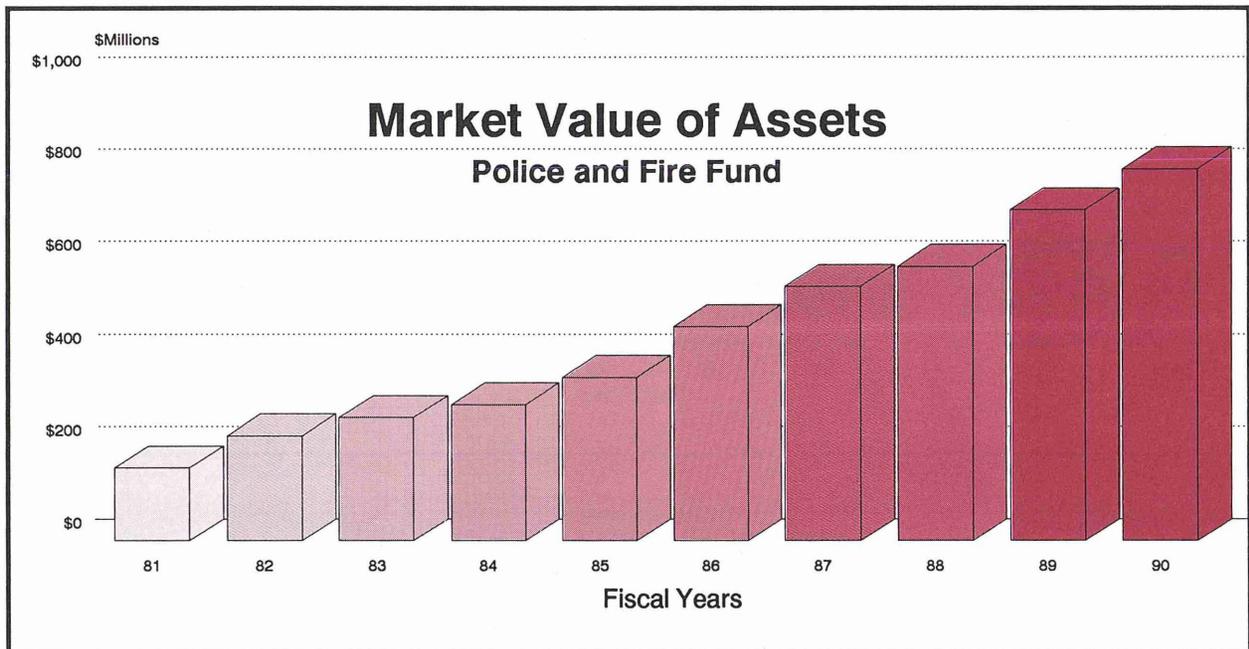
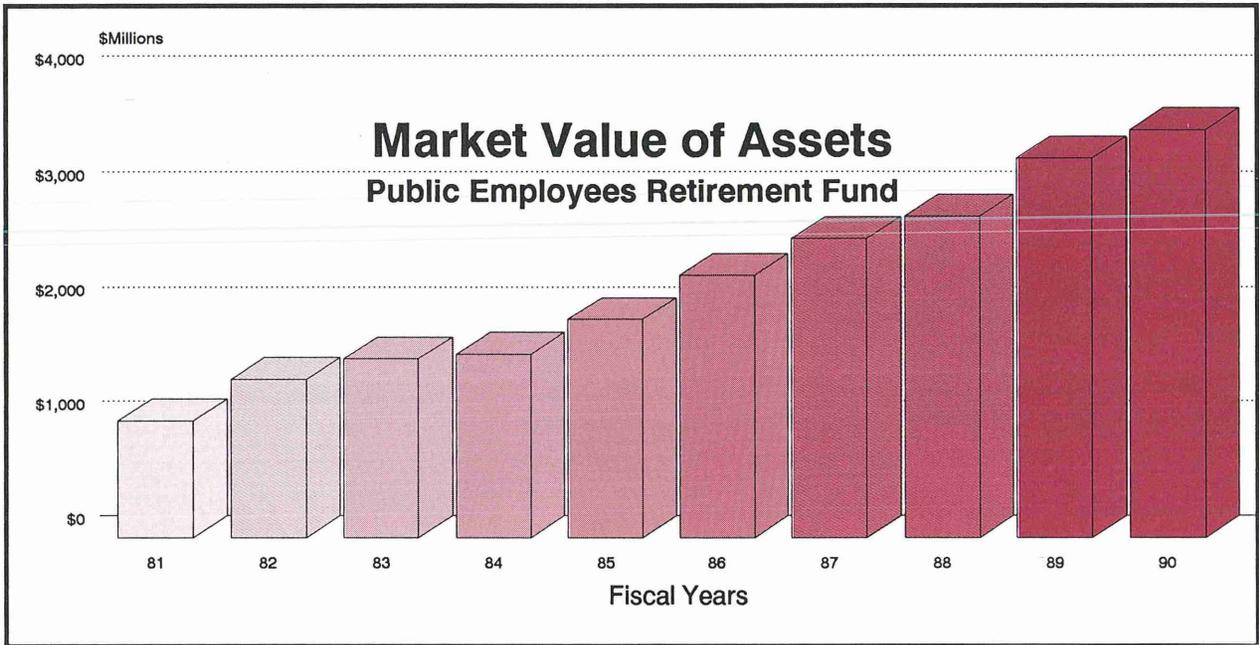
YEAR ENDED	NUMBER ADDED	NUMBER REMOVED	ROLLS END OF YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
			NUMBER	ANNUAL ALLOWANCES		
6-30-81	120	74	889	\$ 3,874,616	14.7%	\$ 4,358
6-30-82	94	76	907	4,691,766	21.1	5,173
6-30-83	84	41	950	5,576,067	18.8	5,870
6-30-84	102	39	1,013	6,592,773	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
6-30-90	142	61	1,493	17,939,000	13.3	12,015



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	\$ 1,682,000	0.0 %	\$13,349
6-30-89	18	4	140	1,978,000	17.6	14,127
6-30-90	265	12	393	5,579,000	182.0	14,196

Market Value of Assets



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>
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
1990	16.8	18.2	65.0	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>
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
1990	13.4	20.0	66.6	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
1990	5.8	52.4	41.8	100.0

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>
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
1990	165,740	12,566	4,057	12,711	195,074

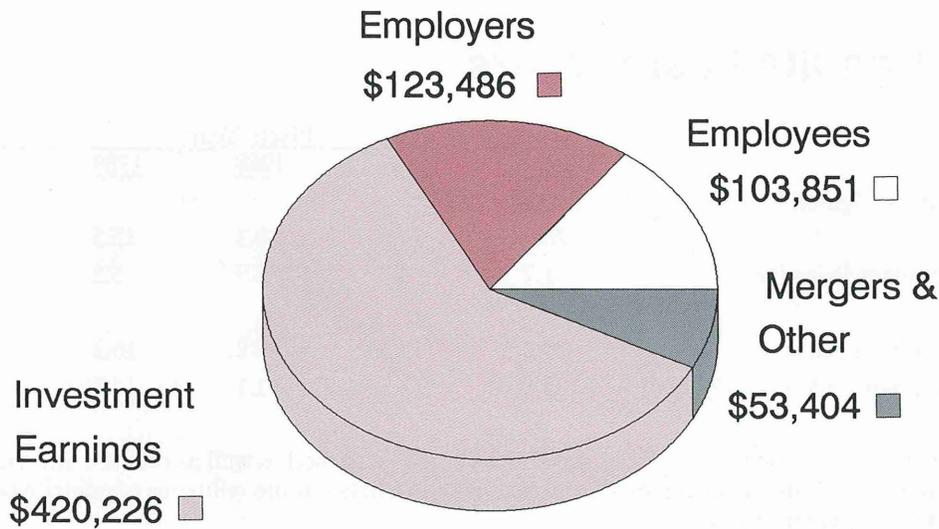
Public Employees Police and Fire Fund

<u>FISCAL YEAR</u>	<u>RETIREMENT</u>	<u>SURVIVOR</u>	<u>DISABILITY</u>	<u>REFUND</u>	<u>TOTAL</u>
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
1990	14,985	1,467	1,179	1,038	18,669

Police and Fire Consolidation Fund

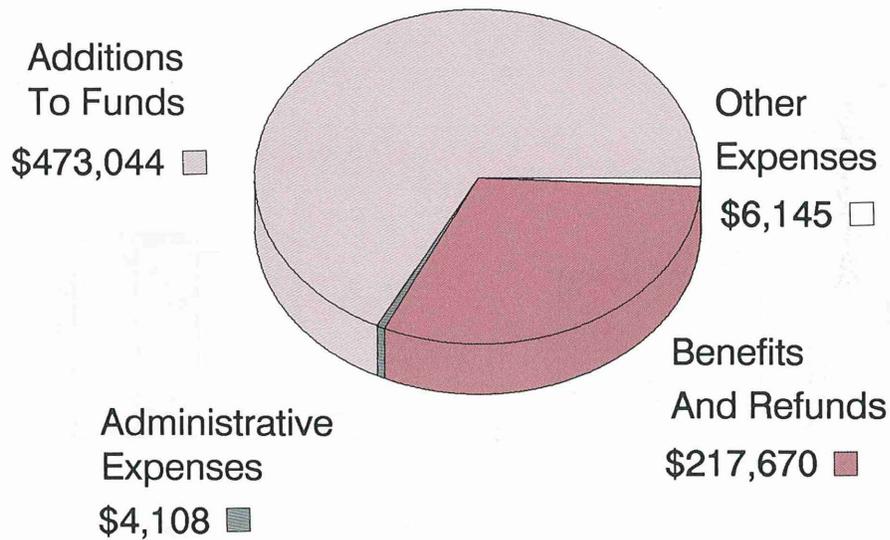
<u>FISCAL YEAR</u>	<u>RETIREMENT</u>	<u>SURVIVOR</u>	<u>DISABILITY</u>	<u>REFUND</u>	<u>TOTAL</u>
1988	\$ 655	\$ 155	\$ 36	\$ 0	\$ 864
1989	1,744	75	25	64	1,908
1990	3,377	216	151	183	3,927

Revenues



Revenue by Source

All Funds
(In Thousands)



Revenue Allocation

All Funds
(In Thousands)

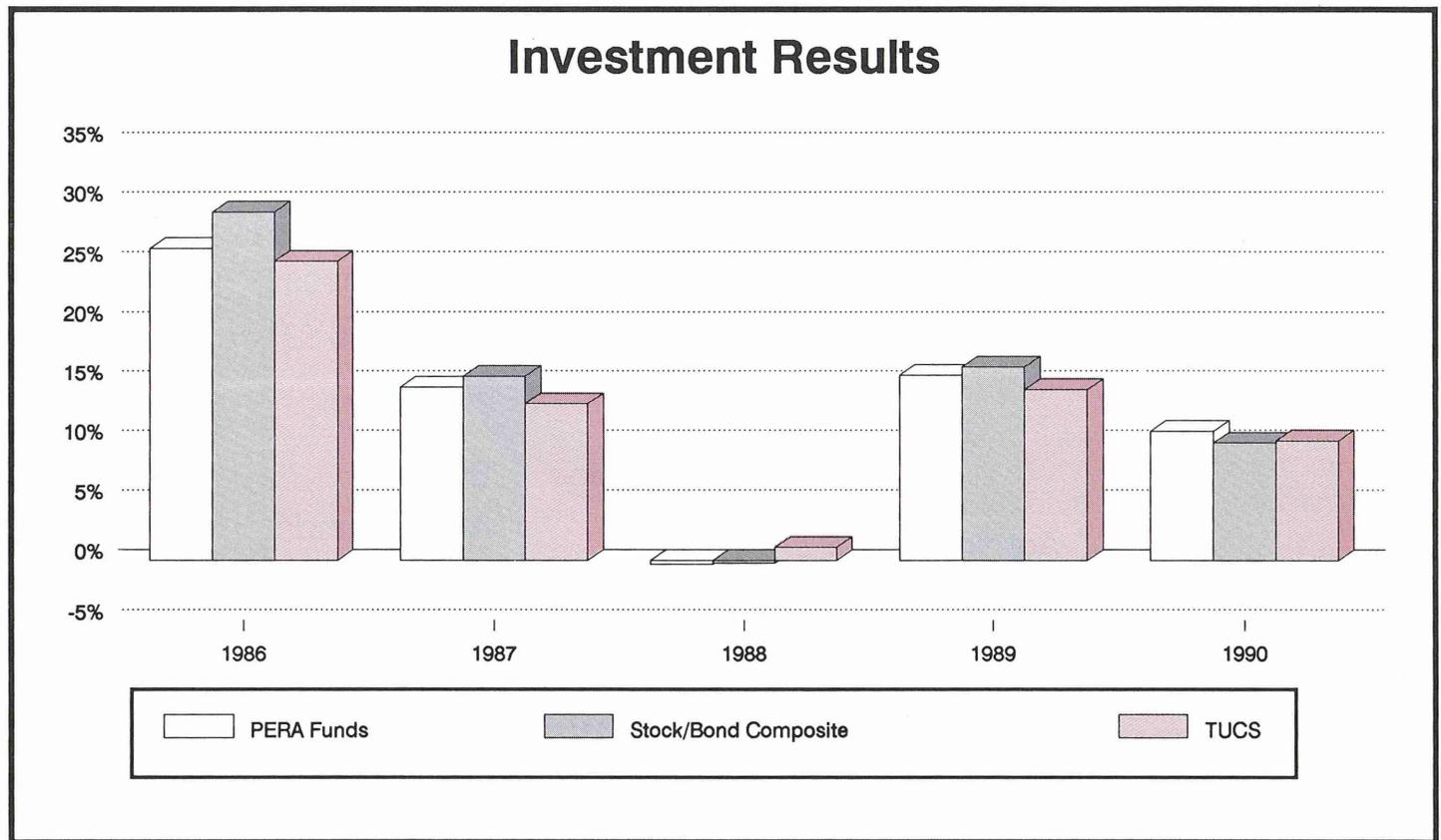
Investment Results

Last Five Years

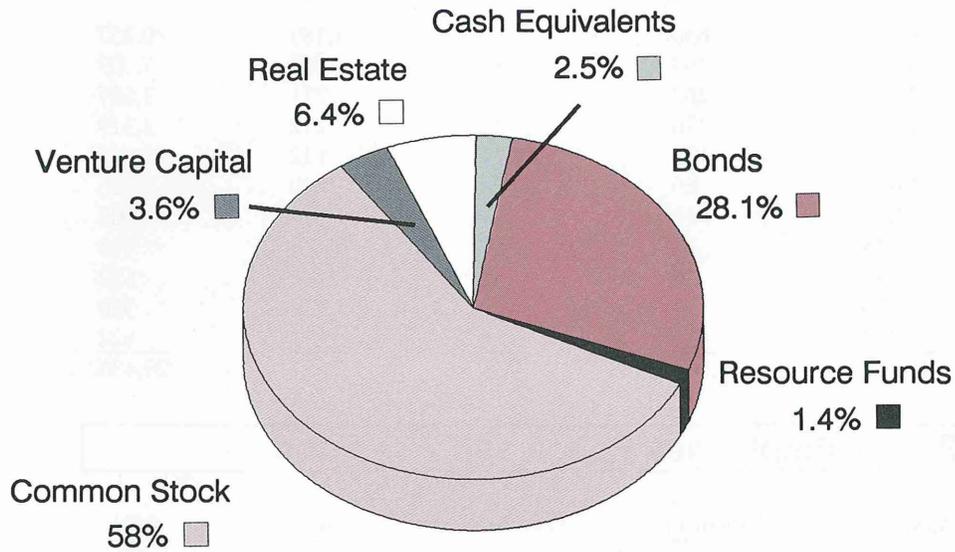
Investment Results Last 5 Years

	Fiscal Year					5 -Year Average
	1986	1987	1988	1989	1990	
Rate of Return – Time Weighted*						
PERA Funds	26.2	14.5	-0.3	15.5	10.8	13.0
Inflation Rate – Consumer Price Index	1.7	3.7	3.9	5.2	4.7	3.8
Market Indicator						
Stock/Bond Composite Index	29.2	15.4	-0.2	16.2	9.8	13.0
Trust Universe Comparison Service (TUCS)	25.1	13.1	1.1	14.3	10.0	12.7

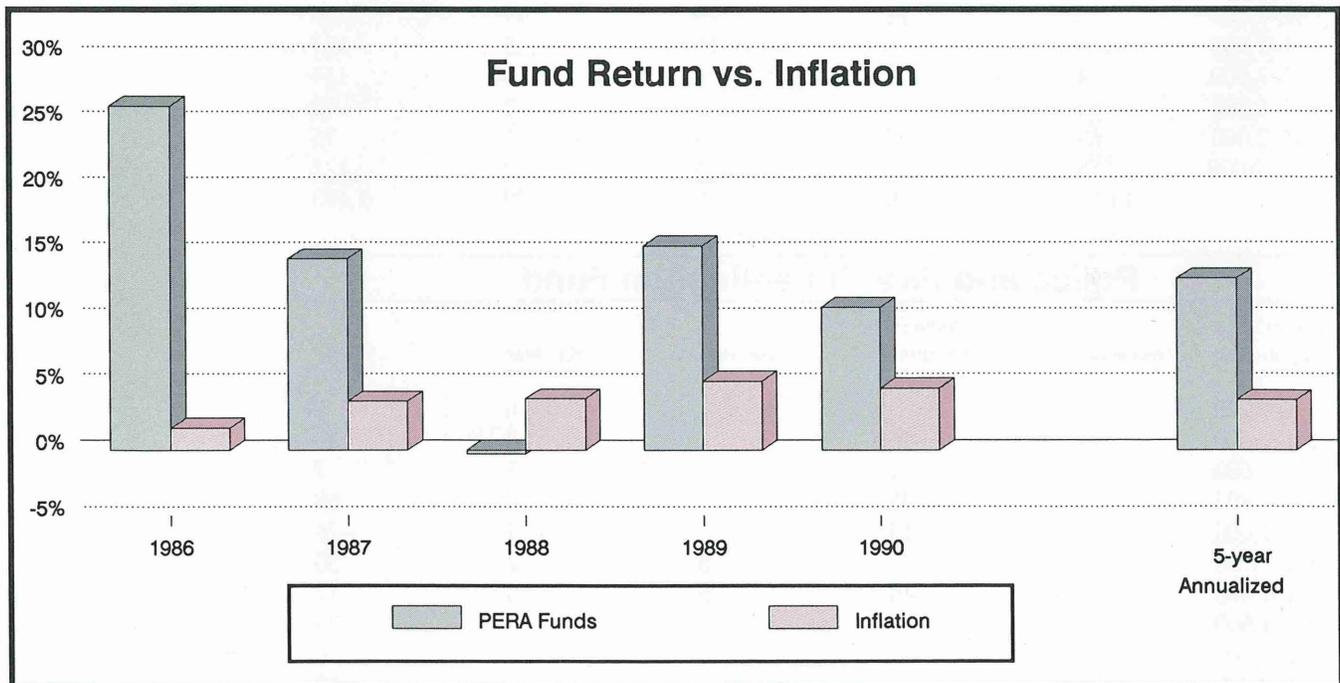
*The time-weighted performance measure includes the effect of income earned as well as realized and unrealized portfolio market value changes. In addition, the time-weighted total rate of return nets out the influence of contributions made to and distributions taken from the manager or fund.



Investments



Active Funds Allocation of Investments



Schedule of Retired Members

by Amount and Type of Benefit

Public Employees Retirement Fund

Amount of Monthly Benefit	Annuitant	Optional Annuitant	Disabillitant	Survivor	Total
\$ 1- 200	8,158	650	260	1,189	10,257
201- 400	5,592	463	187	767	7,009
401- 600	3,126	262	88	211	3,687
601- 800	1,888	176	43	212	2,319
801-1,000	1,399	120	34	112	1,665
1,001-1,200	1,039	69	38	40	1,186
1,201-1,400	824	49	20	16	909
1,401-1,600	673	23	11	3	710
1,601-1,800	497	16	9		522
1,801-2,000	330	13	7		350
Over 2,000	788	22	11	1	822
	<u>24,314</u>	<u>1,863</u>	<u>708</u>	<u>2,551</u>	<u>29,436</u>

Public Employees Police and Fire Fund

Amount of Monthly Benefit	Annuitant	Optional Annuitant	Disabillitant	Survivor	Total
\$ 1- 200	62	18	1	58	139
201- 400	81	25	2	53	161
401- 600	109	33	9	18	169
601- 800	105	18	10	25	158
801-1,000	116	16	11	27	170
1,001-1,200	112	11	19	14	156
1,201-1,400	110	6	16	5	137
1,401-1,600	114	7	9	4	134
1,601-1,800	64	1	5	2	72
1,801-2,000	69	2	3	1	75
Over 2,000	115	1	4	2	122
	<u>1,057</u>	<u>138</u>	<u>89</u>	<u>209</u>	<u>1,493</u>

Police and Fire Consolidation Fund

Amount of Monthly Benefit	Annuitant	Optional Annuitant	Disabillitant	Survivor	Total
\$ 1- 200	2			6	8
201- 400	3	15		2	20
401- 600	3	1		3	7
601- 800		48		20	68
801-1,000	5	13	1	7	26
1,001-1,200	22	1	5	2	30
1,201-1,400	58	6	5	3	72
1,401-1,600	119	2	5		126
1,601-1,800	18				18
1,801-2,000	12				12
Over 2,000	6				6
	<u>248</u>	<u>86</u>	<u>16</u>	<u>43</u>	<u>393</u>

Average Benefit Payments

Last Five Years

Schedule of Average Benefit Payments

Public Employees Retirement Fund							
Retirement Effective Dates July 1, 1985 to June 30, 1990	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/85 to 6/30/86:							
Average Monthly Benefit	\$90.29	\$128.69	\$172.61	\$354.96	\$781.84	\$1,197.80	\$1,824.01
Number of Active Retirants	68	124	479	478	332	253	230
Period 7/1/86 to 6/30/87:							
Average Monthly Benefit	\$91.99	\$123.76	\$171.86	\$321.82	\$736.16	\$1,163.64	\$1,792.30
Number of Active Retirants	79	164	516	570	377	246	236
Period 7/1/87 to 6/30/88:							
Average Monthly Benefit	\$87.59	\$106.69	\$164.59	\$298.64	\$645.22	\$1,112.42	\$1,745.84
Number of Active Retirants	82	213	588	554	367	176	214
Period 7/1/88 to 6/30/89:							
Average Monthly Benefit	\$60.57	\$102.24	\$166.70	\$288.78	\$548.94	\$966.23	\$1,554.53
Number of Active Retirants	71	245	463	457	296	87	117
Period 7/1/89 to 6/30/90:							
Average Monthly Benefit	\$80.00	\$133.54	\$218.06	\$341.72	\$601.61	\$1,082.35	\$1,635.80
Number of Active Retirants	135	267	455	488	388	164	160
Period 7/1/85 to 6/30/90:							
Average Monthly Benefit	\$82.05	\$118.15	\$177.74	\$320.88	\$664.66	\$1,130.30	\$1,734.30
Number of Active Retirants	435	1,013	2,501	2,547	1,760	926	957

Average Benefit Payments

Last Five Years

Schedule of Average Benefit Payments

Public Employees Police and Fire Fund							
Retirement Effective Dates July 1, 1985 to June 30, 1990	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/85 to 6/30/86:							
Average Monthly Benefit	\$96.09	\$357.54	\$700.92	\$906.13	\$1,307.13	\$1,792.72	\$2,035.21
Number of Active Retirants	3	7	7	16	24	17	11
Period 7/1/86 to 6/30/87:							
Average Monthly Benefit	\$142.30	\$480.94	\$637.74	\$1,035.94	\$1,430.48	\$1,680.45	\$2,455.63
Number of Active Retirants	4	6	10	11	20	20	19
Period 7/1/87 to 6/30/88:							
Average Monthly Benefit	\$268.24	\$359.76	\$632.79	\$1,147.68	\$1,469.97	\$1,859.11	\$2,237.07
Number of Active Retirants	6	7	14	20	26	17	13
Period 7/1/88 to 6/30/89:							
Average Monthly Benefit	\$138.51	\$750.23	\$588.83	\$1,205.81	\$1,152.15	\$1,933.60	\$2,215.70
Number of Active Retirants	4	7	5	8	15	12	4
Period 7/1/89 to 6/30/90:							
Average Monthly Benefit	\$112.13	\$496.71	\$598.56	\$1,045.50	\$1,276.66	\$1,920.12	\$2,129.31
Number of Active Retirants	7	10	8	16	23	27	6
Period 7/1/85 to 6/30/90:							
Average Monthly Benefit	\$158.58	\$489.88	\$633.53	\$1,059.46	\$1,341.16	\$1,835.88	\$2,259.71
Number of Active Retirants	24	37	44	71	108	93	53

Participating Employers

CITIES AND TOWNSHIPS

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

Statistical Section

Howard Lake	Lancaster	McGregor	North Hero	Red Wing	Silver Lake
Hoyt Lakes	Landfall	McIntosh	North Mankato	Redwood Falls	Slayton
Hugo	Lanesboro	Medford	North Oaks	Remer	Sleepy Eye
Hutchinson	LaPrairie	Medina	North St. Paul	Renville	South International Falls
Ideal	Lauderdale	Melrose	Northfield	Rice Lake	South St. Paul
Independence	Le Center	Menahga	Northome	Richfield	South Bend
International Falls	Le Roy	Mendota Heights	Northrop	Richmond	South Branch
Inver Grove Heights	Le Sueur	Mentor	Norway	Robbinsdale	South Branch
Iona	Lengby	Midway	Norwood	Rochester	South Haven
Iron Range	Leon	Middle River	Oak Grove	Rock Creek	Southside
Irondale	Lester Prairie	Middleville	Oak Lawn	Rockford	Spencer
Ironton	Lewiston	Milaca	Oak Park Heights	Rogers	Spicer
Isanti	Lewisville	Milan	Oakdale	Rollingstone	Spring Grove
Isle	Lexington	Millerville	Odessa	Roosevelt	Spring Lake Park
Ivanhoe	Linden	Millville	Ogema	Rose Creek	Spring Park
Jackson	Lindstrom	Milroy	Ogilvie	Roseau	Spring Valley
Janesville	Lino Lakes	Milton	Okabena	Rosemount	Springfield
Jasper	Linwood	Miltona	Oklee	Roseville	Stacy
Jeffers	Lismore	Minneapolis	Olivia	Rothsay	Stanford
Jenkins	Litchfield	Minneota	Onamia	Round Lake	Staples
Johnsonville	Little Canada	Minnesota Lake	Orono	Royalton	Star Lake
Jordan	Little Falls	Minnetonka	Oronoco	Rush City	Starbuck
Kandiyohi	Littlefork	Minnetonka Beach	Orr	Rushford	Stephen
Karlstad	Livonia	Minnetrista	Ortonville	Rushmore	Stewart
Kasota	Long Lake	Montevideo	Osakis	Russell	Stewartville
Kasson	Long Prairie	Montgomery	Oslo	Ruthton	Stillwater
Keewatin	Longville	Monticello	Osseo	Rutland	Stockholm
Kelliher	Lonsdale	Montrose	Otsego	Sacred Heath	Storden
Kellogg	Lucan	Moorhead	Ostrander	St. Anthony	Sverdrup
Kennedy	Luverne	Moose Lake	Owatonna	St. Bonifacius	Swanville
Kensington	Lyle	Mora	Palisade	St. Charles	Sylvan
Kenyon	Lynd	Morgan	Park Rapids	St. Clair	Taconite
Kerkhoven	Mabel	Morris	Parkers Prairie	St. Cloud	Taylor Falls
Kettle River	Madelia	Morristown	Paynesville	St. Francis	Thief River Falls
Kiester	Madison	Morse	Pelican	St. Hilaire	Thomson
Kimball	Madison Lake	Morton	Pelican Rapids	St. James	Tintah
Kinney	Magnolia	Motley	Pequot Lakes	St. Joseph	Tonka Bay
Krain	Mahnomen	Mound	Perham	St. Leo	Tower
La Crescent	Mahtomedi	Mounds View	Pierz	St. Louis Park	Tracy
Lafayette	Mankato	Mountain Iron	Pilot Mound	St. Michael	Trimont
La Grande	Mantorville	Mountain Lake	Pine City	St. Paul	Truman
Lake Benton	Maple Grove	Murdock	Pine Island	St. Paul Park	Twin Lakes
Lake Bronson	Maple Lake	Nashwauk	Pine River	St. Peter	Twin Valley
Lake City	Maple Plain	Nessel	Pipestone	Sanborn	Two Harbors
Lake Crystal	Mapleton	Nevis	Plainview	Sandstone	Tyler
Lake Edward	Mapleview	New Brighton	Plato	Sargeant	Ulen
Lake Elmo	Maplewood	New Germany	Plummer	Sartell	Underwood
Lake Hanska	Marble	New Hope	Plymouth	Sauk Centre	Upsala
Lake Lillian	Marietta	New London	Powers	Sauk Rapids	Vadnais Heights
Lake Park	Marine on St. Croix	New Munich	Preble	Savage	Vasa
Lake St. Croix Beach	Marshall	New Prague	Preston	Scandia Valley	Vergas
Lake Shore	Martin	New Richland	Princeton	Scanlon	Vermillion
Lake View	Marysville	New Scandia	Prinsburg	Sebeka	Verndale
Lake Wilson	May	New Ulm	Prior Lake	Shafer	Vernon
Lakefield	Mayer	New York Mills	Proctor	Shakopee	Vernon Center
Lakeland	Maynard	Newburg	Quincy	Shamrock	Vesta
Laketown	Mazeppa	Newfolden	Ramsey	Sherburn	Victor
Lakeville	McKinley	Newport	Randall	Shetek	Victoria
Lakin	McGrath	Nicollet	Randolph	Shoreview	Villard
Lamberton		Nisswa	Ranier	Shorewood	Virginia
		Nordland	Raymond	Silver Bay	Wabasha
		North Branch	Red Lake Falls	Silver Creek	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
Lac qui Parle
Lake
Lake of the Woods
Le Sueur
Lincoln
Lyon
Mahnomon
Marshall
Martin
McLeod
Meeker
Mille Lacs
Morrison
Mower
Murray
Nicollet
Nobles
Norman
Olmsted
Ottertail
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
Watonwan
Wilkin
Winona
Wright
Yellow Medicine

SCHOOL DISTRICTS

Ada #521
Adrian #511
Aitkin #1
Akeley #301
Albany #745
Albert Lea #241
Alden-Conger #242
Alexandria #206
Alvarado #436
Amboy-Good Thunder #79
Annandale #876
Anoka-Hennepin #11
Appleton #784
Argyle #437
Arlington-Green Isle #731
Ashby #261
Askov #566
Atwater #341
Audubon #21
Aurora-Hoyt Lakes #691
Austin #492
Babbitt #692
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-Lake Lillian #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
Brooten #737
Browerville #787
Browns Valley #801
Brownton #421
Buffalo #877
Buffalo Lake #647
Buhl-Mountain Iron #712
Burnsville #191
Butterfield #836
Byron #531
Caledonia #299
Cambridge #911
Campbell-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-Graceville #55
Cloquet #94
Cold Spring #750
Coleraine #316
Columbia Heights #13

Comfrey #81
Cook County Schools #166
Cosmos #461
Cottonwood #412
Cromwell #95
Crookston #593
Crosby-Ironton #182
Cyrus #611
Danube #648
Dassel-Cokato #466
Dawson-Boyd #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
Elgin-Millville #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 #161
Granada-Huntley #460
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
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-Waverly #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	Middle River #440	Pine City Vo Tech	Spring Valley #237	MISCELLANEOUS
Kennedy #354	Milaca #912	Pine Island #255	Springfield #85	
Kensington #209	Milan #128	Pine River-Backus #117	Staples #793	
Kenyon #254	Milroy #635	Pipestone #583	Starbuck #614	
Kerkhoven-Murdock-Sunburg #775	Minneapolis #1	Plainview #810	Stephen #443	
Kiester #222	Minneapota #414	Plummer #628	Stewart #426	
Kimball #739	Minnesota Lake #223	Preston-Fountain #233	Stewartville #534	
Koochiching Co. #363	Minnesota River Valley #993	Princeton #477	Stillwater #834	
La Crescent #300	Minnetonka #276	Prior Lake #719	Strandquist #444	
Lake Benton #404	Montevideo #129	Proctor #704	Swanville #486	
Lake City #813	Montgomery-Lonsdale #394	Randolph #195	Taylor Falls #140	
Lake Crystal #70	Monticello #882	Raymond #346	Thief River Falls #564	
Lake Park #24	Moorhead #152	Red Lake #38	Tower-Soudan #708	
Lake Superior #381	Moose Lake #97	Red Lake Falls #630	Tracy #417	
Lake Wilson-Chandler #918	Mora #332	Red Wing #256	Trimont #457	
Lake of the Woods #390	Morgan #636	Redwood Falls #637	Truman #458	
Lakefield #325	Morris #769	Remer #118	Twin Valley #526	
Lakeville #194	Morristown #657	Renville #654	Tyler #409	
Lamberton #633	Morton #652	Richfield #280	Ulen-Hitterdal #914	
Lancaster #356	Motley #483	Robbinsdale #281	Underwood #550	
Lanesboro #229	Mound #277	Rochester #535	Upsala #487	
Laporte #306	Mounds View #621	Rockford #883	Verdi #408	
LeCenter #392	Mountain Lake #173	Roseau #682	Verndale #818	
LeRoy-Ostrander #499	Mountain Lake #173	Rosemount #196	Villard #615	
LeSueur #393	Nashauk-Keewatin #319	Roseville #623	Virginia #706	
Lester Prairie #424	Nett Lake #707	Rothsay #850	Wabasha-Kellogg #811	
Lewiston #857	Nevis #308	Round Lake #516	Wabasso #640	
Lindstrom-Chisago Lakes #141	New London-Spicer #345	Royalton #485	Waconia #110	
Litchfield #465	New Prague #721	Rush City #139	Wadena #819	
Little Falls #482	New Richland #827	Rushford-Peterson #239	Waldorf-Pemberton #913	
Littlefork-Big Falls #362	New Ulm-Hanska #88	Russell #418	Walker #119	
Long Prairie #792	New York Mills #553	Ruthton #584	Walnut Grove #641	
Luverne #670	Nicollet #507	Sacred Heart #655	Wanamingo #258	
Lyle #497	North Branch #138	St. Anthony #282	Warren #446	
Lynd #415	North St. Paul-Maplewood #622	St. Charles #858	Warroad #690	
Mabel-Canton #238	Northfield #659	St. Clair #75	Waseca #829	
Madelia #837	Norwood-Young America #108	St. Cloud #742	Watertown-Mayer #111	
Madison #377	Ogilvie #333	St. Francis #15	Waterville-Elysian #395	
Magnolia #669	Oklee #627	St. James #840	Waubun-Ogema-White Earth #435	
Mahnomen #432	Olivia #653	St. Louis County #710	Wayzata #284	
Mahtomedi #832	Onamia #480	St. Louis Park #283	Welcome #459	
Mankato #77	Orono #278	St. Michael-Albertville #885	Wells-Easton #224	
Maple Lake #881	Ortonville #62	St. Paul #625	West Central #263	
Mapleton #72	Osakis #213	St. Peter #508	West Concord #205	
Marietta #376	Oslo #442	Sanborn #638	West St. Paul #197	
Marshall #413	Osseo #279	Sandstone #576	Westbrook #175	
Marshall Co. Central School #441	Owatonna #761	Sartell #748	Wheaton #803	
Maynard #127	Park Rapids #309	Sauk Centre #743	White Bear Lake #624	
Mazeppa #809	Parkers Prairie #547	Sauk Rapids #47	Willmar #347	
McGregor #4	Paynesville #741	Sebeka #820	Willow River #577	
McIntosh #603	Pelican Rapids #548	Shakopee #720	Windom #177	
Medford #763	Pequot Lakes #186	Sherburn #456	Winnebago #225	
Melrose #740	Perham #549	Silver Lake #425	Winona #861	
Menahga #821	Pierz #484	Sioux Valley #328	Winsted #427	
Mentor #604	Pillager #116	Slayton #504	Winthrop #735	
	Pine City #578	Sleepy Eye #84	Wood Lake #896	
		Southland #500	Worthington #518	
		South St. Paul #6	Wrenshall #100	
		South Washington County #833	Wykoff #236	
		Spring Grove #297	Zumbrota #260	
		Spring Lake Park #16		

Goodhue County Water and Soil
 Government Training Service
 Grant County Water and Soil
 Great River Regional Library
 Greenway Joint Recreation Association
 Headwater Nutrition Project
 Headwaters Regional Development Commission
 Hennepin County Park Reserve
 Hennepin County Vo Tech
 Hiawatha Valley Education District 61-6013
 Hubbard County Water and Soil
 Hudson Sanitary Landfill Authority
 Inter County Nursing Service
 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
 Lac Qui Parle-Yellow Watershed District
 Lake Agassiz Regional Library
 Lake Agassiz Special Ed. Co-op
 Lake County Water and Soil
 Lake Minnetonka Cable
 Lake Minnetonka Conservation District
 Lake of the Woods Water and Soil
 Leaf River Education District 61-6961
 League of Minnesota Cities
 Lincoln County Water and Soil
 Local Government Information Systems
 Long Lake Conservation Center
 Lyon County Water and Soil
 Madison Joint Powers District 6011
 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
 Mid State Education District 6979
 Middle River-Snake River Watershed District
 Midwest Special Ed. Co-op District 5
 Mille Lacs County Water and Soil
 Minnesota Association of Urban Counties
 Minnesota Municipal Utilities Association
 Minnesota River Valley Special Education 993
 Minnesota School District Data Processing Jt. Bd.
 Minnesota State Sheriffs Association
 Minnesota Teamster Public & Law Local 320
 Minnesota Valley Co-op
 Minnesota Valley Regional Library
 Morrison County Water and Soil
 Motor Patrol
 Mower County Water and Soil
 Multi County Nursing Service
 New Richland Care Center
 Nicollet County Water and Soil
 Nobles County Water and Soil
 Norman County Water and Soil
 North Central Suburban Cable Commission
 North Central Technical College
 North Country Vocational Co-op Center
 North Country Library Co-op
 North Kittson Rural Water System
 North St. Louis Water and Soil
 North Suburban Cable Commission
 Northeast Ed. Co-op Service Unit
 Northeast Education District 6033
 Northeast Metro Technical Institute
 Northeast Minnesota Office Job Training
 Northwest ECSU
 Northwest Hennepin Human Services
 Northwest Migrant Region
 Northwest Regional Development Commission
 Northwest Regional Interdistrict Council
 Northwest Suburban Cable Community Comm.
 Olmsted County Water and Soil
 Ottertail Lakes Area Sewer District
 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
 Plainview-Elgin Wastewater District
 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-Cottonwood RCRCA
 Redwood County Water and Soil
 Region Five Computer Service
 Region Five Development Commission
 Region Nine Regional Development Commission
 Region Nine South Central ECSU
 Region One Elementary Secondary Vocational
 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 Water and Soil
 Runestone Community Center
 Runestone Education District 6014
 Rural Fire Association
 Sauk Centre Watershed District
 Sauk Centre West Central Ed. District
 Scott County Water and Soil
 Sherburne Water and Soil
 Sibley County Education District #6970
 Sibley Water and Soil
 Six East Regional Development Commission
 South Central Ed. Co-op Service
 South Central Minnesota Inter-Lib Exchange
 South Lake Minnetonka Public Safety Dept.
 South St. Louis County Water and Soil
 Southeast Minnesota Ed. Co-op Service Unit
 Southeast Minnesota Special Education Co-op
 Southern Minnesota Municipal Power Agency
 Southwest and West Central Ed. Service
 Southwest Multi-County Interlibrary Ex.
 Southwest Regional Development Commission
 Southwestern Vo-Tech.
 Spring Grove Ambulance Corp.
 State Community Colleges
 State Court Administration Judicial Districts
 St. Bonifacius-Minnetrista 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
 TSES Planning
 United Auto Workers
 University of Minnesota Police Officers
 Upper Minnesota River Valley Watershed Dist.
 Upper Minnesota Valley Reg. Dev. Commission
 Viking Library System
 Wadena County Water and Soil
 Wadena Technical Institute
 Waseca County Water and Soil
 Washington County Water and Soil
 Wasioja Special Education Co-op 259
 Watonwan Water and Soil
 West Central Area on Aging
 West Central ECSU
 West Central Migrant Region
 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
 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
(OFFICE) 612-296-7460
(TOLL FREE) 1-800-652-9026
(FAX) 612-297-2547



Dear Chief Financial Officer:

I am pleased to forward our Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 1990. Our 1989 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, we have prepared suggested financial statement footnote disclosures relating to PERA for inclusion in your financial statements for fiscal year 1990. The suggested footnotes are not intended to be a substitute for judgement by the individual CPA or preparer of your annual financial report.

I hope this information will assist you in preparing your fiscal year 1990 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


Michael Stoffel
Manager of Finance

DISCLOSURE OF PENSION INFORMATION BY
STATE AND LOCAL GOVERNMENTAL EMPLOYERS

SUGGESTED FOOTNOTE DISCLOSURE

PREPARED BY THE FINANCE DEPARTMENT
OF THE
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA

DECEMBER 7, 1990

This suggested footnote disclosure was prepared by the Finance Department of the Public Employees Retirement Association of Minnesota. It is not intended to be a substitute for judgement by the individual CPA or preparer of the governmental units CAFR, and is not intended to be all inclusive.

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, firefighters 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, 1990, 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 year of service. For PERF members whose annuity is calculated using Method 1, and for all PEPFF members, a full annuity is available when age plus years of service equal 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)	4.47%	4.82%	8.83%
PEPFF	8%	12%	16.21%

(Note to preparer of the CAFR: Statutory employee and employer rates for the PERF, as shown above, are calculated by dividing total employee deduction for both plans by covered payroll for both plans. Therefore, the rates shown above are not the same as the rates for each plan shown on the salary deduction reports.)

Total contributions made by the City during fiscal year 1990 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, 1990 to the PERF represented ___ percent of total contributions required of all participating entities. For the PEPFF, contributions for the year ended June 30, 1990, 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 \$93,865,000 and a total in the PEPFF of \$24,274,000.)

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, 1990, are shown below:

(In Thousands)	<u>PERF</u>	<u>PEPFF</u>
Total pension benefit obligation	\$4,089,960	\$657,453
Net assets available for benefits, at cost (Market Values for PERF = \$3,547,243; PEPFF = \$803,320)	<u>3,250,157</u>	<u>739,068</u>
Unfunded (assets in excess of) pension benefit obligation	<u>\$ 839,803</u>	<u>\$(81,615)</u>

The measurement of the pension benefit obligation is based on an actuarial valuation as of June 30, 1990. Net assets available to pay pension benefits were valued as of June 30, 1990.

2. Changes in Actuarial Methods and Benefit Provisions.

For the fiscal year 1990 actuarial valuation, the PERA Board of Trustees approved the use of new withdrawal rates. The change was made to reduce, if not eliminate, the series of large, annually recurring actuarial losses in the last few years due to lower than expected terminations.

With the adoption of new withdrawal rates, the pension benefit obligation increased \$59,942,000 in the PERF and \$6,978,000 in the PEPFF.

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, 1990. 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, 1990, and for the fiscal year then ended, PERA held no securities issued by the City or other related parties.