

Public Employees Retirement Association of Minnesota



JK 6160 •P4 P84e 1984

COMPREHENSIVE

ANNUAL

JR6160. P4 P84e

FINANCIAL

REPORT

June 30, 1984

Public Employees Retirement Association of Minnesota

BOARD OF TRUSTEES

ELECTED MEMBERS

Cecil Halter—Chairperson, Brooklyn Center Theodore Griak—Vice Chairperson, Duluth Carol A. Ogren, Minneapolis John K. Swanson, Blaine Evonne Luedtke, Rosemount Don Haavisto, Annandale Deborah A. Feist, Forest Lake Joyce Marie Boman, Duluth Lew W. Storkamp, Paynesville Lamonte Dehn, Police and Fire Member Charles Myhervold, Annuitant Member

APPOINTED MEMBERS

James L. Jacobs—Minnesota School Boards Assn. Stanley Peskar—League of Minnesota Cities Morris J. Anderson—Assn. of Minnesota Counties Richard Patterson—Labor Representative

Allen B. Eldridge Interim Director

Prepared by: Finance Department

Michael A. Hovde Manager, Finance

INTRODUCTORY SECTION

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Certificate of Conformance

Certificate of Conformance in Financial Reporting

Presented to

Public Employees Retirement Association of Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1983

A Certificate of Conformance in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.



Atta Planefold President Jeffrey L. Essex

Executive Director

INTRODUCTORY SECTION

Letter of Transmittal

Public Employees Retirement Association of Minnesota 203 Capitol Square Building, 550 Cedar Street, St. Paul, Minnesota 55101

612-296-7460



January 1, 1985

Board of Trustees Public Employees Retirement Association State of Minnesota St. Paul, MN 55101

The Public Employees Retirement Association is proud to submit this Fifty-third Annual Report for fiscal year ended June 30, 1984. This comprehensive report includes a summary of the retirement system, financial statements, actuarial reports, and statistical tables including investment information. We trust that you will find this annual report helpful in understanding your public employees retirement system—a system which continues to maintain a strong and positive financial future.

ACCOUNTING SYSTEMS AND REPORTS

This report was prepared to conform with the principles of governmental accounting and reporting as put forth by the National Council on Governmental Accounting and the American Institute of Certified Public Accountants (in accordance with Minnesota Statutes, Section 356.20).

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Conformance in Reporting to the Minnesota Public Employees Retirement Association for its comprehensive annual financial report for the fiscal year ended June 30, 1983.

In order to be awarded a Certificate of Conformance, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

Our internal accounting controls are carefully designed to provide reasonable assurance regarding the safekeeping and reliability of all financial records. Transactions of the Public Employees Retirement Fund and the Public Employees Police and Fire Fund are reported on the accrual basis of accounting.

REVENUES

Collection of employer and employee contributions, as well as income from investments, provide the reserves needed to finance retirement benefits. The Public Employees Retirement Fund received contributions and investment income from fiscal year 1984 totaling \$269,687,597. The Public Employees Police and Fire Fund received contributions and investment income for fiscal year 1984 totaling \$45,689,606.

EXPENSES

The principal purpose for which the Public Employees Retirement System was created was to provide annuities, survivor benefits, and total and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the plan; refunds of contributions to terminated employees; and the cost of

administering the association. The Public Employees Retirement Fund benefit expenses for fiscal year 1984 totaled \$97,992,653, an increase of 34% over fiscal year 1983 expenses. The Public Employees Police and Fire Fund benefit expenses for fiscal year 1984 totaled \$8,395,454, an increase of 36% over fiscal year 1983 expenses. The increase in benefit expenses resulted mainly from a growth in the number of benefits paid, the amount of the average benefit payment, and the refunding of the additional 2% employee contributions which was considered an expense of fiscal year 1984.

INVESTMENTS

A major source of income for the two funds is the investment portfolio. Income from both long-term and short-term investments for the Public Employees Retirement Fund amounted to \$132,373,289 in fiscal year 1984, accounting for 49% of total revenue. Income from investments from the Public Employees Police and Fire Fund amounted to \$21,545,693, which represents 47% of total revenues.

FUNDING

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. The Public Employees Retirement Fund and the Public Employees Police and Fire Fund are among the best funded public programs in the United States. Of course, the bottom line for a retirement association is the level of funding. The better the level of funding, the larger the ratio of assets accumulated and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. Constant effort is directed by your association to maintaining and improving this level of funding with a view to ensure participants of a financially sound retirement system.

SERVICES

A major thrust of the Public Employees Retirement Association over the past few years has been improved communication to our members. This communication is designed to help each member understand the benefits available and how legislative changes can affect the benefit structure of PERA.

Our Pre-Retirement Conferences have become a very popular service, where trained benefit counselors meet on a one-on-one basis with people that are close to retirement. These conferences are conducted in the PERA office and are regularly scheduled throughout the state. The conferences are invaluable because the member receives an estimate of what benefit to expect after retirement and specific information regarding his/her account.

In addition to these individualized sessions, PERA will send a representative to explain benefits to groups that request this service. Many times these meetings are highlighted with a sound/slide presentation that describes the administration and benefit structure of the association. The meetings can be tailored to meet the objectives and time allotments for each particular situation.

To compliment the group meetings, PERA communicates with the members through regular publications. Newsletters are published to keep you informed about current legislative proposals and general information regarding PERA. A brochure detailing the benefits available in each of the three specific funds, the Basic, the Coordinated, and the Police and Fire Fund, is available on request. These brochures are easy to read

and answer many questions about retirement, survivor, and disability benefits.

The annual printing of the personal benefit statement provides members with a chance to see the progress of their retirement account. The total contributions and years of service are indicated. The statement is a valuable tool in planning for retirement, with PERA retirement percentages or dollar amounts given to all members. This year, Social Security estimates were projected for Coordinated members over 35 years of age. The personalized details of your account is a valuable tool in making important retirement decisions.

Approaching retirement can involve many difficult decisions. We continue to provide information to our members that helps them understand all that is involved with these decisions. This past year, we developed an automated system that will help us generate retirement estimates more quickly than ever before. The time to plan for retirement is now. Although retirement involves many difficult decisions, we are striving to provide concise information that will enable our members to make their decisions confidently.

PROFESSIONAL SERVICES

Actuarial Services are provided to the Public Employees Retirement Association by Mr. Davis H. Roenisch of Compensation & Capital Incorporated, Chicago, Illinois. Legal counsel to the funds is provided by the State Attorney General. An annual financial audit of the funds is conducted by the State Legislative Auditor and his comments are included on page 14 of this report. The State Treasurer serves as custodian of the invested assets.

REPORTS TO THE MEMBERSHIP

We compliment this Comprehensive Annual Financial Report with a condensed Annual Report of the Association, which will be mailed to each active member of the association.

ACKNOWLEDGEMENTS

The combined effort of the Public Employees Retirement Association under the leadership of the Board of Trustees is reflected in the compilation of this report. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with statutory requirements, and as a means of determining responsible stewardship for the assets contributed by the members and their employers.

On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to the staff and the advisors who have worked so diligently to assure the successful operation of the association.

Respectfully submitted,

Ollen B. Eldridge
Allen B. Eldridge
Interim Director

INTRODUCTORY SECTION

Chairman's Report

Public Employees Retirement Association of Minnesota 203 Capitol Square Building, 550 Cedar Street, St. Paul, Minnesota 55101 612-296-7460

January 1, 1985

TO ALL PUBLIC EMPLOYEES RETIREMENT MEMBERS:

This Fifty-third Annual Report of the Public Employees Retirement Association again illustrates the financial stability of our association. The Board of Trustees is committed to maintain this financial strength, while striving to improve benefits for PERA members.

On April 27, 1984, the governor signed a bill enacting benefit improvements for all PERA members. Early retirement options and improved survivor benefits were passed that allows retirement at age 55 with as few as ten years of service, and provides a benefit for the spouse if a member dies when eligible to retire. The legislation was highlighted by the "Rule of 85" which allows members who are 55 or over to retire with an unreduced benefit when their age and years of service total 85.

In addition to the retirement and survivor benefit improvements, other provisions also became law in 1984. Interest paid on refunds was increased from $3\frac{1}{2}\%$ to 5% and the additional 2% employee contribution withheld from PERA members in 1983 was refunded. Section 353.38, stating that PERA members had "no contractual" rights to benefits, was repealed. We feel this moves us closer to guaranteeing pensions for all public employees.

We look at these 1984 Legislative changes as continued progress in providing PERA members a complete retirement package. Delivering all benefits promised to employees when they are hired is extremely important, as well as increasing the retirement benefits to all members. We will concentrate on increasing the annuity formula for all funds and attempt to get this formula applied against the "high three" years' average salary instead of the current "high five."

The Board of Trustees would like to thank all members for their enthusiastic support they have given to our legislative proposals this past year. We are sure that you will continue to support our legislative efforts in 1985 and in the years to come.

Sincerely,

Cecil Halter

Chairperson, Board of Trustees

Cecil Halter

INTRODUCTORY SECTION

Board of Trustees

ELECTED MEMBERS

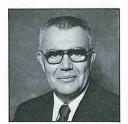
Area One Member Anoka, Hennepin, Ramsey and Washington Counties



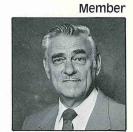
Carol A. Ogren Hennepin County Community Services Dept. 300 South Sixth Street Minneapolis, MN 55487



John K. Swanson 11482 Terrace Rd. N.E. Blaine, MN 55434



Cecil Halter Hennepin Vo Tech 287 6419 Indiana Ave N. Brooklyn Center, MN 55429



Police and

Fire Fund

Lamonte Dehn 5712 Humboldt Ave. N. Brooklyn Center, MN 55430

Area Two Member Big Stone, Swift, Kandiyohi, Meeker and Wright Counties and all counties south thereof, except counties in Area One



Evonne Luedtke ISD No. 196 6575 168th St. W. Rosemount, MN 55068



Don Haavisto Rural Route 1 Box 94A Annandale, MN 55302



Deborah A. Feist 820 13th Ave. S.E. Forest Lake, MN 55025

Annuitant Member





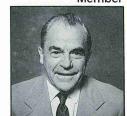
Joyce Marie Boman Legislative Committee Chairperson 313 City Hall Duluth, MN 55802



Lew W. Storkamp 579 River Street Paynesville, MN 56362



Theodore (Ted) Griak Board Chairperson Street Maintenance Div. 211 City Hall Duluth, MN 55802

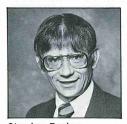


Charles Myhervold 305 E. 58th Street Minneapolis, MN 55419

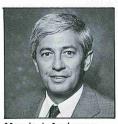
APPOINTED MEMBERS



James L. Jacobs MN School Boards Assn. P.O. Box 119 St. Peter, MN 56082



Stanley Peskar League of Minnesota Cities 183 University Ave. East St. Paul, MN 55101



Morris J. Anderson Assn. of MN Counties 555 Park St. Paul, MN 55103



Richard E. Patterson Labor Representative 1592 E. Cottage Ave. St. Paul, MN 55106

INTRODUCTORY SECTION Summary of Retirement System Plan Public Employees Retirement Association of Minnesota

Purpose

The Minnesota Public Employees Retirement Association is a self-insured service organization which was established by the State Legislature to provide annuities, survivor benefits and total and permanent disability benefits to over 100,000 qualified public employees and their beneficiaries throughout the state. These benefits are in addition to those provided by the Social Security administration to coordinated members. It is also charged with the responsibility of administering the law in accordance with the expressed intent of the legislature and bears a fiduciary obligation to the State of Minnesota, the taxpayers and the public employees who are its beneficiaries.

Administration

The administration of PERA is governed by a 15-member Board of Trustees consisting of 11 elected members (three each from three geographically designated areas of the state; one elected by the Police and Fire Fund; and one elected by the retirees and disabilitants), plus four appointed members (one each from the Minnesota School Board Association, the League of Minnesota Cities, the Association of Minnesota Counties, and the labor union that represents the most PERA members).

The management of the association is vested in the Executive Director who, by statutory definition, is the administrative head. As such, he acts as advisor to the Board of Trustees on all matters pertaining to the association. With approval of the Board, he designates the Assistant Director(s), contracts for actuarial services, professional management services and consulting services as may be necessary and fixes the compensation therefor. He serves as a member of the State Board of Investment Advisory Council and performs such other duties as are stipulated by statute.

Employer Membership

PERA serves approximately 2,100 separate units of government, including cities, counties, townships, school districts within the state, or any department or unit of state government whose revenues are derived from taxation, fees, assessments or from other sources, except certain public authorities which are exempted by statute. These various governmental units have from one to over 6,800 members. PERA conducts seminars throughout the state on pre-scheduled dates for the benefit of personnel and payroll managers. There is no charge for attending the seminars, nor for a very comprehensive Procedural Manual which is provided to all units of government.

Employee Membership

Membership in PERA includes any person performing personal services for a governmental subdivision whose salary is paid in whole or in part from revenue derived from taxation, fees, assessments, or from other sources. There are three principal categories of membership:

COORDINATED FUND—All full-time and certain part-time employees who either elected coverage under Section 218(d) of the Social Security Act or who were automatically so covered by reason of being new employees, and who are not contributing to any other local retirement plan.

BASIC FUND—All full-time and certain part-time employees who did not elect coverage under Section 218(d) of the Social Security Act and who are not contributing to any other local retirement plan.

POLICE AND FIRE FUND—All police officers, fire fighters, and peace officers who qualify for membership by statute.

Participating membership in PERA exceeds 100,000.

Member Contributions

Contributions shall be in an amount (a) for a "basic member" equal to 8% of total salary; (b) for a "coordinated member" equal to 4% of total salary; and (c) for a "Police and Fire Fund member" equal to 8% of total salary.

Employer Contributions

The employer matches the employee contribution plus an additional percentage as indicated: (a) for a "basic member" employer matches the 8% and pays an additional $2\frac{1}{2}$ %; (b) for a "coordinated member" employer matches the 4% and pays an additional $\frac{1}{4}$ %; and (c) for a "Police and Fire Fund member" the employer pays 12%.

Retirement Benefits

Eligibility

BASIC AND COORDINATED FUNDS

- When age plus years of service equal 90, normal annuity is the same as at age 65. Years and months in age and service can be used to total 90.
- When age plus years of service equal 85, normal annuity is the same as at age 65. Years and months in age and service can be used to total 85. Minimum age 55. This benefit is available through December 31, 1986.
- As early as age 55 with at least 10 years of paid service credit; annuity reduced 1/4% for each month under age 65.
- Any age with at least 30 years, reduced 1/4% for each month under age 62.
- Age 65 or older with at least one but less than 10 years of paid service credit (proportionate annuity). Must terminate service at age 65 or older.
- Age 55 with at least 10 years of paid service credit or any age with at least 30 years representing PERA service combined with other fund coverage. Rule of 90 or 85 may be used to calculate PERA portion of annuity if age requirement is met under the other fund(s). (Combined service annuity.)

POLICE AND FIRE FUND

- When age plus years of service equal 90, normal annuity is the same as at age 55. Years and months in age and service can be used to total 90.
- Age 55 or older with at least 10 years' service credit.
- Age 55 or older with at least 10 years of paid service credit representing PERA service combined with other fund coverage. (Combined service annuity).
- Age 65 or older with at least one but less than 10 years of paid service credit (proportionate annuity). Must terminate service at age 65 or older.

Kinds of Annuity Available

NORMAL ANNUITY

This is a personal lifetime annuity which will cease on the death of the annuitant. Any balance of employee deductions will be refunded to the designated beneficiary. No survivor benefit payable. 50% REGULAR OR BOUNCE BACK JOINT AND SURVIVOR OPTION* Annuity is payable for the retiree's lifetime and, if survived by the person named as a joint annuitant, one-half of the annuity is paid to such person for life.

100% REGULAR OR BOUNCE BACK JOINT AND SURVIVOR OPTION* Annuity is payable for the retiree's lifetime and, if survived by the person designated as joint annuitant, the same amount is paid to such person for life. RETIREMENT BEFORE ELIGIBILITY FOR SOCIAL SECURITY

A member who retires before qualifying for Social Security benefit may elect to receive a retirement annuity from PERA in an amount greater than the annuity computed on basis of age at retirement as provided by statute (M.S. 353.29, Subd. 2, 3). This greater amount shall be paid until annuitant reaches age 62, at which time the payment from PERA shall be reduced.

PROPORTIONATE ANNUITY
Any person who is an active member of any applicable fund who has credit for at least one year but less than 10 years of allowable service in one or more of the participating funds, and who terminates active service pursuant to mandatory retirement law or at age 65 or older, is entitled to a proportionate retirement annuity from each participating fund in which the person has allowable service credit.

DEFERRED ANNUITY

A member who terminates public service with 10 or more years of credited allowable service may leave the deductions in the fund to qualify for annuity at retirement age. The annuity as determined under the formula will be increased by interest from the first of the month following date of termination at the rate of 5% compounded annually through December 31, 1980, and at the rate of 3% from January 1, 1981, to the date eligible for the monthly annuity. The former member may accept a refund at any time prior to date retirement annuity begins.

*NOTE: Election of a 50% or 100% joint and survivor option will reduce the normal annuity based on the age of both the retiring member and the person named to receive the optional annuity. Under the Regular 50% or 100% joint and survivor option, if the retiree dies before the joint annuitant, the monthly payment would remain the same. Selection of Bounce Back 50% or 100% option would reduce the normal annuity more than under the Regular option, but if the joint annuitant dies before the retiree, the monthly payment changes, or "bounces back," to the normal annuity.

Summary Continued

Kinds of Annuity (cont'd)

COMBINED SERVICE ANNUITY (PORTABILITY)

A person with allowable service totaling 10 or more years in any two or more participating funds and who has at least six months of allowable service with the last such fund earned during the last period of employment and who has not begun to receive an annuity from any such funds may, upon retirement, in lieu of any augmentation of deferred annuities provided by the laws of such funds, elect to receive a retirement annuity from each fund, based upon the allowable service in each fund as specifically provided by statute. (M.S. 356.30, Subd. 1)

Maximum Annuity

The monthly annuity cannot exceed 100% of the regular base salary for the final month of employment.

Formula

BASIC MEMBERS

2% of the average salary over the highest five successive years on which deductions were paid for each of the first 10 years and 21/2% of said "average salary"* for the period thereafter.

COORDINATED MEMBERS 1% of the average salary over the highest five successive years on which deductions were paid for each of the first 10 years and $1\frac{1}{2}$ % of said average salary for the period thereafter.

POLICE AND FIRE MEMBERS $2\frac{1}{2}$ % of the average salary over the highest five successive years on which deductions were paid for each of the first 25 years and 2% of said average salary for the period thereafter.

INTRODUCTORY SECTION

Survivor (Death) Benefits

Death of member or former member before retirement and no survivor benefits payable

Designated beneficiary is entitled to a refund of the decedent's balance with interest at 5% compounded annually. If no designated beneficiary survives, refund is due the surviving spouse; or, if none, the legal representative of the estate of the deceased.

Death of member before retirement or upon death of disabled member receiving disability benefits

BASIC MEMBER: If a member whose average salary is not less than \$75 per month dies after at least 18 months of service credit, or while receiving a normal disability benefit, monthly benefits are payable to qualified survivors as set forth below:

POLICE AND FIRE MEMBER: If member whose average salary is not less than \$75 per month dies at any time during membership (no minimum coverage period required) or while receiving a normal disability benefit, monthly benefits are payable to qualified survivors as set forth below:

- SURVIVING SPOUSE: 50% of member's average salary over last six full months of service preceding death, for life or until remarriage.
- EACH DEPENDENT CHILD: 10% of above salary.
- FAMILY MAXIMUM: BASIC MEMBER: \$1000 per month; POLICE & FIRE FUND MEMBER: 50% of average salary over last six full months worked.

"Average salary" means an amount equivalent to the highest salary upon which contributions were paid for any five successive years of allowable service.

^{*&}quot;AVERAGE SALARY" defined:

^{*} NOTE: No survivor benefits payable to surviving spouse or dependent children of coordinated member.

Surviving Spouse Optional Annuity

BASIC OR COORDINATED FUND: Should a member die after reaching age 55 with at least 10 years' service credit (or any age with at least 30 years' service) the surviving spouse, instead of survivor benefits, may elect a monthly payment equal to the 100% joint and survivor annuity for which the member could have qualified on the date of death. This annuity is payable for life even if the spouse remarries.

POLICE AND FIRE FUND: Should a member die after reaching age 55 with at least 10 years' service credit in PERA, the surviving spouse may elect, in lieu of survivor benefits, a monthly annuity equal to the 50% joint and survivor annuity for which member could have qualified on the date of death. Annuity is payable for life even if spouse remarries.

Death of Retired Annuitant

Any accumulated contributions not paid out in the way of annuities shall be paid to designated beneficiary without interest.

Deceased Member with no Children

Surviving spouse (if named as beneficiary) may elect refund of balance with 5% compound interest rather than other benefit available under law.

Death of "Old Law" Retiree

Surviving spouse, if named as sole beneficiary, at least 60 years old and not receiving any other benefit from PERA is entitled to an automatic survivor benefit amounting to one-half of decedent's annuity at retirement limited to maximum of \$100 per month, plus increases allowed since 1973. This benefit is payable for life or until remarriage.

Death of Retiree who is receiving Optional Annuity

If survived by person named to receive option, amount payable will depend upon option selected.

Disability Benefits

Definitions

BASIC AND COORDINATED MEMBERS

"...the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long-continued and indefinite duration..." (duration of at least one year).

POLICE AND FIRE FUND MEMBER A condition occurring prior to age 55 which renders a member physically or mentally unfit to perform the duties of a police officer or fire fighter, as a direct result of an injury, sickness or other disability incurred in or arising out of any act of duty;

Retirement by reason of a sickness or injury occurring prior to age 55 while not on active duty which renders a member unable to perform the duties of a police officer or fire fighter.

Eligibility Requirements

BASIC AND COORDINATED MEMBERS

- Before age 50, must have at least 10 years of allowable service credit. If service terminated during the 10 years, must have at least five years' service credit after last becoming a member.
- After age 50 but before age 65 with at least five years of allowable service credit.
- PERA service combined with coverage in another Minnesota retirement fund can be used to determine eligibility but not for calculating disability benefit.
- Must be under age 65 when disability occurs.
- Average salary must be at least \$75 per month.
- Must provide medical evidence to support application.
- Disability must occur before termination of public service.
- After benefits are granted, PERA has authority to require periodic examinations as frequently as considered necessary.

INTRODUCTORY SECTION

Summary

Disability Benefits/ Eligibility (cont'd)

POLICE AND FIRE FUND MEMBERS

- Before age 55, if disability did not occur in line of duty, must have at least five years' service credit.
- Before age 55, if disability occurred in line of duty after membership commenced, no minimum coverage period required.
- Police and Fire Fund service combined with coverage in another Minnesota retirement fund can be used to determine eligibility, but not for calculating disability benefit.
- Adequate proof of disability must be submitted to the association.
- Disability must occur before termination of public service.

Kinds of Benefits

NORMAL BENEFITS
BASIC MEMBERS: If death occurs
before age 65, surviving spouse would
receive a benefit amounting to 50% of
average salary over the last six full
months disabilitant was employed in
public service and each dependent child
would receive 10% of such average
salary, limited to \$1000 per month
maximum family benefit.

COORDINATED: If death occurs before age 65, a refund of any balance in account would be paid to designated beneficiary. No survivor benefits payable.

POLICE & FIRE: If death occurs before age 55, surviving spouse would receive a benefit amounting to 30% of average salary over the last six full months disabilitant was employed in public service and each dependent child would receive 10% of such average salary, but maximum family benefit is limited to 50% of the average salary.

OPTIONS

50% or 100% Regular or Bounce Back Joint and Survivor Options are the same as available at retirement. If optional disability benefit is selected,

If optional disability benefit is selected, the disabilitant may not change such options when retirement age is reached. If normal disability benefit is selected, optional annuity may be selected at retirement age.

Formula

BASIC MEMBERS: Disability benefit is equal to the normal annuity payable to a member who has reached age 65 with the same number of years of allowable service and the same average salary, plus a monthly supplement, depending upon age when disabled. Maximum supplement: \$50 per month. Supplement is payable for as long as disability payments are due and is not reduced as the disabled person grows older.

COORDINATED: Disability benefit is equal to the normal annuity payable to a member who has reached age 65 with the same number of years of allowable service and same average salary.

POLICE & FIRE: The disability benefit is based on the same formula as for normal annuity, payable at age 55.

Not in line of duty: If paid service credit is at least five years but less than ten, benefit is allowed as though ten years were paid.

In line of duty: Benefit equal to 50% of average salary. If less than five years' credit, benefit is based on average salary over actual years paid; but if over five years paid, the high five are used to determine average salary. For each year after 20 up to 25, the percentage of high five is increased by 2.5% per year, in excess of 25 years, the benefit is increased by 2% of average salary per year.

Separation Benefits

Deferred Annuity

A deferred annuity is payable after 10 years at age 65 (or earlier if otherwise eligible), provided former member does not withdraw accumulated deductions. (Said 10 years of service need not represent PERA coverage only, but may be in conjunction with service covered by other participating funds in Minnesota. Deferred annuity is paid by each fund according to number of years of allowable service in each fund.)

Annuity is determined as for normal retirement under the provisions of plan on date of termination, augmented by interest compounded annually from first of the month following separation from service or from July 1, 1971, whichever is later, to the date annuity begins to accrue, at the rate of 5% until January 1, 1981, and thereafter at the rate of 3%.

Refund of Salary Deductions

Upon termination, regardless of years of service, if not rehired in PERA-covered position, all salary deductions will be refunded, with interest at 5% compounded annually.

Refund After Death, Before Retirement

If member or former member dies before receiving retirement annuity, refund may be paid to designated beneficiary, or if there be none, to his surviving spouse; or if none, to estate. Such payment shall be in amount equal to accumulated deductions plus interest at 5% per annum compounded annually, less any disability or survivor benefits that may have been paid, provided that survivor who has right to benefits may waive such benefits, except benefits for dependent child under age 18 may only be waived pursuant to court order.

Refund After Death, After Retirement

If former member dies after retirement and no payment of any kind is or may become payable to any person, there shall be paid to the same succession of payees as provided in "death before retirement" a refund of accumulated deductions less payments of all kinds made to the former member during his lifetime or to any authorized person after his death, without interest.

Growth Chart

PERA's activities during the past year were focused on providing members with accurate and timely information that could be used in planning for the future. Our overall progress and growth are shown below.

Our Cashiers—edited and reconciled 2,042,020 member transactions from over 2,100 separate employers.

Benefits—conducted 1,796 in-office and 1,170 out-state **Department** interviews with members; generated 8,303 estimates to members; and processed 1,873 disability, survivor, death cases and adjustments.

Membership—processed 122,790 address, name, and **Department** beneficiary changes for members and 52,201 service credit adjustments.

Word Processing—generated 44,637 letters to members and **Department** governmental units.

Accounting Staff—processed 575 repayments of refunds and omitted deductions.

Total Assets—increased \$122,314,597 from \$1,732,759,659 to \$1,855,074,256.

Staff—responded to 3,090 Hot Line messages.

Number Benefit—increased from 19,826 to 21,137. **Recipients**

Field Service—conducted 72 group meetings for members.

Department

Microfilm—microfilmed 20,615 inactive member files. **Department**

Disbursement—issued a total of 244,450 benefit payments. **Department**

Benefit Payments—grew from \$67,945,396 to \$80,588,836.

Refund—processed and paid 19,042 refunds.

Department

The continuing goal of PERA is to obtain optimum benefits for PERA members by developing and implementing appropriate programs and operations.

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

Board of Trustees and Executive Director Public Employees Retirement Association

We have examined the combined 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, 1984 as presented on pages 15 to 27 of the Financial Section. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Reserves required, totaling \$2,228,361,179 for the Public Employees Retirement Fund and \$306,817,265 for the Public Employees Police and Fire Fund at June 30, 1984, are presented in accordance with reports certified by the consulting actuary of the association.

As explained in Note 5b, investments in marketable equity securities are valued at the lower of cost or market and other investments are valued at cost as required by generally accepted accounting principles. Minnesota statutes require valuation of all securities at cost plus one-third of the 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 4b contains the disclosures which must be considered together with the basic financial statements to achieve statutory reporting requirements.

In our opinion, relying on the certification from the consulting actuary as to the reserves required, the combined financial statements referred to above present fairly the financial position of the Public Employees Retirement Association at June 30, 1984 and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, relying on the certification from the consulting actuary as to the reserves required, the combining and individual fund financial statements referred to above present fairly the financial position of the individual funds of the Public Employees Retirement Association at June 30, 1984 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 applied on a basis consistent with that of the preceding year. 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 examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining and individual fund financial statements. The supplemental financial information included on pages 28 to 29 of the Financial Section is presented for purposes of additional analysis and is not a required part of the combined financial statements of the Public Employees Retirement Association. The information has been subjected to the auditing procedures applied in the examination of the combined, combining, and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

James R. Nobles Legislative Auditor

January 15, 1985

John Asmussen, CPA Deputy Legislative Auditor

Combined Balance Sheet

JUNE 30, 1984

Assets	
Cash (5.a.)	\$ 549,807
Accounts Receivable	984,025
Due From Other Funds	182,710
Accrued Investment Income (5.c.)	
	6,006
Investments (5.b.)	
Minnesota Outside Managed	4.404.45.4705
Pooled Accounts	1,101,454,305
Short-term Cash Equivalents	56,865,154
Equity in Minnesota Post-Retirement	204.450.474
Investment Fund (6.b.)	694,456,474
Fixed Assets, Net of Accumulated	的一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个一个
Depreciation (8.b.)	547,953
Other	27,822
Total Assets	\$ 1,855,074,256
Liabilities and Reserves Required	
Liabilities:	
Current —	
Accounts Payable (6.d. & 9.)	\$ 19,839,871
Accrued Compensated Absences	300,214
Payable to Other Funds	182,710
Obligations Under Capital Lease	10,893
Obligations officer capital lease	
	\$ 20,333,688
Long-term —	
Obligations Under Capital Lease	1,325
Total Liabilities	\$ 20,335,013
Fund Balance:	
Member Reserves (7.a.)	\$ 426,070,331
	D 420,U7U,331
Minnesota Post-Retirement Investment Fund Reserve (6.)	604 456 474
	694,456,474
Benefit Reserves (7.b.)	1,414,651,639
Total Reserves	\$ 2,535,178,444
Unreserved Fund Balance —	
Unfunded Actuarial Accrued Liability	\$ (635,199,319)
Unrealized Loss on Marketable	
Equity Securities (5.b.)	(65,239,882)
Tatal Final Palance	
Total Fund Balance	\$ 1,834,739,243
- 1 1 1 1 1 2 1 1 1 1 1 1 1 1 1 1 1 1 1	
Total Liabilities and Fund Balance	\$ 1,855,074,256

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

Combined Statement Of Revenues, Expenses, and Changes in Fund Balance

FOR FISCAL YEAR ENDED JUNE 30, 1984

Operating Revenues:		
Member Contribution	\$	68,018,459
Employer Contribution Investment Income		93,439,762
Distributed Income of the Minnesota		88,922,706
Post-Retirement Investment Fund (6.c.)		64,996,276
Other		765,574
Total Operating Revenues	\$	316,142,777
Operating Expenses:		
Benefits Paid	\$	80,588,836
Refunds (9)		25,799,271
Administrative Expenses		2,956,048
Investment Management Fees (5.d.)		1,620,825
Other	4	12,171
Total Operating Expenses	\$	110,977,151
Other Changes in Reserves:	.	110,977,151
Other Changes in Reserves: Cumulative Effect of Changes in	<u>\$</u>	110,977,151
Other Changes in Reserves: Cumulative Effect of Changes in Accounting Method	\$ \$	(28,227,003)
Other Changes in Reserves: Cumulative Effect of Changes in		
Other Changes in Reserves: Cumulative Effect of Changes in Accounting Method		(28,227,003)
Other Changes in Reserves: Cumulative Effect of Changes in Accounting Method Transfer to State General Fund	\$	(28,227,003) (540,55 <u>9</u>)
Other Changes in Reserves: Cumulative Effect of Changes in Accounting Method Transfer to State General Fund Total Other Changes	\$	(28,227,003) (540,559) (28,767,562)
Other Changes in Reserves: Cumulative Effect of Changes in Accounting Method Transfer to State General Fund Total Other Changes Net Fund Balance Additions	\$	(28,227,003) (540,559) (28,767,562)
Other Changes in Reserves: Cumulative Effect of Changes in Accounting Method Transfer to State General Fund Total Other Changes Net Fund Balance Additions Unrealized Loss on Marketable	\$ \$	(28,227,003) (540,559) (28,767,562) 176,398,064

Combined Statement
Of Changes In Financial Position
FOR FISCAL YEAR ENDED JUNE 30, 1984

\$ 176,398,064	
147,004	
7,674	
	\$ 176,552,742
\$ 10,893 100,135 65,239,882 	
	\$ 176,552,742
	\$ 10,893 100,135 65,239,882

Elements of Net Increase (Decrease) in Working Capital Current Assets:	Year Ended June 30 1984 1983					Increase (Decrease)
Cash Accounts Receivable Security Sales Receivable Due From Other Funds Accrued Investment Income Investments —	\$	549,807 984,025 -0- 182,710 6,006	\$	549,700 4,854,846 4,126,944 174,705 11,334,092	\$	107 (3,870,821) (4,126,944) 8,005 (11,328,086)
Bonds Equity Securities Minnesota Outside Managed		-0- -0-		403,882,908 453,998,834		(403,882,908) (453,998,834)
Pooled Accounts Short-term Cash Equivalents Equity in Minnesota Post-Retirement		1,101,454,305 56,865,154		217,715,523 40,135,670		883,738,782 16,729,484
Investment Fund Deferred Yield Adjustment Other		694,456,474 -0- 27,822		567,142,298 28,218,635 23,008		127,314,176 (28,218,635) 4,814
Total Current Assets	\$ 1	1,854,526,303	\$ 1	,732,157,163		
Current Liabilities: Accounts Payable Accrued Compensated Absences Payable to Other Funds Obligations Under Capital Leases Security Purchases Payable	\$	19,839,871 300,214 182,710 10,893 -0-	\$	4,189,559 314,925 174,705 10,893 4,476,298		(15,650,312) 14,711 (8,005) -0- 4,476,298
Total Current Liabilities	\$	20,333,688	\$	9,166,380		
Working Capital	\$ 1	1,834,192,615	\$ 1	,722,990,783	\$	111,201,832

Notes to the Financial Statements Summary of Significant Accounting Policies

1. Description of the Association

The Public Employees Retirement Fund and the Police and Fire Fund are defined benefit pension plans administered by the Public Employees Retirement Association in accordance with Minnesota Statutes, Chapters 353 and 356.

The Public Employees Retirement Fund's membership consists of employees of counties, cities, and schools in non-certified positions throughout the State of Minnesota. The membership of the Public Employees Police and Fire Fund consists of police officers and fire fighters employed by counties and cities throughout the State of Minnesota.

In general, the association provides defined retirement benefits based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service. In addition, the retirement program provides benefits to members upon disability and to survivors upon death of eligible members.

2. Financial Statement Presentation

Financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as prescribed in the National Council on Governmental Accounting's Statement 1, Governmental Accounting and Financial Reporting Principles. Financial statements also comply with Minnesota Statutes, Section 356.20.

3. Basis of Accounting

Transactions of the Public Employees Retirement Fund and the Public Employees Police and Fire Fund are reported on the accrual basis of accounting.

4. Actuarial Valuations of Plan Benefits

- a. Minnesota Statutes, Section 356.215, Subd. 4, provides that annual actuarial valuations of plan benefits shall be computed in accordance with the entry age normal cost (level normal cost) method. In the calculation of normal cost and accrued liabilities of the benefit plan, the actuary uses an 8 percent interest rate assumption and assumes an annual growth rate of 61/2 percent in member's salary. Actuarial assumptions did change during the year. Laws 1984, Chapter 564, Section 43, Subd. 4, (4) changed the following actuarial assumptions:
 - 1) Pre-Retirement interest assumption from 5 to 8 percent.
 - 2) A Post-Retirement interest assumption of 5 percent.
 - An assumption that in each future year that salary on which a retirement or other benefit is based is 1.065, from 1.035, multiplied by salary for the preceding year.

The changes in assumptions and methods resulted in an increase in the unfunded accrued liability of \$84,728,482 for the Public Employees Retirement Fund and \$5,798,639 in the Public Employees Police and Fire Fund.

b. The unfunded accrued liabilities of \$611,613,305 in the Public Employees Retirement Fund and \$23,586,014 in the Public Employees Police and Fire Fund as of June 30, 1984, are the amounts by which reserves required to fund plan benefits exceed the assets of the funds. As explained in note 5, G.A.A.P. was used in arriving at an asset valuation. In determining asset valuation as defined by Minnesota Statutes, Section 356.20, Subd. 4., which requires that "current assets" means the value of all assets at cost, plus one-third of any unrealized capital gains or losses, plus realized income, including realized capital gains or losses. This method shows

unfunded accrued liabilities of \$628,687,639 for the Public Employees Retirement Fund and \$27,059,955 for the Public Employees Police and Fire Fund. The following shows the method used at arriving at the unfunded liability according to Minnesota Statutes:

Laws 1984, Chapter 564, Section 21, Subd. 3A, changed the additional employer contribution for the Coordinated plan to .25% effective for pay periods starting after June 30, 1984.

See paragraph 4b

	Public Employees Retirement Fund	Public Employees Police and Fire Fund
Net assets on 6/30/84 Balance Sheet	\$1,562,568,709	\$272,170,534
Add back in unrealized gain or loss on marketable equity securities	54,179,165	11,060,717
Net Assets at Cost	\$1,616,747,874	\$283,231,251
Plus 1/3 of unrealized capital gains or losses	(17,074,334)	(3,473,941)
Net Assets at Actuarial Cost	\$1,599,673,540	\$279,757,310
Total required reserves	\$2,228,361,179	\$306,817,265
Less net assets	1,599,673,540	279,757,310
Unfunded actuarial accrued liability	\$ 628,687,639	\$ 27,059,955

The actuarial calculations include the amount of additional annual contribution which would be required to retire the current unfunded accrued liability by June 30, 2009.

c. Pension benefits are funded from member and employer contributions and income from investment of fund assets. Public Employees Retirement Fund members belong to either the Basic or Coordinated Plan. Coordinated members are covered by Social Security and Basic members are not. All new members of the Public Employees Retirement Fund must participate in the Coordinated Plan. Current contribution rates for the funds are as follows:

5. Cash, Investments, and Investment Income

- a. Cash on deposit consists of the year-end receipts which were not processed as of the investment cutoff deadline on June 30.
- b. Investments in the Minnesota
 Outside Managed Pooled Accounts
 are reported at amortized cost with
 those accounts subject to Financial
 Accounting Standards Board
 (FASB), Statement of Financial
 Accounting Standard No. 12., Accounting
 for Certain Marketable Securities, being
 reported at the lower of cost or
 market. At June 30, 1984, the cost
 of Minnesota Outside Managed
 Pooled Accounts exceeded market
 value by \$54,179,165 for the Public

See paragraph 4.c.

8%	8%	21/2%
4%	4%	11/2%
8%	12%	
	4%	4% 4%

Notes (CONTINUED)

Employees Retirement Fund and \$11,060,717 for the Public Employees Police and Fire Fund, resulting in unrealized losses of those amounts reported in the respective fund as shown below.

Participation in the Outside Managers Pooled Accounts, which is a comingled fund, is in accordance with Minnesota Statutes, Section 11A.04. The Public Employees Retirement Fund's share equals 45.3308% and the Public Employees Police and Fire Fund's share equal 9.4804%.

The financial statement presentation differs from Minnesota Statutes, Section 356.20, Subd. 4, which requires equity securities to be valued at cost. As a result, the total assets reported on the financial statement differ from the amounts used in the actuarial calculation required by Minnesota Statutes, Section 356.20 and included in the actuarial section of this report.

 Interest on short-term investments are accrued monthly. Income from the Outside Managers Pooled Accounts are recorded

- monthly and at fiscal year end.
 Accrued interest and dividends of
 the Outside Managers Pooled
 Accounts are reported as part of
 the funds participation in the
 Outside Managers Pooled
 Accounts.
- d. The cost of security transactions is part of the transaction price. Expenses for investment research, audit, legal, payroll, and other administrative expenses of the State Board of Investment, the Outside Managers, and the Master Custodian of State Street Bank and Trust Company of Boston, Massachusetts, are allocated to the participating plans or funds. The Public Employees Retirement Fund's share of expenses is \$1,345,065. The Public Employees Police and Fire Fund's share of expense is \$275,760. These expenses are listed as investment management fees on the Statement of Revenues, Expenses, and Changes in Fund Balance.
- e. In Laws 1984, Chapter 383, Section 4, Unamortized Balances in Deferred Yield Adjustment Accounts, authorized any unamortized balances in the deferred yield adjustment accounts of the various retirement funds covered by Minnesota Statutes, Section 356.20, Subd. 5, shall be offset against the income earned by these funds during the current fiscal year. This results in a realized loss of \$24,793,059 in the Public Employees Retirement Fund and \$3,433,944 in the Public Employees Police and Fire Fund.

See paragraph 5b

	Market Value	Public Employees Retirement Fund Cost	Market Value	Public Employees Police And Fire Fund Cost
Venture Capital	\$ 9,316,008	\$ 9,316,008	\$ 2,023,399	\$ 2,023,411
External Active				
Managed**	172,183,765	182,275,907	34,883.413	36,928,023
Indexed Fund**	404,077,384	448,164,407	82,636,676	91,652,784
Real Estate Fund	52,329,734	49,095,441	11,332,554	10,632,741
Resources Fund	7,984,024	7,983,657	1,630,983	1,630,968
Fixed Income Pool	268,022,542	268,301,040	58,628,880	58,689,800
	\$913,913,457	\$965,136,460	\$191,135,905	\$201,557,727
**Unrealized Loss on Marketable —		(54,179,165)		(11,060,717)
Equity Securities _	\$913,913,457	\$910,957,295	\$191,135,905	\$190,497,010

f. Information on the activity and listing of investments can be obtained by writing to the Minnesota State Board of Investment, Room 105, M.E.A. Building, 55 Sherburne Avenue, St. Paul, Minnesota 55155.

6. Minnesota Post-Retirement Investment Fund (MPRIF) Reserve

- a. Upon retirement, 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 is \$626,611,246 or \$8,182,189 less than required reserves. The Public Employees Police and Fire Fund's share of net assets of the MPRIF is \$59,226,324 or \$436,715 less than required reserves. The deficiencies are part of the MPRIF and are to be funded from excess investment income, as described in 6c.
- c. The distributed MPRIF income represents the 5 percent earnings on required reserves for fiscal year 1984, plus 1983 income used to pay the January 1, 1984, increase. In accordance with Minnesota Statutes, Section 11A.18, Subd. 9, any excess investment income to the MPRIF for fiscal year 1984 was distributed as follows:
 - 1) Five percent used to reduce the deficiency between book value of the assets and required reserves of the MPRIF.
 - 2) The remaining 95 percent will be used to increase retirement benefits for eligible annuitants, effective January 1, 1985.
- d. At June 30, 1984, the Public Employees Retirement Fund had a payable to MPRIF of \$8,271,418 resulting from a mortality loss. The Public Employees Police and Fire Fund had a receivable from MPRIF of \$286,286, resulting from a mortality gain.

7. 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.

8. 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 based upon the percentage of transactions processed for each fund during the year. The applicable amounts are reported as expenses of the two funds.
- b. Fixed assets are capitalized at the time of acquisition at cost. Depreciation is computed on a straight-line method in accordance with guidelines as published by the Internal Revenue Service. Included in fixed assets are equipment, improvements to lease office, and leaseholds. As of June 30, 1984, fixed assets include Capital Lease equipment in the amount of \$59,304. The equipment under Capital Lease consists of two Information Processors.

The following table reports the changes in fixed assets for 1984:

See paragraph 8b

FIXED ASSETS Year Ended June	30, 1984				
	Beginning Balance	Additions	Retirements	Ending Balance	Useful Life
Building &					
Improvements	\$ 70,325	\$ -0-	\$ -0-	\$ 70,325	10 Yrs
Automobiles	16,275	16,041	6,565	25,751	3 Yrs
Equipment and					
Furniture	942,555	84,094	12,107	1,014,542	6-10 Yrs
	\$1,029,155	\$100,135	\$ 18,672	\$1,110,618	
Accumulated					
Depreciation	426,659	147,004	10,998	562,665	
Fixed Assets, Net	\$ 602,496	\$ (46,869)	\$ 7,674	\$ 547,953	

9. Special Refund of Member Contributions

Laws 1984, Chapter 564, Section 45, Subdivision 1, required all additional 2% employee contributions paid by public employees pursuant to Laws 1982, Third Special Session, Chapter 1 Article II, Section 2, Subd. 1, as amended, be refunded between October 1 and October 15, 1984. Employee contributions to be refunded from the Public Employees Retirement Fund and the Public Employees Police and Fire Fund are \$10,309,165, and \$991,605 respectively.

Combining Balance Sheet JUNE 30, 1984

		C EMPLOYEES		BLIC EMPLOYEES		
	RETIR	EMENT FUND	POLI	CE AND FIRE FUN	<u>D</u> _	TOTAL
Assets						
Cash (5.a.)	\$	411,281	\$	138,526	\$	549,807
Accounts Receivable		202,981		781,044		984,025
Due From Other Funds		167,078		15,632		182,710
Accrued Investment Income (5.c.)		3,921		2,085		6,006
nvestments (5.b.) Minnesota Outside Managed Pooled						
Accounts		910,957,295		190,497,010		1,101,454,305
Short-term Cash Equivalents		34,621,667		22,243,487		56,865,154
Equity in Minnesota Post-Retirement						
Investment Fund (6.b.)	6	534,793,435		59,663,039		694,456,474
Fixed Assets, Net of Accumulated		F 47 0F7				E 47.053
Depreciation (8.b.) Other		547,953 27,822		-0- -0-		547,953 27,822
Total Assets	\$ 15	81,733,433	\$	273,340,823	\$ 1	,855,074,256
Total Assets	Ψ 1,50	31,733,433	Ψ	273,340,023	Ψ Ι	,033,074,230
Liabilities and Reserves Required						
Liabilities:						
Current -						
Accounts Payable (6.d. & 9.)	\$	18,836,660	\$	1,003,211	\$	19,839,87
Accrued Compensated Absences		300,214		-0-		300,214
Payable to Other Funds		15,632		167,078		182,710
Obligations Under Capital Lease	<u></u>	10,893	<u></u>	-0-		10,893
Long-term -	\$	19,163,399	\$	1,170,289	\$	20,333,688
Obligations Under Capital Lease		1,325		-0-		1,325
Total Liabilities	\$	19,164,724	_\$	1,170,289	_\$_	20,335,013
Fund Balance:						
Member Reserves (7.a.)	\$.	367,380,562	\$	58,689,769	\$	426,070,33
Minnesota Post-Retirement Investment Fund Reserve (6.)		634,793,435		59,663,039		694,456,47
Benefit Reserves (7.b.)		226,187,182		188,464,457		1,414,651,639
			\$	306,817,265	¢ ′	2,535,178,44
Total Pecerves						2,333,170,444
Total Reserves	<u></u> Φ Ζ,Ζ	28,361,179	_Φ	300,017,203		
Total Reserves Unreserved Fund Balance	D Z,Z	26,301,179		300,017,203	_ •	
		611,613,305)	\$	(23,586,014)	\$	
Unreserved Fund Balance Unfunded Actuarial Accrued Liability Unrealized Loss on Marketable Equity	\$ ((611,613,305)		(23,586,014)		(635,199,31
Unreserved Fund Balance Unfunded Actuarial Accrued Liability	\$ (((635,199,31
Unreserved Fund Balance Unfunded Actuarial Accrued Liability Unrealized Loss on Marketable Equity Securities (5.b.)	\$ ((611,613,305) (54,179,165)	\$	(23,586,014)	\$	(635,199,319 (65,239,882
Unreserved Fund Balance Unfunded Actuarial Accrued Liability Unrealized Loss on Marketable Equity	\$ ((611,613,305)		(23,586,014)	\$	(635,199,319
Unreserved Fund Balance Unfunded Actuarial Accrued Liability Unrealized Loss on Marketable Equity Securities (5.b.)	\$ ((611,613,305) (54,179,165)	\$	(23,586,014)	\$	(635,199,31 (65,239,88

Combining Statement
Of Revenues, Expenses, and Changes
in Fund Balance FOR FISCAL YEAR ENDED JUNE 30, 1984

		BLIC EMPLOYEES TIREMENT FUND	IBLIC EMPLOYEES CE AND FIRE FUNI	2 _	TOTAL
Operating Revenues: Member Contribution Employer Contribution Investment Income Distributed Income of the Minnesota Post-Retirement	\$	58,347,759 78,966,549 73,358,140	\$ 9,670,700 14,473,213 15,564,566	\$	68,018,459 93,439,762 88,922,706
Investment Fund (5.c.) Other		59,015,149 411,721	5,981,127 353,853		64,996,276 765,574
Total Operating Revenues	\$	270,099,318	\$ 46,043,459	\$	316,142,777
Operating Expenses: Benefits Paid Refunds (9) Administrative Expenses Investment Management Fees (5.d.) Other	\$	74,236,588 23,756,065 2,792,431 1,345,065 12,171	\$ 6,352,248 2,043,206 163,617 275,760 -0-	\$	80,588,836 25,799,271 2,956,048 1,620,825 12,171
Total Operating Expenses	_\$	102,142,320	\$ 8,834,831	_\$	110,977,151
Other Changes in Reserves: Cumulative Effect of Change in Accounting Method (5.e.) Transfer to State General Fund	\$	(24,793,059) (457,306)	\$ (3,433,944) (83,25 <u>3</u>)	\$	(28,227,003) (540,55 <u>9</u>)
Total Other Changes	_\$_	(25,250,365)	\$ (3,517,197)	\$	(28,767,562)
Net Fund Balance Additions	\$	142,706,633	\$ 33,691,431	\$	176,398,064
Unrealized Loss on Marketable Equity Securities (5.b.)		(54,179,165)	(11,060,717)		(65,239,882)
Fund Balance, July 1, 1983 Fund Balance, June 30, 1984	\$	1,474,041,241 1,562,568,709	\$ 249,539,820 272,170,534		1,723,581,061 1,834,739,243

Combining Statement

Of Changes in Financial Position FOR FISCAL YEAR ENDED JUNE 30, 1984

		Public E	mplo	yees Retirer	nent	Fund	
Resources Provided by:							
From Operations —							
Net Operating Income			\$	142,706,633			
Item Not Requiring Resources Currently: Depreciation Expense				447004			
From Other				147,004			
Proceeds from Disposal of Fixed Assets				7,674			
Total Resources Provided					\$	142,861,311	
Resources Used by:							
Payments of Obligation Under Capital Lease			\$	10,893			
Current Year Acquisition of Equipment Unrealized Loss on Marketable				100,135			
Equity Securities				54,179,165			
Net Increase in Working Capital				88,571,118			
Total Resources Used					\$	142,861,311	
Elements of Net Increase (Decrease) in Working Capit	al						
		Year Ende	ed Jur			Increase	
Current Assets:		1984		1983		(Decrease)	
Cash	\$	411,281	\$	494,904	\$	(83,623)	
Accounts Receivable		202,981		3,997,020		(3,794,039)	
Security Sales Receivable Due From Other Funds		-0- 167,078		3,762,758 156,701		(3,762,758) 10,377	
Accrued Investment Income		3,921		9,348,613		(9,344,692)	
Investments —		9,02		3,3 10,3 13		(3)3 (1)6327	
Bonds		-0-		335,737,263		(335,737,263)	
Equity Securities		-0-		375,369,407		(375,369,407)	
Minnesota Outside Managed Pooled Accounts		910,957,295		181,038,220		729,919,075	
Short-term Cash Equivalents		34,621,667		30,336,529		4,285,138	
Equity in Minnesota Post-Retirement							
Investment Fund		634,793,435		515,797,802		118,995,633	
Deferred Yield Adjustment Other		-0- 27,822		24,791,056 23,008		(24,791,056) 4,814	
	-			•		1,011	
Total Current Assets	\$ 1	,581,185,480	\$ 1	1,480,853,281			
Current Liabilities:							
Accounts Payable	\$	18,836,660	\$	3,356,625		(15,480,035)	
Accrued Compensated Absences		300,214		314,925		14,711	
Payable to Other Funds		15,632		18,004		2,372	
Obligations Under Capital Leases Security Purchases Payable		10,893		10,893 3,701,871		-0- 3,701,871	
Security 1 di chases 1 dyaloie	-		-	5,701,071		5,701,071	
Total Current Liabilities	_\$	19,163,399	\$	7,402,318			
Working Capital	\$ 1	,562,022,081	\$	1,473,450,963	\$	88,571,118	
Working Capital	<u> </u>	1002,022,001	Ψ	1,773,730,303	Ψ	00,071,110	

Public Emplo	oyee	s Police and	Fire	Fund			Total	
	\$	33,691,431				\$	176,398,064	
		-0-					147,004	
		-0-					7,674	
			\$	33,691,431				\$ 176,552,742
	\$	-0- -0- 11,060,717				\$	10,893 100,135 65,239,882	
		22,630,714	\$	33,691,431		-	111,201,832	\$ 176,552,742
Year Endec	d June	e 30 1983		Increase (Decrease)	Year Ended 1984	June _	30 1983	Increase (Decrease)
\$ 138,526 781,044 -0- 15,632 2,085	\$	54,796 857,826 364,186 18,004 1,985,479	\$	83,730 (76,782) (364,186) (2,372) (1,983,394)	\$ 549,807 984,025 -0- 182,710 6,006	\$	549,700 4,854,846 4,126,944 174,705 11,334,092	\$ 107 (3,870,821) (4,126,944) 8,005 (11,328,086)
-O-		68,145,645 78,629,427		(68,145,645) (78,629,427)	-0- -0-		403,882,908 453,998,834	(403,882,908) (453,998,834)
190,497,010 22,243,487		36,677,303 9,799,141		153,819,707 12,444,346	1,101,454,305 56,865,154		217,715,523 40,135,670	883,738,782 16,729,484
59,663,039 -0- -0-		51,344,496 3,427,579 -0-		8,318,543 (3,427,579) -0-	694,456,474 -0- 27,822		567,142,298 28,218,635 23,008	127,314,176 (28,218,635) 4,814
\$ 273,340,823	\$	251,303,882			\$ 1,854,526,303	\$	1,732,157,163	
\$ 1,003,211 -0- 167,078 -0- -0-	\$	832,934 -0- 156,701 -0- 774,427		(170,277) -0- (10,377) -0- 774,427	\$ 19,839,871 300,214 182,710 10,893 -0-	\$	4,189,559 314,925 174,705 10,893 4,476,298	(15,650,312 14,711 (8,005 -0- 4,476,298
\$ 1,170,289	\$	1,764,062			\$ 20,333,688	\$	9,166,380	
\$ 272,170,534	\$	249,539,820	\$	22,630,714	\$ 1,834,192,61 <u>5</u>	\$	1,722,990,783	\$ 111,201,832

Statement of Revenues Expenses, and Changes in Fund Balance Public Employees Retirement Fund FOR FISCAL YEAR ENDED JUNE 30, 1984

			>O	Reserves Minnesota st-Retirement estment Fund		Benefit	Unreserved Fund Balance		Total
Operating Revenue: Member Contribution Employer Contribution Investment Income Distributed Income of the Minnesota Post-Retirement Investment Fund Other	\$	58,347,759	\$	59,015,149	\$	78,966,549 73,358,140 411,721	\$	\$	58,347,759 78,966,549 73,358,140 59,015,149 411,721
Total Operating Revenues	\$_	58,347,759	\$	59,015,149	\$	152,736,410	\$	\$	270,099,318
Operating Expenses: Benefits Paid Refunds (9.) Administrative Expenses Investment Management Fee (5.d.) Other	\$	1,460,115 22,089,618 4,547	\$	62,780,108	\$	9,996,365 1,666,447 2,792,431 1,345,065 7,624	\$	\$	74,236,588 23,756,065 2,792,431 1,345,065 12,171
Total Operating Expenses	\$	23,554,280	\$	62,780,108	\$	15,807,932	\$	\$	102,142,320
Other Changes in Reserves: Annuities Awarded Mortality Loss Cumulative Effect of Change in Accounting Method (5.e.) Net Transfer to State General Fund Transfer Between Reserves	\$			114,489,174 8,271,418		(98,171,813) (8,271,418) (24,793,059) (457,306) <u>5</u>		\$	(24,793,059) (457,306)
Total Other Changes	\$	(16,317,366)	\$	122,760,592	\$	(131,693,591)	\$	\$	(25,250,365)
Net Fund Balance Additions Unrealized Loss on Marketable Equity Securities (5.b.) Change in Unfunded Accrued Liability	\$	18,476,113	\$	118,995,633	\$	5,234,887 210,094,686	\$ (54,179,165) (210,094,686)		142,706,633 (54,179,165)
Fund Balance, July 1, 1983	_	348,904,449	_	515,797,802	_	1,010,857,609	(401,518,619)	_	1,474,041,241
Fund Balance, June 30, 1984	<u>\$</u>	367,380,562	\$	634,793,435	<u>\$</u>	1,226,187,182	\$ (665,792,470	<u>\$</u>	1,562,568,709

Statement of Revenues
Expenses and Changes in Fund Balance
Public Employees Police and Fire Fund
FOR FISCAL YEAR ENDED JUNE 30, 1984

Operating Revenue: Member Contribution Employer Contribution Investment Income Distributed Income of the Minnesota Post-Retirement Investment Fund	\$ Member 9,670,700	Pos Inve	Reserves Minnesota t-Retirement stment Fund 5,981,127	\$	Benefit 14,473,213 15,564,566	Unreserved und Balance	\$ Total 9,670,700 14,473,213 15,564,566 5,981,127
Other	4,547				349,306		353,853
Total Operating Revenues	\$ 9,675,247	\$	5,981,127	\$	30,387,085	\$ 	\$ 46,043,459
Operating Expenses: Benefits Paid Refunds (9.) Administrative Expenses Investment Management Fees (5.d.)	\$ 242,140 1,955,103	\$	5,165,460	\$	944,648 88,103 163,617 275,760	\$	\$ 6,352,248 2,043,206 163,617 275,760
Total Operating Expenses	\$ 2,197,243	\$	5,165,460	\$	1,472,128	\$	\$ 8,834,831
Other Changes in Reserves: Annuities Awarded Mortality Gain Cumulative Effect of Change in Accounting Method (5.e.)	\$ (1,023,707)	\$	7,789,162 (286,286)		(6,765,455) 286,286 (3,433,944)		\$ -0- -0- (3,433,944)
Net Transfer to State General Fund Transfer Between Reserves	1,830				(83,253)		(83,253)
Total Other Changes	\$ (1,021,877) \$	7,502,876	\$	(9,998,196)	\$	\$ (3,517,197)
Net Fund Balance Additions	\$ 6,456,127	\$	8,318,543	\$	18,916,761	\$ *	\$ 33,691,431
Unrealized Loss on Marketable Equity Securities (5.b.) Change in Unfunded Accrued Liability					22,845,605	(11,060,717) (22,845,605)	(11,060,717)
Fund Balance, July 1, 1983	52,233,642		51,344,496	1	146,702,091	(740,409)	249,539,820
Fund Balance, June 30, 1984	\$ 58,689,769	\$	59,663,039	\$	188,464,457	\$ (34,646,731)	\$ 272,170,534

Schedule of Administrative Expenses FOR FISCAL YEAR ENDED JUNE 30, 1984

				n.
Personal Services:	•	1.007.045		
Staff Salaries Social Security	\$	1,607,645 88,242		
Retirement		95,934		
Insurance and Workers' Compensation	-	138,489		
Total Personal Services			\$	1,930,310
Professional Services:	4	70,000		
Actuarial Audit	\$	30,000 37,508		
Legal		61,691		
Management Consultants		19,292		
Investment Consultants Legislative Consultants		45,783 8,000		
Total Professional Services	1343			202,274
Communication:				
Printing	\$	73,370		
Telephone		18,668		
Postage Travel		176,737 46,233		
Mailing Services		10,269		
Total Communication				325,277
Rentals:				
Office Space	\$	54,315		
Equipment Leasing Total Rentals		51,350		10E 66E
				105,665
Other: Medical Examinations	\$	32,861		
Stationery and Office Supplies	¥	59,943		
Maintenance Service Contracts		59,084		
Depreciation Education (Employees)		147,004 9,983		
Publications and Subscriptions		5,378		
Meeting Expense		7,716		
Vehicle Expense Equipment (\$100 and Under)		3,922 552		
Drawing Account - Executive Director		2,031		
Fees and Other Fixed Charges		6,102		
Bonds and Insurance Indirect Cost from State		3,173 51,987		
Miscellaneous		2,786		
Total Other				392,522
Total Administrative Expense			\$	2,956,048
All-pating of Administrative Function				
Allocation of Administrative Expense: Public Employees Retirement Fund			\$	2,792,431
Public Employees Police and Fire Fund			Ψ	163,617
Total			•	0.050.046
Total			5	2,956,048

Summary Schedules FOR FISCAL YEAR ENDED JUNE 30, 1984

Summary Schedule of Cash Receipts and Disbursements

	PUBLIC EMPLOYEES	RETIREMENT FUND	PUBLIC EMPLOYEES POLIC	CE AND FIRE FUND
Cash Balance at Beginning of Year		\$ 494,904		\$ 54,796
Add Receipts: Member Contributions Employer Contributions Investment Income Investments Redeemed Minnesota Post-Retirement Investment Fund Other	\$ 58,311,602 80,286,946 65,196,958 1,214,398,390 62,780,108 3,058,694		\$ 8,874,045 15,287,865 13,554,441 308,907,267 5,165,461 648,327	
Total Cash Receipts Less Disbursements: Benefit Payments Administrative Expense Investments Purchased Refunds Minnesota Post-Retirement Investment Fund 4% Payment to State Other	\$ 74,552,449 2,687,454 1,275,222,553 13,588,596 115,022,049 2,578,659 464,561		\$ 6,371,487 -0- 336,106,172 1,056,960 8,360,324 253,145 205,588	352,437,406 \$352.492.202
Total Cash Disbursements		1,484,116,321		352,353,676
Cash Balance at End of Year: June 30, 1984		\$ 411,281		\$ 138,526

Summary Schedule of Commissions and Payments to Consultants

INDIVIDUAL OR FIRM NAME	NATURE OF SERVICES	FEES AND COMMISSIONS	
Ennis, Knupp & Gold, Inc.	Investment Consultant		\$ 45,783
Attorney General - State of Minnesota Office of Administrative Hearings —	Legal Consultant	13,554	
State of Minnesota	Legal Consultant	661	
Sean Rice	Legal Consultant	11,260	
Arnold & Porter Collins, Buckley, Sauntry,	Legal Consultant	36,135	
and Haugh	Legal Consultant	<u>81</u>	
			\$ 61,69
Morgan Fleming, Jr.	Legislative Consultant		\$ 8,000
Northco, Ltd.	Communication Consultant	6,250	
Touch Ross	Communication Consultant	4,300	
Alexander & Alexander	Communication Consultant	4,175	
Sandy Rummel	Communication Consultant	3,787	
McCarthy & Associates	Communication Consultant	740	
Meidinger	Communication Consultant	40	
			\$ 19,293

Certification Letter

COMPENSATION & CAPITAL

125 SOUTH WACKER DRIVE DAVIS H. ROENISCH, FSA CHICAGO, ILLINOIS 60606

TELEPHONE 312 332-4420

January 9, 1985

Board of Trustees Public Employees Retirement Association 203 Capitol Square Building 550 Cedar Street St. Paul, Minnesota 55101

Members of the Board:

We have recently completed our annual actuarial valuation of the Minnesota Public Employees Retirement Association, for the purpose of determining the actuarial status of the Public Employees Retirement Fund and the Public Employees Police and Fire Fund obligations as of June 30, 1984.

The basic financial and employee data used in the actuarial valuation are those submitted to us by the association office. The actuarial valuation was based upon applicable statutory provisions in effect on June 30, 1984, together with the employee census and financial data as of that date.

The major aspects of the actuarial assumptions and methods under these provisions include: an interest rate of 8% prior to retirement and 5% thereafter; a salary scale of $6\frac{1}{2}$ %; the use of other assumptions as to mortality, disability, retirement and withdrawal which are consistent with the latest experience analysis; amortization of the unfunded accrued liability as a level percentage of pay; the valuation of assets at cost plus 1/3 of unrealized gains or losses.

Recent amendments to the benefit provisions of the pension laws include: retirement after age 55 when age and years of service equal 85 (effective until December 31, 1986); improvements in early retirement benefits; improvements in survivor and disability benefits; increase in the interest credited on refunds of member contributions from $3\frac{1}{2}$ % to 5%; increase in the retirement and disability formula benefit of Police and Fire Fund members.

The pension laws were amended to provide additional employee contributions of 2% during the first six months of calendar 1983. This increased contribution amount has been refunded. A portion of the employer contribution equal to 4% of payroll was transferred to the state general fund during this period. Other amendments to the pension laws were made during the year which were minor and of an administrative nature.

The valuation was made on the basis of the entry age normal cost (level normal cost) method of financing and the actuarial assumptions as required by statute, with future costs expressed as a percentage of payroll. To achieve the fundamental financing objective of the funds, the contribution requirement of the funds must be sufficient to meet current service costs and to amortize the unfunded liabilities by the year 2009.

The valuation indicated that the present assets and expected future contributions required by statute, with investment earnings thereon, are sufficient to provide the benefits to be paid in the future. The current funding level of the Public Employees Retirement Fund is 72%, and of the Public Employees Police and Fire Fund 91%.

On the basis of the foregoing, and the assumptions indicated therein, we hereby certify that, to the best of our knowledge and belief, the attached statements are true and correct and in accordance with the laws of the State of Minnesota.

Respectfully submitted,

COMPENSATION & CAPITAL INC.

Davis H. Roenisch () Enrolled Actuary No. 174

Actuarial Cost Method and Assumptions Entry Age Normal

Public Employees Retirement Fund

Actuarial Assumptions

Retirement Age 64. In addition, 50% utilization of retirement

when age plus service totals 90, or age 55 and age plus service totals

85 prior to 1987.

Mortality Unisex Pension 1984 Table,

set forward 1 year for males, set back 4 years

for females.

Disability Graduated rates. See

table below for sample

values.

Separation Graduated rates. See

table below for sample

values. .247%.

Loading for Expense

Asset Valuation Cost plus 1/3

unrealized gains or

losses.

Investment Return 8% compounded annually

pre-retirement; 5% compounded annually

post-retirement.

Earnings Progression 6.5% per year.

Public Employees Police and Fire Fund

Actuarial Assumptions

Retirement Age 60. In addition, 50%

utilization of retirement when age 55 and age plus service totals 85 prior

to 1987.

Mortality Unisex Pension 1984 Table,

set forward 1 year for males, set back 4 years

for females.

Disability Graduated rates. See

table below for sample

values.

Separation Graduated rates. See

table below for sample

values.

Loading for Expense .181%.

Asset Valuation Cost plus 1/3

unrealized gains or

losses.

Investment Return 8% compounded annually

pre-retirement; 5% compounded annually post-retirement.

post retirement

Earnings Progression 6.5% per year.

ANNUAL RATE PER 100 EMPLOYEES

	Mortality		Disability	Separation		
Age	_Male_	Female	All Employees	Male	Female	
20	.13	.14	.09	27.5	38.3	
30	.11	.11	.11	16.1	28.1	
40	.23	.15	.15	8.2	13.4	
50	.62	.38	.33	3.9	6.6	
60	1.55	.99	1.18	<u></u> -		
65	2.48	1.55				

ANNUAL RATE PER 100 EMPLOYEES

	Mortality		Disability	Separation		
Age	Male	Female	All Employees	All Employees		
20	.13	.14	.11	7.00		
30	.11	.11	.16	6.58		
40	.23	.15	.26	2.45		
50	.62	.38	.69	.50		
60	1.55	.99		- -		

Actuarial Tables

JUNE 30, 1984

Actuarial Present Value of Accumulated Plan Benefits

Recommended Contribution Schedule Applies to total compensation

Public Employees Retirement Fund	\$ 1,776,150,253
Public Employees Police and Fire Fund	288,672,513

Public Employees Retirement Fund No Social Security	MEMBER 8%	EMPLOYER
Covered by Social Security	4%	4.25%
Public Employees Police and Fire Fund	8%	12%

Required Reserves

JUNE 30, 1984

	PUBLIC EMPLOYEES RETIREMENT FUND	PUBLIC EMPLOYEES POLICE AND FIRE FUND
For active members Retirement benefits: Retirement	\$ 1,101,947,978	\$ 169,412,597
Vesting	206,789,440 \$ 1,308,737,418	11,634,257 \$ 181,046,854
Disability benefits Refundment liability due to death or withdrawal Survivors' benefits	62,426,983 46,106,764 67,274,549	24,128,384 1,665,351 24,625,875
For deferred annuitants	12,659,108	2,082,269
For former members without vested rights	8,889,482	719,767
For annuitants: Retirement Disability annuities Surviving spouses' annuities Surviving children's annuities Total Required Reserves	. 634,793,435 20,645,280 65,844,251 983,909 \$ 2,228,361,179	59,663,039 3,448,845 8,796,195 640,686 \$ 306,817,265

Summary of Accrued and Unfunded Accrued Liabilities

Dublic	Emplas	JOOC DO	tiromo	nt Fund
PUUIIC		VEES KE		

VALUATION DATE 6-30-75 6-30-76 6-30-77 6-30-78 6-30-79 6-30-80 6-30-81 6-30-82 6-30-83	AGGREGATE ACCRUED LIABILITIES \$ 725,173,867 816,093,861 930,363,154 1,023,270,439 1,137,905,498 1,262,499,353 1,435,640,625 1,646,987,789 1,875,559,860	VALUATION <u>ASSETS</u> \$ 449,178,269 511,152,418 613,887,437 702,543,189 812,971,819 923,152,292 1,101,847,894 1,278,462,836 1,474,041,241	ASSETS AS A % OF ACCRUED LIABILITIES 62% 63 66 69 71 73 77 78 79	UNFUNDED ACCRUED LIABILITIES (UAL) \$ 275,995,598 304,941,443 316,475,717 320,727,250 324,933,679 339,347,061 333,792,731 368,524,953 401,518,619	ANNUAL ACTIVE MEMBER PAYROLL \$ 582,912,058 657,609,766 707,400,545 763,483,570 817,578,613 930,299,069 1,037,047,955 1,079,973,418 1,135,784,941	UAL AS A % OF ANNUAL ACTIVE MEMBER PAYROLL 47% 46 45 42 40 37 32 34
6-30-83 6-30-84	1,875,559,860 2,228,361,179	1,474,041,241 1,599,673,540	79 72	401,518,619 628,687,639	1,135,784,941 1,225,624,802	35 51

Public Employees Police and Fire Fund

VALUATION DATE	AGGREGATE ACCRUED LIABILITIES	VALUATION ASSETS	ASSETS AS A % OF ACCRUED LIABILITIES	UNFUNDED ACCRUED LIABILITIES (UAL)	ANNUAL ACTIVE MEMBER PAYROLL	UAL AS A % OF ANNUAL ACTIVE MEMBER PAYROLL
6-30-75	\$ 67,641,232	\$ 56,100,213	83%	\$ 11,541,019	\$ 40,849,878	28%
6-30-76	87,155,968	67,027,999	77	20,127,969	46,848,679	43
6-30-77	102,297,741	81,962,092	80	20,335,649	52,889,851	38
6-30-78	119,141,132	98,015,315	82	21,125,817	59,933,726	35
6-30-79	139,339,808	120,427,888	86	18,911,920	68,125,873	28
6-30-80	161,723,394	143,124,478	89	18,598,916	75,851,475	25
6-30-81	187,934,297	174,896,238	93	13,038,059	85,810,155	15
6-30-82	222,472,470	209,225,419	94	13,247,051	97,295,847	14
6-30-83	250,280,229	249,539,820	100	740,409	105,153,394	1
6-30-84	306,817,265	279,757,310	91	27,059,955	117,880,783	23

Solvency Test

Public Employees Retirement Fund

	AGGREGATE	ACCRUED LIABI	LITIES FOR				
VALUATION	(1) ACTIVE MEMBER		(3) ACTIVE MEMBERS (EMPLOYER FINANCE	27 17 1207 111071	LIAB BY VA	ON OF ACCE ILITIES COVE ILUATION AS	RED
DATE	CONTRIBUTIONS	BENEFICIARIES	_ PORTION	ASSETS	<u>(1)</u>	(2)	_(3)
6-30-75	\$ 140,812,318	\$ 180,736,853	\$ 403,624,696	\$ 449,178,269	100%	100%	31.6%
6-30-76	162,472,171	196,054,871	457,566,819	511,152,418	100	100	33.4
6-30-77	184,769,384	253,907,624	491,686,146	613,887,437	100	100	35.6
6-30-78	208,427,480	292,112,546	522,730,413	702,543,189	100	100	38.6
6-30-79	226,947,848	345,872,689	565,084,961	812,971,819	100	100	42.5
6-30-80	258,890,661	367,546,715	636,061,977	923,152,292	100	100	46.6
6-30-81	288,843,040	433,833,496	712,964,089	1,101,847,894	100	100	53.2
6-30-82	319,169,116	513,219,039	814,599,634	1,278,462,836	100	100	54.8
6-30-83	348,904,449	623,703,428	902,951,983	. 1,474,041,241	100	100	55.5
6-30-84	367,380,562	743,815,465	1,117,165,152	1,599,673,540	100	100	43.7

Public Employees Police and Fire Fund

	AGGREGATE	ACCRUED LIABI	LITIES FOR				
VALUATION	(1) ACTIVE MEMBER	(2) RETIRANTS AND	(3) ACTIVE MEMBERS (EMPLOYER FINANCE)	D) VALUATION	LIAB	ON OF ACCR ILITIES COVE ILUATION AS	RED
DATE	CONTRIBUTIONS	BENEFICIARIES	PORTION	ASSETS	<u>(1) ·</u>	(2)	(3)
6-30-75	\$ 13,843,626	\$ 13,645,992	\$ 40,151,614	\$ 56,100,213	100%	100%	71.3%
6-30-76	16,907,641	15,176,161	55,721,166	67,027,999	100	100	62.7
6-30-77	20,178,644	22,011,953	60,107,144	81,962,092	100	100	66.2
6-30-78	24,101,847	27,220,656	67,818,629	98,015,315	100	100	68.8
6-30-79	28,292,740	34,616,570	76,430,498	120,427,888	100	100	75.3
6-30-80	33,387,970	38,873,454	89,461,970	143,124,478	100	100	79.2
6-30-81	38,999,677	44,501,989	104,432,631	174,896,238	100	100	87.5
6-30-82	45,912,887	59,878,585	120,930,978	209,225,419	100	100	85.5
6-30-83	52,233,642	65,633,438	132,413,149	249,539,820	100	100	99.4
6-30-84	58,689,769	75,350,801	172,776,695	279,757,310	100	100	84.3

Schedule of Active Member Valuation Data

Public Employees Retirement Fund

Δ	\cap	۲I۱	VE	M	FN	1R	FR	3
		3 8	V L	IV	LIV	$^{\prime\prime}$	LIV.)

	ACTIVE IVIEIVIBERS					
VALUATION DATE	NUMBER	ANNUAL PAYROLL	ANNUAL AVERAGE PAY	% INCREASE IN AVERAGE PAY		
6-30-75	81,140	\$ 582,912,058	\$ 7,184	8.9%		
6-30-76	83,798	657,609,766	7,848	9.2		
6-30-77	82,026	707,400,545	8,624	9.9		
6-30-78	81,328	763,483,570	9,388	8.9		
6-30-79	81,665	817,578,613	10,011	6.6		
6-30-80	85,860	930,299,069	10,835	8.2		
6-30-81	87,857	1,037,047,955	11,804	8.9		
6-30-82	85,438	1,079,973,418	12,640	7.1		
6-30-83	83,351	1,135,784,941	13,626	7.8		
6-30-84	83,702	1,225,624,802	14,643	7.5		

Public Employees Police and Fire Fund

ACTIVE MEMBERS

		ACTIVE IVIE		
VALUATION DATE	NUMBER	ANNUAL PAYROLL	ANNUAL <u>AVERAGE PAY</u>	% INCREASE IN AVERAGE PAY
6-30-75	3,690	\$ 40,849,878	\$ 11,070	6.5%
6-30-76	3,800	46,848,679	12,329	11.4
6-30-77	3,732	52,889,851	14,172	14.9
6-30-78	3,971	59,933,726	15,093	6.5
6-30-79	4,092	68,125,873	16,649	10.3
6-30-80	4,185	75,851,475	18,125	8.9
6-30-81	4,356	85,810,155	19,699	8.7
6-30-82	4,508	97,295,847	21,583	9.6
6-30-83	4,596	105,153,394	22,879	6.0
6-30-84	4,744	117,880,783	24,848	8.6

Schedule of Retirants and Beneficiaries

Public Employees Retirement Fund

YEAR ENDED	ADDED TO ROLLS NO.	REMOVED FROM ROLLS NO.	ROLLS E	ND OF YEAR ANNUAL ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
6-30-75	1,389	672	12,038	\$22,039,631	12.3%	\$1,831
6-30-76	1,421	824	12,635	24,370,696	10.6	1,929
6-30-77	1,775	1,167	13,243	28,895,452	18.6	2,182
6-30-78	1,607	767	14,083	33,180,101	14.8	2,356
6-30-79	1,415	749	14,749	36,163,202	9.0	2,452
6-30-80	1,670	803	15,616	39,887,823	10.3	2,554
6-30-81	1,808	809	16,615	45,556,533	14.2	2,742
6-30-82	1,746	832	17,529	52,708,964	15.7	3,007
6-30-83	2,170	823	18,876	64,156,295	21.7	3,399
6-30-84	2,128	880	20,124	76,064,731	18.6	3,780

Public Employees Police and Fire Fund

YEAR ENDED	ADDED TO ROLLS NO.	REMOVED FROM ROLLS NO.	ROLLS E	ND OF YEAR ANNUAL ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
6-30-75	93	23	584	\$1,386,781	16.4%	\$2,375
6-30-76	62	31	615	1,555,374	12.2	2,529
6-30-77	119	77	657	1,933,612	24.3	2,943
6-30-78	100	33	726	2,421,612	25.2	3,336
6-30-79	133	46	813	2,931,102	21.0	3,605
6-30-80	101	71	843	3,378,785	15.3	4,008
6-30-81	120	74	889	3,874,616	14.7	4,358
6-30-82	94	76	907	4,691,766	21.1	5,173
6-30-83	84	41	950	5,576,067	18.8	5,870
6-30-84	102	39	1,013	6,592,773	18.2	6,508

Certification

The above exhibit has been prepared in accordance with the provisions of Section 356.20. The required reserves for formula benefits have been computed in accordance with the Entry Age Normal Cost Method.

Respectfully submitted,

Davis H Posnisch

STATISTICAL SECTION Charts

Investment Results

5 Years

		Fis	cal Year			5 Years
	1980_	1981	1982	1983	1984_	Average
Rate of Return - Time Weighted						
Public Employees Retirement Fund	8.3	7.2	1.2	41.4	(5.5)	9.44
Public Employees Police & Fire Fund	8.4	7.3	1.7	40.8	(4.9)	9.63
Inflation Rate						
Consumer Price Index	14.26	9.57	7.11	2.58	4.3	7.49
Market Indicators - Time Weighted						
Standard and Poor's 500	17.03	20.37	(11.50)	60.90	(4.6)	13.86
U.S. Government						
Long-Term Bond Index	1.93	(13.77)	10.52	35.40	(5.5)	4.45
U.S. Government						
Intermediate Term Bond Index	7.09	(10.48)	13.46	29.26	(1.3)	6.77
U.S. Government						
90 Day Treasury Bills Index	12.35	13.29	14.96	9.79	2.6	10.51

Investment Portfolio at Market Value

			Employees ment Fund		Public Employees Police and Fire Fund		
		Market Value	% of Total Market Value		Market Value	% of Total Market <u>Value</u>	
Indexed Fund	\$ 4	104,077,384	42.60%	\$	82,636,676	38.73%	
Fixed Income Pool	2	268,022,542	28.26		58,628,880	27.48	
External Active Managed	1	72,183,765	18.15		34,883,413	16.35	
Real Estate Fund		52,329,734	5.52		11,332,554	5.31	
Short-Term Securities		34,621,667	3.65		22,243,487	10.42	
Venture Capital		9,316,008	.98		2,023,399	.95	
Resources Fund		7,984,024	.84		1,630,983	.76	
	\$ 94	48,535,124	100.00%	\$	213,379,392	100.00%	

Revenue by Source LAST TEN YEARS

FISCAL YEAR	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION	INVESTMENT INCOME*	OTHER	TOTAL
1975	\$ 28,294,175	\$ 37,917,494	\$ 22,303,987	\$ (17,798,397)**	\$ 70,717,25
1976	31,666,986	42,516,415	27,812,770	(8,469,156)**	93,527,01
1977	34,401,229	46,399,274	41,717,853	17,351,032**	139,869,38
1978	37,758,756	49,976,384	43,040,144	117,963	130,893,24
1979	39,776,778	53,638,655	50,325,609	18,808,283**	162,549,32
1980	44,050,933	59,580,988	69,171,882	3,019,326	175,823,12
1981	48,714,124	65,984,588 70,913,313	109,797,583 117,582,773	286,987	224,783,28
1982 1983	52,277,226 66,180,991	74,004,816	149,412,786	2,712,379 2,690,965	243,485,69 292,289,55
1984	58,347,759	78,966,549	132,373,289	411,721	270,099,31
FISCAL YEAR	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION	INVESTMENT INCOME*	OTHER	TOTAL
1975	\$ 3,176,814	\$ 4,745,986	\$ 2,911,443	\$ (559,927)**	\$ 10,274,3
1976	3,723,620	5,568,005	3,542,309	33,015**	12,866,9
1977	4,186,038	6,269,852	5,168,804	1,698,291**	17,322,9
1978	4,970,771	7,130,024	5,844,490	1,004,715	18,950,0
1979 1980	6,234,689 6,304,756	8,433,975 9,459,826	7,491,360 11,317,334	3,875,281** 633,878	26,035,3 27,715,7
1981	7,109,496	10,659,980	17,344,782	637,865	35,752,1
1982	7,973,442	11,946,248	19,038,430	749,538	39,707,6
1302	9,702,059	12,953,387	25,391,187	540,123	48,586,7
1983 1984	9,670,700	14,473,213	21,545,693	353,853	46,043,4

^{*}Includes Distributed Income of the Minnesota Post-Retirement Investment Fund.

^{**}Includes Gain or Loss From Statutory Valuation of the Minnesota Post-Retirement Investment Fund.

Revenue Ratios by Source of Revenue

EXCLUDING OTHER INCOME

Public Employees Retirement Fund

FISCAL YEAR	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION	INVESTMENT INCOME	TOTAL REVENUES
1975	32.0%	42.8%	25.2%	100.0%
1976	31.0	41.7	27.3	100.0
1977	28.1	37.9	34.0	100.0
1978	28.9	38.2	32.9	100.0
1979	27.7	37.3	35.0	100.0
1980	25.5	34.5	40.0	100.0
1981	21.7	29.4	48.9	100.0
1982	21.7	29.5	48.8	100.0
1983	22.8	25.6	51.6	100.0
1984	21.6	29.3	49.1	100.0

_Public Employees Police and Fire Fund

FISCAL YEAR	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION	INVESTMENT INCOME	TOTAL REVENUES
1975	29.3%	43.8%	26.9%	100.0%
1976	29.0	43.4	27.6	100.0
1977	26.8	40.1	33.1	100.0
1978	27.7	39.7	32.6	100.0
1979	28.1	38.1	33.8	100.0
1980	23.3	34.9	41.8	100.0
1981	20.2	30.4	49.4	100.0
1982	20.5	30.7	48.8	100.0
1983	20.2	27.0	52.8	100.0
1984	21.2	31.7	47.1	100.0

Expense by Type LAST TEN YEARS

Public Employees Retirement Fund

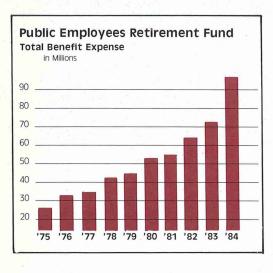
FISCAL				
YEAR	BENEFIT	ADMINISTRATION	<u>OTHER</u>	TOTAL
1975	\$ 27,127,719	\$ 867,914	\$ 31,706	\$ 28,027,339
1976	30,567,900	972,832	12,134	31,552,866
1977	36,049,205	1,049,808	35,356	37,134,369
1978	41,054,641	1,122,752	60,101	42,237,494
1979	45,752,228	1,255,900	5,112,567	52,120,695
1980	52,299,773	1,462,549	23,273	53,785,595
1981	56,012,596	1,776,229	155,916	57,944,741
1982	64,612,920	2,357,453	146,125	67,116,498
1983	73,059,024	2,506,488	20,899,892	96,465,404
1984	97,992,653	2,792,431	26,607,601	127,392,685

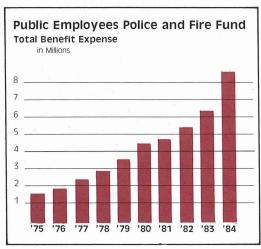
Public Employees Police and Fire Fund

FISCAL				
YEAR	BENEFIT	ADMINISTRATION	<u>OTHER</u>	TOTAL
1975	\$ 1,672,431	\$ 38,655	\$ 9,867	\$ 1,720,953
1976	1,883,189	43,013	12,960	1,939,162
1977	2,334,890	46,945	7,057	2,388,892
1978	2,831,743	53,782	11,252	2,896,777
1979	3,469,056	77,071	76,605	3,622,732
1980	4,310,672	76,401		4,387,073
1981	4,504,585	92,872	15,037	4,612,494
1982	5,227,892	130,346	33,616	5,391,854
1983	6,182,890	141,397	1,934,691	8,258,978
1984	8,395,454	163,617	3,792,957	12,352,028

Benefit Expense by Type LAST TEN YEARS

	Public Em	ployees Retirem	nent Fund		
FISCAL YEAR 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984	RETIREMENT \$ 17,144,091 19,319,359 22,459,271 26,829,188 28,741,645 33,457,964 37,584,023 43,865,092 52,962,829 64,010,859	SURVIVOR \$ 3,540,726 4,634,131 4,958,728 4,410,475 4,745,083 5,617,932 5,850,801 6,212,786 6,668,682 7,160,626	DISABILITY \$ 843,395 1,034,407 1,405,928 1,846,544 2,024,043 2,261,938 2,486,135 2,666,107 2,956,089 3,065,103	REFUND \$ 5,599,507 5,580,003 7,225,278 7,968,434 10,241,457 10,961,939 10,091,637 11,868,935 10,471,424 23,756,065	TOTAL \$ 27,127,719 30,567,900 36,049,205 41,054,641 45,752,228 52,299,773 56,012,596 64,612,920 73,059,024 97,992,653
FISCAL YEAR 1975 1976 1977 1978 1979 1980 1981	RETIREMENT \$ 1,001,459 1,185,139 1,435,339 1,819,833 2,231,296 2,709,707	yees Police and SURVIVOR \$ 238,096 284,926 318,893 331,763 378,596 451,393 486,437	DISABILITY \$ 36,230 43,743 79,082 121,540 140,260 127,206	REFUND \$ 396,646 369,381 501,576 558,607 718,904 1,022,366	TOTAL \$ 1,672,431 1,883,189 2,334,890 2,831,743 3,469,056 4,310,672
1981 1982 1983 1984	3,073,171 3,655,955 4,377,043 5,209,520	486,437 567,594 680,350 771,484	157,292 276,319 300,404 371,244	787,685 728,024 825,093 2,043,206	4,504,585 5,227,892 6,182,890 8,395,454





Additions to Net Assets Available LAST TEN YEARS

		· 电电子基础可能			
P	ublic Employees I	Retirement Fun	d		
FISCAL YEAR 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984	REVENUES \$ 70,717,259 93,527,015 139,869,388 130,893,247 162,549,325 175,823,129 224,783,282 243,485,691 292,289,558 270,099,318	EXPENSES \$ 28,027,339 31,552,866 37,134,369 42,237,494 52,120,695 53,785,595 57,944,741 67,116,498 96,465,404 127,392,685	ANNUAL <u>ADDITIONS</u> \$ 42,689,920 61,974,149 102,735,019 88,655,753 110,428,630 122,037,534 166,838,541 176,369,193 195,824,154 142,706,633	NET ASSETS <u>AVAILABLE</u> \$ 449,178,268 511,152,417 613,887,436 702,543,189 812,971,819 935,009,353 1,101,847,894 1,278,217,087 1,474,041,241 1,616,747,874	
FISCAL YEAR 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984	REVENUES \$ 10,274,316	EXPENSES \$ 1,720,953	ANNUAL ADDITIONS \$ 8,553,363 10,927,787 14,934,093 16,053,223 22,412,573 23,328,721 31,139,629 34,315,804 40,327,778 33,691,431	NET ASSETS <u>AVAILABLE</u> \$ 56,100,212 67,027,999 81,962,092 98,015,315 120,427,888 143,756,609 174,896,238 209,212,042 249,539,820 283,231,251	

Schedule of Participating Members

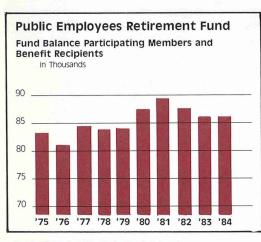
And Benefit Recipients
LAST TEN YEARS

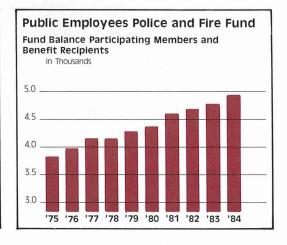
Public Employees Retirement Fund

Fiscal	Beginning	Add	Additions		Separations			
Year	Balance	_New_	Reinstated	Refunded	Benefit	Terminated	_Balance_	
1975	77,705	15,848	3,040	13,258	1,282	2	82,051	
1976	82,051	15,017	3,076	14,034	1,318	4,464	80,328	
1977	80,328	15,935	3,439	14,828	1,331	421	83,122	
1978	83,122	15,510	3,913	17,473	1,355	1,157	82,560	
1979	82,560	13,606	4,423	14,560	1,426	1,544	83,059	
1980	83,059	16,685	4,292	14,695	1,634	308	87,399	
1981	87,399	13,557	4,358	13,754	1,825	170	89,565	
1982	89,565	9,264	3,519	8,753	1,917	4,350	87,328	
1983	87,328	7,316	2,799	6,553	1,897	3,668	85,325	
1984	85,325	8,394	3,132	6,281	1,751	3,274	85,545*	

Public Employees Police and Fire Fund

Fiscal	Beginning	Additions			Fund		
Year	Balance	New	Reinstated	Refunded	Benefit	Terminated	Balance
1975	3,410	580	129	338	69		3,712
1976	3,712	583	103	345	70		3,983
1977	3,983	497	70	325	63	10	4,152
1978	4,152	519	88	285	90	213	4,171
1979	4,171	546	134	317	113	119	4,302
1980	4,302	428	193	422	100		4,401
1981	4,401	395	200	308	116	3	4,569
1982	4,569	297	156	116	111	109	4,686
1983	4,686	317	116	114	78	152	4,775
1984	4,775	339	132	109	78	140	4,919**





^{*}Includes 1,843 Deferred Members
**Includes 175 Deferred Members

Schedule of Retired Members by Amount and Type of Benefit

Public Employees Retirement Fund

	Type I				Type II				
Amount of		Optional				Optional			
Monthly Benefit	Annuitant	Annuitant	Disabilitant	Survivor	Annuitant	Annuitant	Disabilitant	Survivor	Total
\$ 1 - 200	1,978	59	25	2,451	5,117	234	277	86	10,227
201 - 400	1,233	26	10	51	2,833	140	125	215	4,633
401 - 600	375	6	2		1,680	63	93	279	2,498
601 - 800	40	1			945	27	63	30	1,106
801 - 1,000	3				647	10	32	2	694
1,001 - 1,200	3				405	7	30	2	447
1,201 - 1,400	-				229	4	9	2	244
1,401 - 1,600					126	1	5	The second	132
1,601 - 1,800					61	1	2	T -	64
1,801 - 2,000		<u>-</u>			38		1		39
Over 2,000				10 - 03	40				40
	3,632	92	37	2,502	12,121	487	637	616	20,124

Public Employees Police and Fire Fund

	Type I				Type II				
Amount of		Optional				Optional			
Monthly Benefit	Annuitant	Annuitant	Disabilitant	Survivor	Annuitant	Annuitant	Disabilitant	Survivor	Total
\$ 1 - 200	43	6		103	49	7	3		211
201 - 400	65	6	1	12	89	16	9	20	218
401 - 600	30			2	113	10	11	36	202
601 - 800	9	1			98	1	13	15	137
801 - 1,000	1				96	1	13	6	117
1,001 - 1,200					69		4	1	74
1,201 - 1,400		1 1 - 1		<u> </u>	33	1		1	35
1,401 - 1,600				<u> </u>	12				12
1,601 - 1,800					3				3
1,801 - 2,000					4			1.4	4
Over 2,000			<u> </u>	<u> </u>	<u>-</u>				<u> </u>
	148	13	11	117	566	36	53	79	1,013