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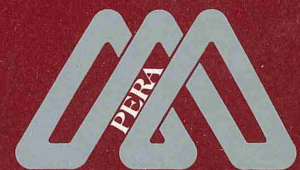


REPORT



June 30, 1987

Public Employees Retirement Association of Minnesota



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Pursuant to MS 356.20



COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

June 30, 1987

Public Employees Retirement Association of Minnesota

BOARD OF TRUSTEES

Arne H. Carlson — Board President, State Auditor
Gary A. McCloud — Board Vice President,
Membership Representative
Edward G. Bayuk, Annuitant Representative
Judith L. Dowdle, Public Sector Representative
Patricia A. Jilk, School Boards Representative
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Gary R. Norstrem, Cities Representative
Lois E. Riecken, Counties Representative
Eldred J. Schreifels, Membership Representative

James M. Hacking
Executive Director

Prepared by:
PERA Finance Department

INTRODUCTORY SECTION

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Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees Retirement
Association of Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1986

A Certificate of Achievement for Excellence 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.

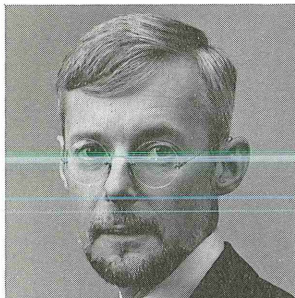


President

Executive Director

INTRODUCTORY SECTION

Letter of Transmittal



James M. Hacking
Executive Director

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



December 1, 1987

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

Dear Trustee:

As chief executive officer of the Public Employees Retirement Association (PERA), I am pleased to submit this Fifty-sixth Comprehensive Annual Financial Report for the fiscal year which ended June 30, 1987. This report includes a summary of the membership and contribution requirements and benefit structures of PERA's Funds. It also contains the fiscal year-end financial statements and actuarial report and the supporting statistical tables. I trust you will find this report to be a full and complete disclosure of the structure and financial status of PERA and its Funds.

ACCOUNTING SYSTEMS AND REPORTS

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

PERA's internal accounting controls provide reasonable assurance for 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.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to PERA for its Comprehensive Annual Financial Report for the fiscal year that ended June 30, 1986. In order to be awarded a certificate, which is valid for one year, a governmental unit must publish an easily readable and efficiently organized report, the contents of which conform to the Certificate of Achievement Program's standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

I believe the current report continues to conform to the program's standards. I am, therefore, submitting it to the GFOA so that they may determine its eligibility for a certificate.

REVENUE

Employer and employee contributions, as well as income from investments, provide the funds needed to cover the liability for present and future benefits. In the case of the Public Employees Retirement Fund, contributions and investment income for the fiscal year totaled \$456,438,000. Contributions and investment income for the Public Employees Police and Fire Fund totaled \$92,229,000.

EXPENSES

The annual expenditures of PERA reflect the aggregate cost of monthly annuity and benefit payments to retired or disabled members and their survivors, refunds of employee contributions (plus interest) to terminated employees and the cost of administration. The Public Employees Retirement Fund's expenditures during fiscal year 1987 (FY'87) totaled \$150,799,000, an increase of 25 percent over such expenditures for FY'86. Outlays from the Public Employees Police and Fire Fund totaled \$13,594,000, an increase of 35 percent over that for the preceding fiscal year. The increase in expenditures resulted mainly from growth in the number of benefits paid and in the amount of the average annuity/benefit payment.

INVESTMENTS

The investments return of the PERA Funds accounted for the largest share of total fund income. Income from investments of the Public Employees Retirement Fund totaled \$311,530,000 for the fiscal year and accounted for 68 percent of total income. In the case of the Public Employees Police and Fire Fund, income from investments was \$60,542,000, which was 65 percent of total income.

CURRENT FUNDING RATIOS

A pension fund is fully funded when it has present and projected assets sufficient to cover the liabilities for present and future annuities, benefits and refunds. The Public Employees Retirement Fund and the Public Employees Police and Fire Fund are among the best funded public retirement systems in the United States. As of fiscal year-end, both funds were ahead of schedule for meeting the statutorily required full funding objective by the year 2009. At the end of FY'87, the ratio of assets to liabilities of the Public Employees Retirement Fund was 77 percent. For the Public Employees Police and Fire Fund, the ratio was 104 percent. In both cases, the reserve ratios showed marked improvement over their FY'86 levels.

ASSOCIATION'S STATUS REPORT

FY'87 was a year of transition and progress. For the first time in its history, PERA used formal agency rule-making to put an end to a practice initiated by the former PERA Board of Trustees that allowed elected officials to "buy-back" prior service at less than actuarial cost. Rule-making was also used to overturn a joint and survivor option annuity table adopted in 1983 that was found to yield overly generous, and, perhaps, statutorily unauthorized, annuities and benefits. Use of that table had resulted in over \$25 million in mortality losses during FY'84 through FY'86.

In terms of administration, the agency's structure was reorganized in March to increase efficiency. A new IBM System 36 computer was put on-line, resulting in a dramatic increase in word-processing capability. To assure procedural due process, PERA initiated in December a new review and appeal procedure to be used in disability benefit claim denial and benefit continuation review situations.

The quality, diversity and volume of services to the membership were significantly enhanced over the course of the year. In October, PERA began a new financial planning program to help PERA members prepare for retirement. To enable annuitants and beneficiaries to cope with the 1986 Tax Reform Act changes, PERA undertook to provide, through computerized calculations, an accurate assessment of benefit payments for federal and state income tax purposes. The agency also implemented an automated annuity estimate

calculation process that, in most cases, will assure new retirees of an initial retirement annuity check within two weeks of termination of public service; no longer will new retirees have to wait up to three months for a first payment as was the case with the manual calculation process.

In terms of communications, further enhancement in the quality and quantity of the PERA publications should be noted. The quality of the bimonthly Newsletter was upgraded, a supplementary news bulletin was initiated and a totally redesigned PERA law book was published. The PERA Town Meeting program which was established last year to educate the membership about PERA, its Funds and legislative proposals for change was expanded to eight meetings and now includes an educational slide series.

PROFESSIONAL SERVICES

The FY'86 actuarial valuation of the PERA Funds was conducted by The Wyatt Company and completed in November of 1986. The results disclosed continued steady progress for achieving full funding. Actuarial consulting services during the fiscal year were provided by Gabriel, Roeder, Smith & Company of Detroit. In addition to providing a thorough review of The Wyatt Company's FY'86 actuarial valuation, Gabriel Roeder also assisted with its PERA income tax calculation project, costed out the effects of legislative proposals and identified PERA's 1983 optional annuity table as the cause of large and continuing year-end mortality losses.

With respect to other professional services, the State Attorney General continued to provide PERA with quality legal counsel; the State Board of Investment achieved a 26 percent rate of return on the investment of the assets of the PERA Funds. Finally, the State's Legislative Auditor continued to provide thorough and professional financial auditing services. The comments of the Legislative Auditor are found on page 15 of this report.

REPORTS TO THE MEMBERSHIP

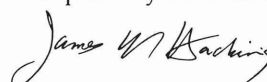
This report is complimented by an annual financial Newsletter that discloses, in summary form, the contents of this report. This financial Newsletter is mailed in December or January of each year to all PERA members and benefit recipients.

ACKNOWLEDGEMENTS

As a compendium of financial and other statistical information, PERA's Comprehensive Annual Financial Report provides complete and reliable information on which management decisions may be based, through which compliance with statutory requirements may be assessed and against which the Trustees' stewardship of the PERA Funds' assets may be measured.

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

Respectfully submitted,



James M. Hacking
Executive Director

INTRODUCTORY SECTION

President's Report



Arne H. Carlson
Board President

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



December 1, 1987

TO ALL MEMBERS, ANNUITANTS, AND BENEFICIARIES OF THE PUBLIC
EMPLOYEES RETIREMENT ASSOCIATION

This fifty-sixth Annual Report of the Public Employees Retirement Association (PERA) shows once again the financial strength and stability of the PERA Funds. At fiscal year-end, the Public Employees Retirement Fund and the Public Employees Police and Fire Fund had a combined total of \$2.9 billion in assets under management by the State Board of Investment (SBI). This reflected a \$384.3 million or 15.6 percent increase over total assets at the beginning of the fiscal year. The rate of return on investments for the fiscal year was 15.8 percent, as compared with an inflation rate over the period of only 3.7 percent.

The Minnesota Post-Retirement Investment Fund (MPRIF), in which PERA has a "pooled" interest along with other Minnesota statewide pension funds, had assets at fiscal year-end of \$4 billion. Not only does the MPRIF support the annuities payable to PERA retirees and their survivors, it also finances post-retirement increases through its earnings in excess of 5 percent. Given last fiscal year's rate of return, the MPRIF will be able to fund an 8.054 percent increase for PERA annuitants and their survivors as of January 1, 1988.

Overall, the financial condition of the PERA Funds remains sound. They are well ahead of schedule for achieving full (100 percent) funding by the year 2009 as required by statute. The reserve ratio (i.e., assets divided by liabilities) of the Public Employees Retirement Fund, which includes both the PERA Basic and Coordinated Funds, stands at 77 percent. The reserve ratio of the Public Employees Police and Fire Fund is 104 percent. These reserve ratios have increased significantly over the levels reported for the last fiscal year.

But despite the excellent investment performance and solid financial condition of the PERA Funds at fiscal year-end, the financial picture is marred by one matter that requires disclosure. In August, 1986, PERA's new actuarial consultant, after examining recent year-end mortality loss figures, found that the use of a 1983 joint and survivor annuity option table had yielded overly generous annuities. The increased annuity costs attributable to use of that table during fiscal years 1984, 1985, 1986, and 1987 totalled \$30.1 million. Since the law requires survivor annuity options to be "actuarial equivalents" of single life annuities, PERA went through formal agency rule-making to switch to a less generous table effective July 1, 1987, and thus bring PERA's administrative practice within the limits of what seems statutorily authorized.

The financial horizon of the PERA Funds also has its clouds. First, the economic recovery and the excellent performance of the financial markets have continued for over five years; with the October stock market crash, things could now be changing for the worse. Second, during the last legislative session, an effort was made to set up within PERA a defined contribution plan which would cover specific categories of county and local public employees. Current employees who fall within those categories and who are covered under the PERA defined benefit plans would have been given the option to transfer to the new plan, shifting over to that plan all past employee and employer contributions plus interest. PERA's actuarial consultant estimated that the PERA defined benefit plans could lose up to \$11 million if all the transfer options were exercised.

Although the Legislature did not approve the proposal, PERA expects it to be revived next session; if such a proposal is ever enacted, it is very likely — and perhaps inevitable — that more categories of county and local public employees will be allowed coverage under it and will be given transfer options that will result in substantial accumulating losses to the PERA defined benefit plans over time.

The final cloud on the horizon results from the adoption by the State Board of Investment in October, 1985, of a plan requiring a four stage divestment of SBI holdings in companies doing business in South Africa. Over 260 US companies are potential divestment targets under the plan which must be completed by August of 1989. If the SBI's holdings in these firms, presently well in excess of \$1.1 billion, are eliminated and future investments in them are barred, the universe for SBI investments will be substantially restricted and will be limited to companies the securities of which tend to be lower in quality, more volatile, less liquid, and lower yielding. That could translate into hundreds of millions of dollars in unnecessary losses and increased transaction costs for the pension funds.

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

Sincerely,

Arne H. Carlson, President
Board of Trustees

INTRODUCTORY SECTION

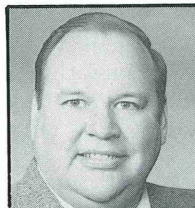
Board of Trustees

Board President

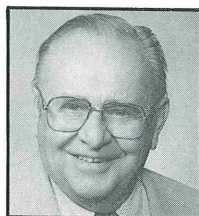


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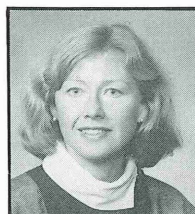
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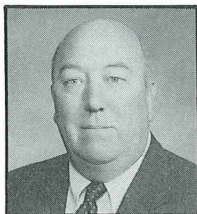
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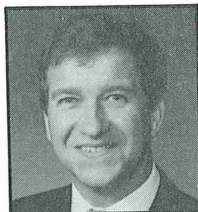
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Eldred J. Schreifels
Elected Membership Representative
732 - 32nd Avenue North
St. Cloud, MN 56301

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

INTRODUCTORY SECTION

Summary of Retirement System Plan Public Employees Retirement Association of Minnesota

Purpose

The Minnesota Public Employees Retirement Association (PERA) is a service organization which was established by the Legislature to administer pension funds that serve state-wide over 115,000 county and local public employees who are members of PERA, and their dependents and beneficiaries. The PERA Funds provide a variety of retirement annuities, and survivor and disability benefits. In the case of the PERA Coordinated Fund, these annuities and benefits are in addition to those provided by Social Security. The members of the Board of Trustees of PERA are responsible for administering the PERA Funds in accordance with the governing statutes. They have a fiduciary obligation to PERA's public employee members, the governmental employer units, the State, and the taxpayers.

Administration

The PERA Board of Trustees consists of nine members. The State Auditor is automatically a member. Five members were appointed by the Governor to four-year terms in 1985 to represent cities, counties, school boards, retired annuitants, and the general public. One member was elected to a four-year term by the PERA membership-at-large in January 1986; two more were elected to four-year terms in January 1987.

The Executive Director is appointed by the Board of Trustees and is PERA's chief executive officer. With approval of the Board, the Director develops the annual administrative budget, determines staffing needs, contracts for actuarial and other services, and directs day-to-day operations. The Director also serves as a member of the State's Investment Advisory Council which has a fiduciary responsibility to advise the State Board of Investment with respect to the investment of the pension funds' and other assets.

Employer Membership

PERA serves approximately 2,100 separate units of government, including cities, counties, townships, school districts, and, unless exempt by statute, any department or unit of state government the revenues of which are derived from taxation, fees, assessments or other sources. Each of these governmental units has from one to over 8,000 employees who are PERA members.

Employee Membership

Subject to certain statutory exceptions, any person who performs personal services for a governmental subdivision and whose salary is paid in whole or in part from revenue derived from taxation, fees, assessments, or other sources is a member of PERA. The type of membership (i.e., Basic, Coordinated, and Police and Fire) depends upon which PERA Fund covers the individual member's employment position.

Participating membership in PERA is nearly 100,000.

Member Contributions

The member contribution rates are set by statute and are applied to total salary as follows:

- Basic Member — 8 percent
- Coordinated Member — 4 percent
- Police and Fire Member — 8 percent

Employer Contributions

The employer contribution rates are also set by statute and are also applied to total salary. They are as follows:

- Basic Member — 10½ percent (8 percent plus "employer additional" 2½ percent)
- Coordinated Member — 4¼ percent (4 percent plus "employer additional" ¼ percent)
- Police and Fire Member — 12 percent

Retirement Benefits

A. Eligibility

1. **Basic and Coordinated Funds**
 - (a) When age plus years of service equal 90, an unreduced retirement annuity is payable.

(b) When age (minimum age is 55) plus years of service equal 85, an unreduced retirement annuity is payable. But to retire under the Rule of 85, a member must have qualified by December 31, 1986, and must have retired by June 30, 1987.

(c) A reduced retirement annuity is payable as early as age 55 with at least ten years of service; the reduction is $\frac{1}{4}$ percent for each month under age 65.

(d) A reduced retirement annuity is payable at any age with at least 30 years of service; the reduction is $\frac{1}{4}$ percent for each month under age 62.

(e) A retirement annuity is payable as early as age 65 with at least one but less than ten years of service (proportionate annuity); but the member must terminate service no earlier than age 65.

(f) A retirement "combined service" annuity is payable at age 55 with at least ten years of service or at any age with at least 30 years of service where the service was covered by a PERA fund and one (or more) other public fund(s) as specified by statute. The Rule of 90 may be used to calculate the PERA portion of an annuity if the age and service requirement is met including service in the other fund(s).

2. Police and Fire Fund

(a) When age plus years of service equal 90, an unreduced retirement annuity is payable.

(b) An unreduced retirement annuity is payable at age 55 with at least ten years of service.

(c) A reduced retirement annuity is payable at any age with at least 30 years of service; the reduction is $\frac{1}{4}$ percent for each month under age 62.

(d) A retirement annuity is payable as early as age 65 with at least one but less than ten years of service (proportionate annuity); but the member must terminate

service no earlier than age 65.

(e) A retirement "combined service" annuity is payable at age 55 with at least ten years of service or at any age with at least 30 years of service where the service was covered by the PERA Police and Fire Fund and one (or more) other fund(s) as specified by statute.

B. Types of Annuities Available

1. "Normal" Annuity

A "Normal" annuity is a lifetime annuity that ceases on the death of the annuitant. Any balance of employee contributions remaining will be refunded to the designated beneficiary. No survivor annuity is payable.

2. 50 Percent Regular or Bounce Back Joint and Survivor Options*

These annuity options are payable for the retiree's lifetime and, if survived by the designated joint annuitant, one-half of the annuity is paid to the joint annuitant for life.

3. 100 Percent Regular or Bounce Back Joint and Survivor Options*

These annuity options are payable for the retiree's lifetime and, if survived by the designated joint annuitant, the same amount is paid to the joint annuitant for life.

4. Retirement Before Eligibility for Social Security

A member who retires before reaching the Social Security eligibility age of 62 may elect to receive a retirement annuity in an amount greater than the annuity computed on basis of age at retirement. This greater amount shall be paid until the annuitant reaches age 62, at which time the payment from PERA shall be reduced.

5. Proportionate Annuity

Any public employee who has credit for at least one but less than ten years of service in one or more of the funds specified by statute, and who terminates active service no sooner than age 65, is entitled to a proportionate retirement annuity from the fund or funds in which the person had service credit.

*NOTE: Election of a 50 percent or 100 percent joint and survivor option will reduce the Normal annuity amount. The reduction depends on the age of both the retiring member and the joint annuitant. Under the Regular 50 percent or 100 percent joint and survivor option, if the joint annuitant dies before the retiree, the monthly payment would remain the same. Selection of a Bounce Back 50 percent or 100 percent 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 amount.

INTRODUCTORY SECTION

Summary Continued

6. **Deferred Annuity**

A member who terminates public service with ten or more years of service may leave his/her contributions in the fund to qualify for an annuity at retirement age. The annuity, determined as of the time of termination, will be increased from the first of the month following date of termination at the rate of 5 percent compounded annually through December 31, 1980, and at the rate of 3 percent from January 1, 1981, to the date eligible for the monthly annuity. The former member may accept a refund of contributions at any time prior to the date the retirement annuity begins in lieu of receiving a monthly annuity at retirement.

7. **Combined Service Annuity**

A person who has credited service totalling ten or more years in any two or more funds specified by statute, who has at least six months of credited service with the last such fund earned during the last period of employment and who has not begun to receive an annuity from any of the specified funds may, upon retirement, and in lieu of any augmentation of deferred annuities provided by the laws governing such funds, elect to receive a retirement annuity from each fund, based upon the credited service in each fund as specifically provided by statute.

C. **Maximum Annuity**

A retiring member's monthly annuity cannot exceed 100 percent of the regular base salary for the final month of employment.

D. **Annuity Formula**

1. **Basic Member**

Two percent of the average of the highest five successive years of

salary on which deductions were paid for each of the first ten years of service and 2½ percent of "average salary" for each year thereafter.

2. **Coordinated Member**

One percent of the average of the highest five successive years of salary on which deductions were paid for each of the first ten years of service and 1½ percent of average salary for each year thereafter.

3. **Police and Fire Member**

Two and one half percent of the average of the highest five successive years of salary on which deductions were paid for each of the first 25 years of service and 2 percent of average salary for each year thereafter.

Survivor (Death) Benefits

A. **Death Of Member Or Former Member Before Retirement And No Survivor Benefits Payable**

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

B. **Death Of Member Before Retirement And Death Of Disabled Member Receiving Disability Benefits**

1. **Basic Member**

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

Surviving Spouse

Fifty percent of the member's average salary over the last six full months of service preceding death, payable for life or until remarriage.

Each Dependent Child

Ten percent of salary as described above.

Family Maximum

One thousand dollars per month.

2. Police and Fire Member

If a member whose average salary is not less than \$75 per month dies at any time during membership (no minimum period of service required) or while receiving a Normal disability benefit, monthly benefits are payable to qualified survivors as follows:

Surviving Spouse

Thirty percent of the member's average salary over the last six full months of service preceding death, payable for life or until remarriage.

Each Dependent Child

Ten percent of salary as described above.

Family Maximum

Fifty percent of salary as described above.

3. Combined Service Survivor

A surviving spouse of a deceased member who had sufficient credited service in any combination of the funds specified by statute to meet the minimally required service credits, may be eligible to draw a monthly survivor benefit or a 100 percent surviving spouse optional annuity (described below). If so, the monthly payment will be proportionately distributed among all funds in which the deceased member had at least six months of credited service.

C. Surviving Spouse Optional Annuity

Should a Basic, Coordinated, or Police and Fire Fund member die after reaching age 50 with at least ten years of service (or any age with at least 30 years of service) the surviving spouse, instead of any survivor benefits otherwise payable, may elect a monthly payment equal to the 100 percent joint and survivor annuity for which the member could have qualified had the member terminated employment on the date of death. This annuity is payable when the member would have attained the minimum age required for a retirement annuity and is payable for the life of the surviving spouse.

D. Death Of Retiree Receiving a Normal Annuity

Any accumulated member contributions not recovered in annuity payments shall be paid to the designated beneficiary without interest.

E. Death Of Member With No Children

A surviving spouse (if designated as beneficiary) may elect a refund of the deceased member's contribution balance with 5 percent compounded interest rather than other benefits available under the law.

F. Death Of "Old Law" Retiree

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

G. Death Of Retiree Who Elected An Optional Joint And Survivor Annuity

If a retiree who selected an optional annuity predeceases the designated survivor, the amount payable to that survivor will depend upon the option selected.

NOTE: No survivor benefits are payable to the surviving spouse or dependent children of a Coordinated Fund member.

****"Average Salary"**
Defined "Average Salary" means an amount equal to the average of the highest salary upon which contributions were paid for any five successive years of allowable service.

Disability Benefits**A. Definitions****1. 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.)

2. Police and Fire Members

An injury, sickness or other disability that renders the member physically or mentally unable to perform the duties of a police officer or firefighter.

Summary Continued

B. Eligibility Requirements

1. Basic and Coordinated Members

Before age 50, a member must have at least ten years of service to be eligible for disability benefits. If service terminated at any point during the ten-year service period, the member must have had at least five years of service after last becoming a member. At or after age 50 but before age 65, a member must have at least five years of service.

Basic or Coordinated Fund covered service combined with coverage in one (or more) other fund(s) specified by statute can be used for disability eligibility and benefit calculation purposes. A disabled member must meet the definitional standards of disability in all funds in which the member had six or more months of service, and the disablitant must have had sufficient combined service under those funds to meet the eligibility requirements. The disability benefit will be proportionately paid by all funds in which the member had six months of credited service.

A member must be under age 65 when the disability occurs and the disability must occur before termination of public service. Also, a member's average salary must be at least \$75 per month and the disability application must be supported by medical evidence.

2. Police and Fire Members

To be eligible for disability benefits, a Police and Fire member must be under age 55. If disability did not occur in the line of duty, a member must have at least five years of service credit. If disability did occur in the line of duty, however, no minimum service period is required.

Police and Fire Fund covered service combined with coverage in one (or more) other fund(s) specified by statute can be used for disability eligibility and benefit calculation purposes. A disabled member must meet the definitional standards of disability in all funds in which the member had six or more months of service, and the disablitant must have had sufficient combined service under those funds to meet the eligibility requirements. The disability benefit will be proportionately paid by funds in which the member had six months of credited service.

Disability must occur before termination of public service and adequate proof of disability must be provided to support a disability benefit application.

C. Kinds of Benefits

1. Survivor Benefits

Basic Members

If a disabled Basic member dies before age 65 and if the disablitant did not select a joint and survivor optional benefit, a surviving spouse would receive a benefit amounting to 50 percent of the average salary over the last six full months the disablitant was employed in public service. Each dependent child would receive 10 percent of average salary; but the maximum family

benefit is limited to \$1,000 per month.

Coordinated

If a disabled Coordinated member dies before age 65, a refund of any contribution balance would be paid to the designated beneficiary. No survivor benefits are payable.

Police and Fire

If a disabled Police and Fire member dies before age 55 and if the disabilitant did not select a joint and survivor optional benefit, a surviving spouse would receive a benefit amounting to 30 percent of the average salary over the last six full months the disabilitant was employed in public service. Each dependent child would receive 10 percent of such average salary; but the maximum family benefit is limited to 50 percent of the average salary.

2. Options

The 50 percent or 100 percent Regular or Bounce Back joint and survivor options may be selected by a disabilitant. They are the same as the options available at retirement. But if an optional disability benefit is selected, the disabilitant may not change the option selection when retirement age is reached. If a Normal disability benefit is selected, however, an optional annuity may still be selected once the disabilitant reaches retirement age.

Formula

1. Basic

In the case of a disabled Basic member, the benefit amount is equal to the Normal annuity payable to a member who has

reached age 65 with the same number of years of service and the same average salary, plus a monthly supplement, the amount of which depends upon age when disabled. The maximum supplement is \$50 per month.

The supplement is payable for as long as disability payments continue.

2. Coordinated

In the case of a disabled Coordinated member, the disability benefit amount is equal to the Normal annuity payable to a member who has reached age 65 with the same number of years of service and same average salary.

3. Police and Fire

Not in Line of Duty

If service credit is at least five years but less than ten, a disability benefit is allowed as though ten years were credited. The benefit is based on the same formula as a Normal annuity, payable at age 55.

In Line of Duty

The in-line-of-duty disability benefit amount is equal to 50 percent of average salary. For each year of service after 20 and up to 25, the benefit is increased by 2.5 percent of average salary per year. For years of service in excess of 25, the benefit is increased by 2 percent of average salary per year. If the member has less than five years of service, the benefit is based on average salary over actual years paid; but if the member has over five years of service, the high five years are used to determine average salary.

INTRODUCTORY SECTION

Summary Continued

Separation Benefits

A. Deferred Annuity

A deferred annuity is payable after ten years of service at age 65 (or earlier if otherwise eligible) or at age 55 in the case of a Police and Fire member, provided accumulated member contributions are not withdrawn earlier. The ten years of service need not represent PERA coverage only, but may be in conjunction with service covered by one (or more) other fund(s) as specified by statute. A deferred annuity is paid by each fund according to the number of years of credited service in each fund.

The annuity is determined under the statutory provisions of the fund as of the date of termination. This annuity amount is augmented by interest compounded annually from the first of the month following separation from service or from July 1, 1971, whichever is later, to the date the annuity begins to accrue. The rate is 5 percent until January 1, 1981, and 3 percent thereafter.

B. Refund Of Contributions

Upon termination of public employment, regardless of years of

service, and if not rehired in PERA-covered employment, a PERA member may always obtain a refund of his/her member contributions with interest at 5 percent compounded annually.

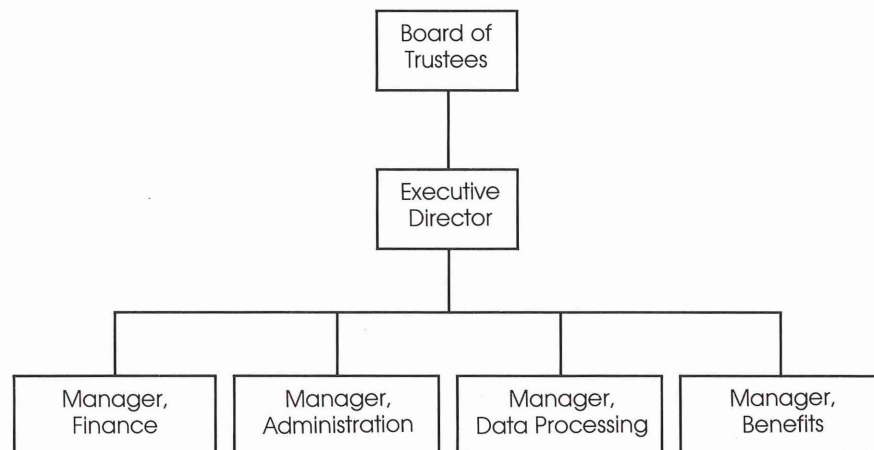
C. Refund After Death, Before Retirement

If a member or former member dies before receiving a retirement annuity, a refund may be paid to the designated beneficiary, or if none, to the surviving spouse, or if none, to the estate. Such payment shall be in an amount equal to the accumulated member contributions plus interest at 5 percent compounded annually, less any disability or survivor benefits that may have been paid. A survivor who has a right to benefits may waive such benefits and take a refund of member contributions; however, benefits for a dependent child under age 18 may only be waived pursuant to court order.

D. Refund After Death, After Retirement

If a retiree dies 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 preceding "Death Before Retirement" section a refund of accumulated contributions less payments of all kinds made to the former member or to any authorized person after death, without interest.

Administrative Organization



FINANCIAL SECTION

Legislative Auditor's Report



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

November 17, 1987

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, 1987, as presented on pages 16 to 29 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.

As explained in Note 5c, investments are valued at cost or amortized cost as required by generally accepted accounting principles. Minnesota Statutes require valuation of all securities at cost plus one-third of 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, the combined financial statements referred to above present fairly the financial position of the Public Employees Retirement Association at June 30, 1987, 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, 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, 1987, and the results of operations and changes in the 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 30 to 33 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.

Handwritten signature of James R. Nobles in cursive.

James R. Nobles
Legislative Auditor

Handwritten signature of John Asmussen in cursive.

John Asmussen, CPA
Deputy Legislative Auditor

FINANCIAL SECTION

Combined Balance Sheet

FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

Assets

| | |
|--|-----------|
| Cash (5.a.) | \$ 252 |
| Accounts Receivable | 344 |
| Due From Other Funds | 222 |
| Investments (5.b.) | |
| Minnesota Outside Managed | |
| Pooled Accounts (Market Value \$1,841,747,000) | 1,439,804 |
| Short-term Pooled Cash | 110,683 |
| Equity in Minnesota Post-Retirement Investment | |
| Fund (Market Value \$1,523,383,308) | 1,327,039 |
| Fixed Assets, Net of Accumulated | |
| Depreciation (8.b.) | 341 |
| Other | 20 |

| | |
|---------------------|---------------------------|
| Total Assets | <u>\$2,878,705</u> |
|---------------------|---------------------------|

Liabilities and Reserves Required

Liabilities:

Current —

| | |
|------------------------------|-----------|
| Accounts Payable (6.d.) | \$ 11,351 |
| Accrued Compensated Absences | 167 |
| Payable to Other Funds | 222 |

| | |
|--------------------------|-------------------------|
| Total Liabilities | <u>\$ 11,740</u> |
|--------------------------|-------------------------|

Fund Balance:

| | |
|-----------------------------|------------|
| Member Reserves (7.a.) | \$ 538,102 |
| Minnesota Post-Retirement | |
| Investment Fund Reserve (6) | 1,327,039 |
| Benefit Reserves (7.b.) | 1,810,495 |

| | |
|-----------------------|---------------------------|
| Total Reserves | <u>\$3,675,636</u> |
|-----------------------|---------------------------|

Unreserved Fund Balance —

| | |
|--------------------------------------|-----------|
| Unfunded Actuarial Accrued Liability | (808,671) |
|--------------------------------------|-----------|

| | |
|----------------------------|---------------------------|
| Total Fund Balances | <u>\$2,866,965</u> |
|----------------------------|---------------------------|

| | |
|--|---------------------------|
| Total Liabilities and Fund Balances | <u>\$2,878,705</u> |
|--|---------------------------|

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

FINANCIAL SECTION

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

FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

Operating Revenues:

| | |
|---|-----------|
| Member Contribution | \$ 80,361 |
| Employer Contribution | 92,987 |
| Investment Income | 218,667 |
| Distributed Income of the Minnesota Post-Retirement Investment Fund (6.c.) | 153,405 |
| State Appropriations | 1,916 |
| Other | 1,331 |

| | |
|---------------------------------|-------------------|
| Total Operating Revenues | \$ 548,667 |
|---------------------------------|-------------------|

Operating Expenses:

| | |
|-----------------------------------|------------|
| Benefits Paid | \$ 139,323 |
| Refunds | 14,411 |
| Administrative Expenses | 3,397 |
| Investment Management Fees (5.e.) | 2,478 |
| Other | 40 |

| | |
|---------------------------------|-------------------|
| Total Operating Expenses | \$ 159,649 |
|---------------------------------|-------------------|

Other Changes in Reserves:

| | |
|---|------------|
| Interest on Late Transfers to MPRI Fund (11) | \$ (4,744) |
|---|------------|

| | |
|----------------------------|-------------------|
| Total Other Changes | \$ (4,744) |
|----------------------------|-------------------|

| | |
|----------------------------|------------|
| Net Fund Balance Additions | \$ 384,274 |
|----------------------------|------------|

| | |
|-----------------------------------|------------------|
| Fund Balance, July 1, 1986 | 2,482,691 |
|-----------------------------------|------------------|

| | |
|------------------------------------|---------------------------|
| Fund Balance, June 30, 1987 | <u>\$2,866,965</u> |
|------------------------------------|---------------------------|

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

FINANCIAL SECTION

Combined Statement of Changes in Financial Position FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

Resources Provided by:

| | |
|---|------------|
| From Operations — | |
| Net Operating Income | \$ 384,274 |
| Item Not Requiring Resources Currently: | |
| Depreciation Expense | 159 |
| From Other — | |
| Proceeds From Disposal of Fixed Assets | 17 |

Total Resources Provided

\$ 384,450

Resources Used by:

| | |
|---------------------------------------|---------|
| Current Year Acquisition of Equipment | \$ 102 |
| Net Increase in Working Capital | 384,348 |

Total Resources Used

\$ 384,450

Elements of Net Increase (Decrease) in Working Capital

| | Year Ended June 30 | | Increase (Decrease) |
|--|--------------------|--------------------|------------------------|
| | 1987 | 1986 | |
| Current Assets: | | | |
| Cash | \$ 252 | \$ 931 | \$ (679) |
| Accounts Receivable | 344 | 568 | (224) |
| Due From Other Funds | 222 | 242 | (20) |
| Accrued Investment Income | 0 | 71 | (71) |
| Investments — | | | |
| Minnesota Outside Managed Pooled Accounts | 1,439,804 | 1,336,980 | 102,824 |
| Short-term Cash Equivalents | 110,683 | 69,372 | 41,311 |
| Equity in Minnesota Post-Retirement Investment Fund | 1,327,039 | 1,089,873 | 237,166 |
| Other | 20 | 16 | 4 |
| Total Current Assets | \$2,878,364 | \$2,498,053 | |

Current Liabilities:

| | | | |
|----------------------------------|------------------|------------------|-------|
| Accounts Payable | \$ 11,351 | \$ 15,382 | 4,031 |
| Accrued Compensated Absences | 167 | 154 | (13) |
| Payable to Other Funds | 222 | 241 | 19 |
| Total Current Liabilities | \$ 11,740 | \$ 15,777 | |

Working Capital

\$2,866,624

\$2,482,276

\$ 384,348

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

FINANCIAL SECTION

Notes to the Financial Statement

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 as prescribed by the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 1, *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*, these financial statements

follow the accounting and reporting principles prescribed in the National Council on Governmental Accounting (NCGA) Statement 1, *Governmental Accounting and Financial Reporting Principles*.

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 6½ percent in member's salary. Actuarial assumptions did not change during the year; however, the actuarial valuation reflected the effect of the reduction in vesting eligibility from ten to five years.
- b. The unfunded accrued liabilities of \$806,459,000 in the Public Employees Retirement Fund and \$2,212,000 in the Public Employees Police and Fire Fund, are the amounts by which reserves required to fund plan benefits exceed the assets of the funds,

See paragraph 4-b.

| | Public Employees Retirement Fund | Public Employees Police & Fire Fund |
|--|-------------------------------------|--|
| Net assets on 6/30/87 Balance Sheet | \$2,382,503,000 | \$484,462,000 |
| Plus ½ of unrealized capital gains or losses | 75,396,000 | 21,691,000 |
| Net assets at actuarial cost | \$2,457,899,000 | \$506,153,000 |
| Total required reserves | \$3,188,962,000 | \$486,674,000 |
| Less net assets at actuarial cost | 2,457,899,000 | 506,153,000 |
| Unfunded accrued liability (surplus assets) | | |
| -actuarial section | \$ 731,063,000 | \$(19,479,000) |

FINANCIAL SECTION

Notes (CONTINUED)

calculated in accordance with generally accepted accounting principles, as explained in note 5. (See figure 4-b.)

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 shown below in figure 4-c:

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. PERA cash funds are held in the state treasury, commingled with other state funds. At June 30, 1987, the book balance for state depository in which PERA funds are held was \$28,750,000 and the bank balance was \$21,780,000. Of the bank balance, \$16,725,000 was secured by

insurance or collateral. The remaining balance was uninsured and uncollateralized. Minnesota Statutes Section 9.031 requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. Such insurance and collateral shall be in amounts sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral. During fiscal year 1987, the combined insurance and collateral amount for the state's depository fell short of the legal requirements by more than \$10 million on 113 days.

- b. Pursuant to Minnesota Statutes Section 11A.04, the state's retirement fund assets are commingled in various pooled investment accounts, administered by the Minnesota State Board of Investment. As of June 30, 1987, the Public Employees Retirement Fund's and Police and Fire Fund's participation shares in the pooled accounts, excluding the Minnesota Post Retirement Investment Fund, totalled 24.58 percent and 7.58 percent respectively. The funds' shares of net assets of the Minnesota Post Retirement Investment Fund totalled 34.53 percent and 3.3 percent respectively.

See paragraph 4-c.

| | Employee | Employer | Additional Employer |
|---------------------------------------|----------|----------|---------------------|
| Public Employees Retirement Fund: | | | |
| Basic Plan | 8% | 8% | 2½% |
| Coordinated Plan | 4% | 4% | ¼% |
| Public Employees Police and Fire Fund | 8% | 12% | — |

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

The carrying amount and market value of PERA's investments as of June 30, 1987, are shown below. (See figure 5-c.) Investments in the pooled accounts are reported at cost for equity securities and amortized cost for fixed income securities.

In accordance with generally accepted accounting principles, investments are categorized as to risk. Risk category 1 includes investments that are insured or registered, or for which the securities are held by the state or its agent in the state's name. Risk category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the state's name. Risk category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or

by its trust department or agent but not in the state's name.

All PERA investments are included in Risk category 1, except for approximately \$80 million in repurchase agreements of the Short Term Investment Pool and Minnesota Post Retirement Investment Fund which are included in Risk category 3, because the underlying securities are held by the broker or dealer. Other short-term investments included in Risk category 1 are insured or indemnified as to principal and accrued interest by the state's master custodian for pension fund assets.

- d. Investment income is reported on an accrual basis. Accrued interest dividends of the pooled investment accounts are included in participation in the accounts.
- e. The cost of security transactions is included in the transaction price. Administrative expenses of the State Board of Investment and investment management fees of the external money managers and the state's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts. PERA's share of these expenses totaled \$1,910,000 for the Public Employees Retirement Fund and \$568,000 for the Police and Fire Fund.

See paragraph 5-c.

| Investment Pool (In Thousands) | Carrying Amount | Market Value |
|---------------------------------|-----------------|--------------|
| Short-Term | \$ 110,683 | \$ 110,683 |
| Fixed Income | 401,215 | 389,354 |
| Active Equity | 338,761 | 398,537 |
| Passive Equity | 513,829 | 740,985 |
| Real Estate | 124,711 | 144,632 |
| Resource | 28,019 | 24,168 |
| Venture Capital | 33,269 | 33,388 |
| Subtotal — Pools | \$1,550,487 | \$1,841,747 |
| Post Retirement Investment Fund | 1,327,039 | 1,523,383 |
| Total | \$2,877,526 | \$3,365,130 |

FINANCIAL SECTION

Notes (CONTINUED)

- f. Information on investment activity and a listing of specific investments owned by the pooled accounts can be obtained from the Minnesota State Board of Investment.

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 \$1,211,028,000. The Public Employees Police and Fire Fund's share of net assets of the MPRIF is \$116,011,000.
- c. The distributed MPRIF income represents the 5 percent earnings on required reserves for fiscal year 1987, plus fiscal year 1986 income used to pay the January 1, 1987, increase. In accordance with Minnesota Statutes, Section 11A.18, Subd. 9, any excess investment income of MPRIF for fiscal year 1987 will be used to increase retirement benefits for eligible annuitants, effective January 1, 1988.
- d. At June 30, 1987, the Public Employees Retirement Fund had a payable to MPRIF of \$9,827,452 resulting from a mortality loss. The

Public Employees Police and Fire Fund had a payable to MPRIF of \$1,138,053 resulting from a mortality loss.

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.

The following table (figure 8-b) reports the changes in fixed assets for 1987:

See paragraph 8-b.

| FIXED ASSETS Year Ended June 30, 1987 (IN THOUSANDS) | | | | |
|--|----------------------|-----------|-------------|-------------------|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Automobiles | \$ 26 | \$ -0- | \$ -0- | \$ 26 |
| Equipment and Furniture | 1,203 | 102 | 73 | 1,232 |
| | \$1,229 | \$ 102 | \$ 73 | \$1,258 |
| Accumulated Depreciation | 814 | 159 | 56 | 917 |
| Fixed Assets, Net | \$ 415 | \$ (57) | \$ 17 | \$ 341 |

9. Accrued Compensated Absences

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

10. South Africa Divestment Plan

On October 2, 1985, the Minnesota State Board of Investment (SBI) adopted a resolution to carry out, within four years, a total divestment of its holdings in companies doing business in South Africa. The resolution also prohibits new investments in these same companies.

The divestment plan includes four phases, the last of which is to be completed by August 3, 1989.

However, action to divest under any phase of the plan may only be taken if, on the advice of the SBI's financial/legal advisors, such action would be consistent with SBI's members' obligations as fiduciaries for the management and investment of the funds under their control.

At the end of Phase I (January 2, 1986), and at the suggestion of legal counsel, the SBI chose not to proceed immediately with the divestment action called for by the plan. Instead, the SBI instructed its active portfolio managers not to purchase in the future any new securities in companies that fail to meet Phase I requirements, unless such "nonpurchase" action would place the SBI's members in jeopardy of violating their fiduciary responsibilities. The same practice was followed during Phase II of the divestment plan which was completed by August 3, 1986.

Phase III of the divestment plan was completed by August 3, 1987. Once

again, the SBI declined to divest the stock held by its active portfolio managers in the companies that failed to meet Phase III requirements.

Instead, the SBI directed its active portfolio managers to avoid purchasing the stock of any of those companies, unless a portfolio manager determines that the failure to purchase a particular stock in any of these targeted companies would be a violation of fiduciary responsibility.

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

11. Interest Expense

In October 1986, the Board of Trustees, on the recommendation of PERA's actuarial consulting firm, authorized a new joint and survivor option table as of July 1, 1987. The option tables previously in effect resulted in significant mortality losses for PERA because the annuity amounts calculated did not produce actuarial equivalents of single life annuities, as required by statute. Beginning in October 1986, PERA transferred to the Minnesota Post Retirement Investment Fund (MPRIF) the higher required reserve amounts that were needed to support optional annuities granted under the old option tables. In order to compensate the MPRIF for lost investment income in fiscal years 1984, 1985, and 1986 resulting from inadequate transfers based on the old option tables, in February 1987 PERA paid the MPRIF \$4,302,979 for the Public Employees Retirement Fund and \$441,208 for the Police and Fire Fund. These amounts are recorded as investment expense in the respective funds.

FINANCIAL SECTION

Combining Balance Sheet

FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

| | Public Employees Retirement Fund | Public Employees Police and Fire Fund | Total |
|---|-------------------------------------|--|--------------------|
| Assets | | | |
| Cash (5.a.) | \$ 199 | \$ 53 | \$ 252 |
| Accounts Receivable | 128 | 216 | 344 |
| Due From Other Funds | 205 | 17 | 222 |
| Investments (5.b.) | | | |
| Minnesota Outside Managed Pooled Accounts (Market Value \$1,841,747,000) | 1,099,160 | 340,644 | 1,439,804 |
| Short-term Pooled Cash | 81,796 | 28,887 | 110,683 |
| Equity in Minnesota Post-Retirement Investment Fund (Market Value \$1,523,383,308) | 1,211,028 | 116,011 | 1,327,039 |
| Fixed Assets, Net of Accumulated Depreciation (8.b.) | 341 | -0- | 341 |
| Other | 20 | -0- | 20 |
| Total Assets | \$ 2,392,877 | \$ 485,828 | \$2,878,705 |
| Liabilities and Reserves Required | | | |
| Liabilities: | | | |
| Current — | | | |
| Accounts Payable (6.d.) | \$ 10,190 | \$ 1,161 | \$ 11,351 |
| Accrued Compensated Absences | 167 | -0- | 167 |
| Payable to Other Funds | 17 | 205 | 222 |
| Total Liabilities | \$ 10,374 | \$ 1,366 | \$ 11,740 |
| Fund Balance: | | | |
| Member Reserves (7.a.) | \$ 452,560 | \$ 85,542 | \$ 538,102 |
| Minnesota Post-Retirement Investment Fund Reserve (6) | 1,211,028 | 116,011 | 1,327,039 |
| Benefit Reserves (7.b.) | 1,525,374 | 285,121 | 1,810,495 |
| Total Reserves | \$3,188,962 | \$ 486,674 | \$3,675,636 |
| Unreserved Fund Balance — Unfunded Actuarial Accrued Liability | (806,459) | (2,212) | (808,671) |
| Total Fund Balance | \$2,382,503 | \$ 484,462 | \$2,866,965 |
| Total Liabilities and Fund Balance | \$2,392,877 | \$ 485,828 | \$2,878,705 |

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

FINANCIAL SECTION

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

FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

| | Public Employees Retirement Fund | Public Employees Police and Fire Fund | Total |
|--|-------------------------------------|--|--------------------|
| Operating Revenues: | | | |
| Member Contribution | \$ 67,945 | \$ 12,416 | \$ 80,361 |
| Employer Contribution | 74,391 | 18,596 | 92,987 |
| Investment Income | 170,898 | 47,769 | 218,667 |
| Distributed Income of the Minnesota Post-Retirement Investment Fund (6.c.) | 140,632 | 12,773 | 153,405 |
| State Appropriations | 1,839 | 77 | 1,916 |
| Other | 733 | 598 | 1,331 |
| Total Operating Revenues | \$ 456,438 | \$ 92,229 | \$ 548,667 |
| Operating Expenses: | | | |
| Benefits Paid | \$ 128,009 | \$ 11,314 | \$ 139,323 |
| Refunds | 13,356 | 1,055 | 14,411 |
| Administrative Expenses | 3,189 | 208 | 3,397 |
| Investment Management Fees (5.e.) | 1,910 | 568 | 2,478 |
| Other | 32 | 8 | 40 |
| Total Operating Expenses | \$ 146,496 | \$ 13,153 | \$ 159,649 |
| Other Changes in Reserves: | | | |
| Interest Transferred Late to MPRI Fund (11) | \$ (4,303) | \$ (441) | \$ (4,744) |
| Total Other Changes | \$ (4,303) | \$ (441) | \$ (4,744) |
| Net Fund Balance Additions | \$ 305,639 | \$ 78,635 | \$ 384,274 |
| Fund Balance, July 1, 1986 | 2,076,864 | 405,827 | 2,482,691 |
| Fund Balance, June 30, 1987 | \$2,382,503 | \$ 484,462 | \$2,866,965 |

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

FINANCIAL SECTION

Combining Statement Of Changes In Financial Position

FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

| Public Employees Retirement Fund | |
|---|-------------------|
| Resources Provided by: | |
| From Operations — | |
| Net Operating Income | \$ 305,639 |
| Item Not Requiring Resources Currently: | |
| Depreciation Expense | 159 |
| From Other — | |
| Proceeds From Disposal of Fixed Assets | 17 |
| Total Resources Provided | \$ 305,815 |

| | |
|---------------------------------------|-------------------|
| Resources Used by: | |
| Current Year Acquisition of Equipment | \$ 102 |
| Net Increase in Working Capital | 305,713 |
| Total Resources Used | \$ 305,815 |

Elements of Net Increase (Decrease) in Working Capital

| | Year Ended June 30 | | Increase (Decrease) |
|---|--------------------|--------------------|------------------------|
| | 1987 | 1986 | |
| Current Assets: | | | |
| Cash | \$ 199 | \$ 743 | \$ (544) |
| Accounts Receivable | 128 | 271 | (143) |
| Due from Other Funds | 205 | 188 | 17 |
| Accrued Investment Income | -0- | 3 | (3) |
| Investments — | | | |
| Minnesota Outside Managed Pooled Accounts | 1,099,160 | 1,040,397 | 58,763 |
| Short-term Cash Equivalents | 81,796 | 50,526 | 31,270 |
| Equity in Minnesota Post-Retirement | | | |
| Investment Fund | 1,211,028 | 997,977 | 213,051 |
| Other | 20 | 16 | 4 |
| Total Current Assets | \$2,392,536 | \$2,090,121 | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 10,190 | \$ 13,464 | 3,274 |
| Accrued Compensated Absences | 167 | 154 | (13) |
| Payable to Other Funds | 17 | 54 | 37 |
| Total Current Liabilities | \$ 10,374 | \$ 13,672 | |
| Working Capital | \$2,382,162 | \$2,076,449 | \$ 305,713 |

Public Employees Police and Fire Fund

Total

\$ 78,635

\$ 384,274

-0-

159

-0-

17

\$ 78,635\$ 384,450\$ -0-
78,635\$ 102
384,348\$ 78,635\$ 384,450

Year Ended June 30

Increase
(Decrease)

Year Ended June 30

Increase
(Decrease)

1987

1986

1987

1986

\$

53

\$

188

\$

(135)

\$

252

\$

931

\$

(679)

216

297

(81)

344

568

(224)

17

54

(37)

222

242

(20)

-0-

68

(68)

-0-

71

(71)

340,644

296,583

44,061

1,439,804

1,336,980

102,824

28,887

18,846

10,041

110,683

69,372

41,311

116,011

91,896

24,115

1,327,039

1,089,873

237,166

-0-

-0-

-0-

20

16

4

\$ 485,828\$ 407,932\$2,878,364\$2,498,053

\$ 1,161

\$ 1,918

757

\$ 11,351

\$ 15,382

4,031

-0-

-0-

-0-

167

154

(13)

205

187

(18)

222

241

19

\$ 1,366\$ 2,105\$ 11,740\$ 15,777\$ 484,462\$ 405,827\$ 78,635\$2,866,624\$2,482,276\$ 384,348

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

FINANCIAL SECTION

Statement of Revenues Expenses, and Changes in Fund Balance Public Employees Retirement Fund

FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

| | Reserves | | | | |
|--|--------------------|--|---------------------|----------------------------|--------------------|
| | | Minnesota Post-Retirement Investment Fund | Benefit | Unreserved Fund Balance | Total |
| Operating Revenue: | | | | | |
| Member Contribution | \$ 67,945 | \$ | \$ | \$ | \$ 67,945 |
| Employer Contribution | | | 74,391 | | 74,391 |
| Investment Income | | | 170,898 | | 170,898 |
| Distributed Income of the Minnesota Post-Retirement Investment Fund (6.c.) | | 140,632 | | | 140,632 |
| State Appropriations | | | 1,839 | | 1,839 |
| Other | 3 | | 730 | | 733 |
| Total Operating Revenues | \$ 67,948 | \$ 140,632 | \$ 247,858 | \$ | \$ 456,438 |
| Operating Expenses: | | | | | |
| Benefits Paid | \$ 1,059 | \$ 114,691 | \$ 12,259 | \$ | \$ 128,009 |
| Refunds | 10,768 | | 2,588 | | 13,356 |
| Administrative Expenses | | | 3,189 | | 3,189 |
| Investment Management Fee (5.e.) | | | 1,910 | | 1,910 |
| Other | 7 | | 25 | | 32 |
| Total Operating Expenses | \$ 11,834 | \$ 114,691 | \$ 19,971 | \$ | \$ 146,496 |
| Other Changes in Reserves: | | | | | |
| Annuities Awarded | \$ (25,232) | \$ 177,283 | \$ (152,051) | \$ | \$ -0- |
| Mortality Loss | | 9,827 | (9,827) | | -0- |
| Interest on Late Transfers To MPRI Fund | | | (4,303) | | (4,303) |
| Total Other Changes | \$ (25,232) | \$ 187,110 | \$ (166,181) | \$ | \$ (4,303) |
| Net Fund Balance Additions | \$ 30,882 | \$ 213,051 | \$ 61,706 | \$ | \$ 305,639 |
| Change in Unfunded Accrued Liability | | | (41,683) | 41,683 | -0- |
| Fund Balance, July 1, 1986 | 421,678 | 997,977 | 1,505,351 | (848,142) | 2,076,864 |
| Fund Balance, June 30, 1987 | \$ 452,560 | \$1,211,028 | \$1,525,374 | \$ (806,459) | \$2,382,503 |

FINANCIAL SECTION

Statement of Revenues

Expenses, and Changes in Fund Balance

Public Employees Police and Fire Fund

FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

| | Reserves | | | | |
|--|-------------------|--|--------------------|----------------------------|-------------------|
| | Member | Minnesota Post-Retirement Investment Fund | Benefit | Unreserved Fund Balance | Total |
| Operating Revenue: | | | | | |
| Member Contribution | \$ 12,416 | \$ | \$ | \$ | \$ 12,416 |
| Employer Contribution | | | 18,596 | | 18,596 |
| Investment Income | | | 47,769 | | 47,769 |
| Distributed Income of the Minnesota Post-Retirement Investment Fund (6.c.) | | 12,773 | | | 12,773 |
| State Appropriations | | | 77 | | 77 |
| Other | 6 | | 592 | | 598 |
| Total Operating Revenues | \$ 12,422 | \$ 12,773 | \$ 67,034 | \$ | \$ 92,229 |
| Operating Expenses: | | | | | |
| Benefits Paid | \$ 188 | \$ 9,638 | \$ 1,488 | \$ | \$ 11,314 |
| Refunds | 854 | | 201 | | 1,055 |
| Administrative Expenses | | | 208 | | 208 |
| Investment Management Fee (5.e.) | | | 568 | | 568 |
| Other | 3 | | 5 | | 8 |
| Total Operating Expenses | \$ 1,045 | \$ 9,638 | \$ 2,470 | \$ | \$ 13,153 |
| Other Changes in Reserves: | | | | | |
| Annuities Awarded | \$ (2,371) | \$ 19,842 | \$ (17,471) | \$ | \$ -0- |
| Mortality Loss | | 1,138 | (1,138) | | -0- |
| Interest on Late Transfers To MPRI Fund | | | (441) | | (441) |
| Transfer Between Reserves | 2 | | (2) | | -0- |
| Total Other Changes | \$ (2,369) | \$ 20,980 | \$ (19,052) | \$ | \$ (441) |
| Net Fund Balance Additions | \$ 9,008 | \$ 24,115 | \$ 45,512 | \$ | \$ 78,635 |
| Change in Unfunded Accrued Liability | | | (39,705) | 39,705 | -0- |
| Fund Balance, July 1, 1986 | \$ 76,534 | \$ 91,896 | \$ 279,314 | \$ (41,917) | \$ 405,827 |
| Fund Balance, June 30, 1987 | \$ 85,542 | \$ 116,011 | \$ 285,121 | \$ (2,212) | \$ 484,462 |

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

FINANCIAL SECTION

Schedule of Administrative Expenses

FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

| | | |
|---------------------------------------|---------|----------------|
| Personal Services: | | |
| Staff Salaries | \$1,719 | |
| Social Security | 97 | |
| Retirement | 83 | |
| Insurance and Workers' Compensation | 118 | |
| Total Personal Services | | \$2,017 |
| Professional Services: | | |
| Actuarial | \$ 48 | |
| Audit | 41 | |
| Legal | 39 | |
| Investment Consultants | 43 | |
| Management Consultants | 27 | |
| Total Professional Services | | 198 |
| Communication: | | |
| Printing | \$ 125 | |
| Telephone | 23 | |
| Postage | 273 | |
| Travel | 30 | |
| Mailing Services | 20 | |
| Total Communication | | 471 |
| Rentals: | | |
| Office Space | \$ 260 | |
| Equipment Leasing | 26 | |
| Total Rentals | | 286 |
| Other: | | |
| Medical Examinations | \$ 35 | |
| Stationery and Office Supplies | 39 | |
| Maintenance Service Contracts | 82 | |
| Depreciation | 159 | |
| Education (Employees) | 10 | |
| Publications and Subscriptions | 3 | |
| Meeting Expense | 6 | |
| Vehicle Expense | 3 | |
| Equipment (\$300 and under) | 8 | |
| Fees and Other Fixed Charges | 5 | |
| Indirect Cost from State | 70 | |
| Miscellaneous | 5 | |
| Total Other | | 425 |
| Total Administrative Expense | | \$3,397 |
| Allocation of Administrative Expense: | | |
| Public Employees Retirement Fund | | \$3,189 |
| Public Employees Police and Fire Fund | | 208 |
| Total | | \$3,397 |

FINANCIAL SECTION

Summary Schedules

FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

Summary Schedule of Cash Receipts and Disbursements

| | Public Employees Retirement Fund | Public Employees Police and Fire Fund |
|---|-------------------------------------|--|
| Cash Balance at Beginning of Year | \$ 743 | \$ 188 |
| Add Receipts: | | |
| Member Contributions | \$ 67,945 | \$ 12,417 |
| Employer Contributions | 74,391 | 18,596 |
| Investment Income | 170,898 | 47,768 |
| Investments Redeemed | 400,941 | 114,373 |
| Minnesota Post-Retirement Investment Fund | 114,691 | 9,637 |
| Other | 4,122 | 817 |
| Total Cash Receipts | 832,988 | 203,608 |
| | \$833,731 | \$203,796 |
| Less Disbursements: | | |
| Benefit Payments | \$128,421 | \$ 11,349 |
| Administrative Expense | 4,121 | -0- |
| Investments Purchased | 492,642 | 168,904 |
| Refunds | 13,515 | 1,062 |
| Minnesota Post-Retirement Investment Fund | 190,461 | 21,746 |
| Other | 4,372 | 682 |
| Total Cash Disbursements | 833,532 | 203,743 |
| Cash Balance at End of Year: June 30, 1987 | \$ 199 | \$ 53 |

Summary Schedule of Commissions and Payments of Consultants

| Individual or Firm Name | Nature of Services | Fee and Commissions Paid |
|--------------------------------|--------------------|--------------------------|
| Gabriel, Roeder, Smith & Co. | Actuary | \$42 |
| Wyatt Co. | Actuary | 6 |
| Touche Ross | Communication | 1 |
| Richards & Tierney | Investment | 43 |
| Best & Flanagan | Legal | 4 |
| DOCU-TYPE | Communication | 1 |
| State of Minnesota — | | |
| Attorney General | Legal | 24 |
| Revisor of Statutes | Legal | 1 |
| Administrative Hearings Office | Legal | 10 |
| Legislative Auditor | Auditor | 41 |
| Management Analysis Division | Management | 25 |
| | | <u>\$198</u> |

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

FINANCIAL SECTION
Investment Summaries
 FOR FISCAL YEAR ENDED JUNE 30, 1987 (IN THOUSANDS)

Public Employees Retirement Fund

| | Market Value June 30, 1986 | Cost June 30, 1986 | Acquisitions |
|------------------------------|-------------------------------|-----------------------|-------------------|
| Pooled Accounts | | | |
| Venture Capital | \$ 18,492 | \$ 18,513 | \$ 7,913 |
| External Active Managed | 263,680 | 213,916 | 52,913 |
| Indexed Fund | 563,196 | 411,078 | 65,817 |
| Real Estate Fund | 93,544 | 81,546 | 17,238 |
| Resources Fund | 10,395 | 13,461 | 8,790 |
| Fixed Income Pool | 304,839 | 301,882 | 35,530 |
| Total Pooled Accounts | \$1,254,146 | \$1,040,396 | \$ 188,201 |

Public Employees Police and Fire Fund

| | Market Value June 30, 1986 | Cost June 30, 1986 | Acquisitions |
|------------------------------|-------------------------------|-----------------------|------------------|
| Pooled Accounts | | | |
| Venture Capital | \$ 5,151 | \$ 5,164 | \$ 2,725 |
| External Active Managed | 73,599 | 60,473 | 20,284 |
| Indexed Fund | 157,478 | 115,977 | 28,524 |
| Real Estate Fund | 26,092 | 22,966 | 6,928 |
| Resources Fund | 2,917 | 3,847 | 2,799 |
| Fixed Income Pool | 88,681 | 88,157 | 13,463 |
| Total Pooled Accounts | \$ 353,918 | \$ 296,584 | \$ 74,723 |

The above summaries do not include short-term pooled cash.
 The accompanying notes are an integral part of the financial statements.

| Disposition | Cost June 30, 1987 | Market Value June 30, 1987 |
|-------------------|-----------------------|-------------------------------|
| \$ 956 | \$ 25,470 | \$ 25,565 |
| 8,140 | 258,689 | 305,154 |
| 85,690 | 391,205 | 567,258 |
| 3,631 | 95,153 | 110,743 |
| 806 | 21,445 | 18,505 |
| 30,214 | 307,198 | 298,123 |
| \$ 129,437 | \$1,099,160 | \$1,325,348 |

| Disposition | Cost June 30, 1987 | Market Value June 30, 1987 |
|------------------|-----------------------|-------------------------------|
| \$ 90 | \$ 7,799 | \$ 7,823 |
| 685 | 80,072 | 93,383 |
| 21,877 | 122,624 | 173,727 |
| 336 | 29,558 | 33,889 |
| 72 | 6,574 | 5,663 |
| 7,603 | 94,017 | 91,231 |
| \$ 30,663 | \$ 340,644 | \$ 405,716 |

ACTUARIAL SECTION

Certification Letter



EMPLOYEE BENEFITS
COMPENSATION PROGRAMS
EMPLOYEE COMMUNICATIONS
ADMINISTRATIVE SYSTEMS
RISK MANAGEMENT
INTERNATIONAL SERVICES

ACTUARIES AND CONSULTANTS
NORTHWESTERN FINANCIAL CENTER
7800 KERKES AVENUE SOUTH, SUITE 1200
MINNEAPOLIS, MINNESOTA 55431
(612) 835-1500

OFFICES IN PRINCIPAL CITIES
AROUND THE WORLD

November 10, 1987

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

Members of the Board:

We have completed our annual actuarial valuation of the Public Employees Retirement Association of Minnesota, for the purpose of determining the actuarial status of the Public Employees Retirement Fund and the Public Employees Police and Fire Fund as of July 1, 1987.

The actuarial valuation was based upon applicable statutory provisions and Standards for Actuarial Work in effect on July 1, 1987. The basic financial employee data used in the actuarial valuation are those submitted to us by the association office.

The valuation was performed by using the entry age normal cost method with normal cost expressed as a level percentage of earnings. The required contribution under Chapter 356 consists of the normal cost, a supplemental contribution which will amortize the unfunded liability as a level percentage of pay by the year 2009 and an allowance for expenses. In the case of the Public Employees Police and Fire Fund, a supplemental contribution is not required since there is no unfunded liability.

The primary actuarial assumptions include an interest rate of 8 percent prior to retirement and 5 percent thereafter, a salary scale of 6½ percent and other assumptions regarding mortality, disability, retirement, and withdrawal which are consistent with the latest experience analysis. In addition, assets are valued at cost plus ⅓ of unrealized gains or losses.

The pension laws were amended to reduce vesting eligibility from 10 years to 5 years. This change applies to all benefits granted from the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. Coincident with this eligibility change, a different calculation technique was adopted which assumes that the terminating vested member takes the larger of contributions with interest or a deferred annuity. The impact of these two changes are as follows:

| | Actuarial Accrued Liability | |
|------------------|-------------------------------------|--|
| | Public Employees Retirement Fund | Public Employees Police & Fire Fund |
| Benefit change | \$ 831,000 | \$(2,164,000) |
| Technique change | 14,544,000 | 178,000 |

Other amendments to the pension laws were made during the year which were minor and of an administrative nature.

The valuation indicates 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 77 percent and of the Public Employees Police and Fire Fund is 104 percent.

On the basis of the foregoing and the assumptions indicated therein, we hereby certify 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.

Very truly yours,

Robert E. Perkins
Fellow, Society of Actuaries

ACTUARIAL SECTION

Cost Method and Assumptions

JUNE 30, 1987

Public Employees Retirement Fund

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

Actuarial Assumptions

1. a. Retirement - Age 64. In addition, 50% utilization of retirement when age plus service totals 90.
- b. Mortality - Unisex Pension 1984 Table, set forward 1 year for males, set back 4 years for females.
- c. Mortality-Disabled - 1965 Railroad Workers Select Mortality.
- d. Disability - Graduated rates. See table below for sample values.
- e. Separation - Graduated rates. Table below shows sample values.
2. Loading for Expense - .33% of payroll.
3. Asset Valuation - Cost plus $\frac{1}{3}$ unrealized gains or losses.
4. Investment Return - 8% compounded annually preretirement; 5% compounded annually post-retirement.
5. Earnings Progression - 6.5% per year.
6. Active Member Payroll Growth - 6.5% per year.

Annual Rate per 100 Employees

| Age | Mortality | | Disability | Separation | |
|-----|-----------|--------|---------------|------------|--------|
| | 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 | — | — |
| 65 | 2.48 | 1.55 | — | — | — |

Public Employees Police and Fire Fund

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

Actuarial Assumptions

1. a. Retirement - Age 60.
- b. Mortality - Unisex Pension 1984 Table, set forward 1 year for males, set back 4 years for females.
- c. Mortality-Disabled - 1965 Railroad Workers Select Mortality.
- d. Disability - Graduated rates. Table below shows sample values.
- e. Separation - Graduated rates. See table below for sample values.
2. Loading for Expense - .50% of payroll.
3. Asset Valuation - Cost plus $\frac{1}{3}$ unrealized gains or losses.
4. Investment Return - 8% compounded annually preretirement; 5% compounded annually post-retirement.
5. Earnings Progression - 6.5% per year.
6. Active Member Payroll Growth - 6.5% per year.

Annual Rate per 100 Employees

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

ACTUARIAL SECTION

Actuarial Tables

JUNE 30, 1987

Schedule of Recommended vs. Actual Contributions

| | Actual Contribution Rate | | | Recommended Rate |
|---------------------------------------|--------------------------|----------|-------|---------------------|
| | Member | Employer | Total | |
| Public Employees Retirement Fund | 4.31 | 4.74 | 9.05 | 8.21 |
| Public Employees Police and Fire Fund | 8.00 | 12.00 | 20.00 | 15.97 |

Required Reserves (In Thousands)

| | Public Employees Retirement Fund | Public Employees Police and Fire Fund |
|---|-------------------------------------|--|
| For Active Members | | |
| Retirement Benefits: | | |
| Retirement | \$1,385,041 | \$ 283,218 |
| Vesting | 247,950 | 9,665 |
| | <u>\$ 1,632,991</u> | <u>\$ 292,883</u> |
| Disability Benefits | 79,800 | 28,329 |
| Survivor Benefits | 105,518 | 24,138 |
| For Deferred Annuitants | 40,661 | 7,909 |
| For Former Members Without Vested Rights | 9,232 | 812 |
| For Annuitants: | | |
| Annuitants in MPRIF | 1,211,028 | 116,011 |
| Recipients not in MPRIF | <u>109,732</u> | <u>16,592</u> |
| Total Required Reserves | <u>\$3,188,962</u> | <u>\$ 486,674</u> |

ACTUARIAL SECTION

Summary of Accrued and Unfunded Accrued Liabilities (IN THOUSANDS)

Public Employees Retirement 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 |
|-------------------|-------------------------------------|---------------------|---|---|---------------------------------------|--|
| 6-30-78 | \$1,023,270 | \$ 702,543 | 69% | \$320,727 | \$ 763,484 | 42% |
| 6-30-79 | 1,137,905 | 812,972 | 71 | 324,934 | 817,579 | 40 |
| 6-30-80 | 1,262,499 | 923,153 | 73 | 339,347 | 930,299 | 36 |
| 6-30-81 | 1,435,641 | 1,101,848 | 77 | 333,793 | 1,037,048 | 32 |
| 6-30-82 | 1,646,988 | 1,278,463 | 78 | 368,525 | 1,079,973 | 34 |
| 6-30-83 | 1,875,560 | 1,474,041 | 79 | 401,519 | 1,135,785 | 35 |
| 6-30-84 | 2,228,361 | 1,599,674 | 72 | 628,688 | 1,225,625 | 51 |
| 6-30-85 | 2,457,725 | 1,842,957 | 75 | 614,768 | 1,295,674 | 47 |
| 6-30-86 | 2,925,006 | 2,148,114 | 73 | 776,892 | 1,457,848 | 53 |
| 6-30-87 | 3,188,962 | 2,457,899 | 77 | 731,063 | 1,546,296 | 47 |

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 |
|-------------------|-------------------------------------|---------------------|---|---|---------------------------------------|--|
| 6-30-78 | \$ 119,141 | \$ 98,015 | 82% | \$ 21,126 | \$ 59,934 | 35% |
| 6-30-79 | 139,340 | 120,428 | 86 | 18,912 | 68,126 | 28 |
| 6-30-80 | 161,723 | 143,125 | 89 | 18,599 | 78,851 | 24 |
| 6-30-81 | 187,934 | 174,896 | 93 | 13,038 | 85,810 | 15 |
| 6-30-82 | 222,472 | 209,225 | 94 | 13,247 | 97,296 | 14 |
| 6-30-83 | 250,280 | 249,540 | 100 | 740 | 105,153 | 1 |
| 6-30-84 | 306,817 | 279,757 | 91 | 27,060 | 117,881 | 23 |
| 6-30-85 | 357,742 | 338,400 | 95 | 19,342 | 128,518 | 15 |
| 6-30-86 | 447,742 | 424,936 | 95 | 22,806 | 144,392 | 16 |
| 6-30-87 | 486,674 | 506,153 | 104 | -0- | 154,906 | -0- |

ACTUARIAL SECTION

Solvency Test

(IN THOUSANDS)

Public Employees Retirement Fund

AGGREGATE ACCRUED LIABILITIES FOR

| VALUATION DATE | (1) ACTIVE MEMBER CONTRIBUTIONS | (2) RETIRANTS AND BENEFICIARIES | (3) ACTIVE MEMBERS (EMPLOYER FINANCED) PORTION | VALUATION ASSETS | PORTION OF ACCRUED LIABILITIES COVERED BY VALUATION ASSETS | | |
|-------------------|--|--|---|---------------------|--|------|-------|
| | | | | | (1) | (2) | (3) |
| 6-30-78 | \$ 208,427 | \$ 292,112 | \$ 522,730 | \$ 702,543 | 100% | 100% | 38.6% |
| 6-30-79 | 226,948 | 345,873 | 565,085 | 812,972 | 100 | 100 | 42.5 |
| 6-30-80 | 258,891 | 367,547 | 636,062 | 923,152 | 100 | 100 | 46.6 |
| 6-30-81 | 288,843 | 433,833 | 712,964 | 1,101,848 | 100 | 100 | 53.2 |
| 6-30-82 | 319,169 | 513,219 | 814,600 | 1,278,463 | 100 | 100 | 54.8 |
| 6-30-83 | 348,904 | 623,703 | 902,952 | 1,474,041 | 100 | 100 | 55.5 |
| 6-30-84 | 367,381 | 743,815 | 1,117,165 | 1,599,674 | 100 | 100 | 43.7 |
| 6-30-85 | 391,294 | 936,995 | 1,129,435 | 1,842,957 | 100 | 100 | 45.6 |
| 6-30-86 | 421,678 | 1,153,359 | 1,349,969 | 2,148,114 | 100 | 100 | 42.5 |
| 6-30-87 | 452,560 | 1,370,653 | 1,365,749 | 2,457,899 | 100 | 100 | 46.5 |

Public Employees Police and Fire Fund

AGGREGATE ACCRUED LIABILITIES FOR

| VALUATION DATE | (1) ACTIVE MEMBER CONTRIBUTIONS | (2) RETIRANTS AND BENEFICIARIES | (3) ACTIVE MEMBERS (EMPLOYER FINANCED) PORTION | VALUATION ASSETS | PORTION OF ACCRUED LIABILITIES COVERED BY VALUATION ASSETS | | |
|-------------------|--|--|---|---------------------|--|------|-------|
| | | | | | (1) | (2) | (3) |
| 6-30-78 | \$ 24,102 | \$ 27,221 | \$ 67,819 | \$ 98,015 | 100% | 100% | 68.8% |
| 6-30-79 | 28,293 | 34,617 | 76,430 | 120,428 | 100 | 100 | 75.3 |
| 6-30-80 | 33,388 | 38,873 | 89,462 | 143,124 | 100 | 100 | 79.2 |
| 6-30-81 | 39,000 | 44,502 | 104,433 | 174,896 | 100 | 100 | 87.5 |
| 6-30-82 | 45,913 | 59,879 | 120,931 | 209,225 | 100 | 100 | 85.5 |
| 6-30-83 | 52,234 | 65,633 | 132,413 | 249,540 | 100 | 100 | 99.4 |
| 6-30-84 | 58,690 | 75,351 | 172,277 | 279,757 | 100 | 100 | 84.3 |
| 6-30-85 | 66,628 | 92,676 | 198,438 | 338,400 | 100 | 100 | 90.3 |
| 6-30-86 | 76,534 | 118,926 | 252,282 | 424,936 | 100 | 100 | 91.0 |
| 6-30-87 | 85,542 | 141,324 | 259,808 | 506,153 | 100 | 100 | 107.5 |

ACTUARIAL SECTION

Schedule of Active Member Valuation Data

Public Employees Retirement Fund

| VALUATION DATE | NUMBER | ANNUAL PAYROLL | ANNUAL AVERAGE PAY | % INCREASE IN AVERAGE PAY |
|-------------------|--------|-------------------|-----------------------|------------------------------|
| 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 |
| 6-30-85 | 86,344 | 1,295,674,181 | 15,006 | 2.5 |
| 6-30-86 | 89,336 | 1,457,848,000 | 16,319 | 8.7 |
| 6-30-87 | 92,497 | 1,546,296,000 | 16,717 | 2.4 |

Public Employees Police and Fire Fund

| VALUATION DATE | NUMBER | ANNUAL PAYROLL | ANNUAL AVERAGE PAY | % INCREASE IN AVERAGE PAY |
|-------------------|--------|-------------------|-----------------------|------------------------------|
| 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 |
| 6-30-85 | 4,928 | 128,518,325 | 26,079 | 5.0 |
| 6-30-86 | 5,127 | 144,392,000 | 28,163 | 8.0 |
| 6-30-87 | 5,385 | 154,906,000 | 28,766 | 2.1 |

ACTUARIAL SECTION

Schedule of Retirants and Beneficiaries

Public Employees Retirement Fund

| YEAR ENDED | ADDED TO ROLLS NO. | REMOVED FROM ROLLS NO. | ROLLS END OF YEAR | | % INCREASE IN ANNUAL ALLOWANCES | AVERAGE ANNUAL ALLOWANCES |
|---------------|--------------------------|------------------------------|-------------------|----------------------|---------------------------------------|---------------------------------|
| | | | NO. | ANNUAL ALLOWANCES | | |
| 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 | 2,125 | 880 | 20,121 | 76,064,731 | 18.6 | 3,780 |
| 6-30-85 | 2,534 | 865 | 21,790 | 93,826,168 | 23.4 | 4,306 |
| 6-30-86 | 2,505 | 949 | 23,322 | 109,613,000 | 16.8 | 4,700 |
| 6-30-87 | 2,750 | 1,057 | 25,015 | 130,745,000 | 19.3 | 5,227 |

Public Employees Police and Fire Fund

| YEAR ENDED | ADDED TO ROLLS NO. | REMOVED FROM ROLLS NO. | ROLLS END OF YEAR | | % INCREASE IN ANNUAL ALLOWANCES | AVERAGE ANNUAL ALLOWANCES |
|---------------|--------------------------|------------------------------|-------------------|----------------------|---------------------------------------|---------------------------------|
| | | | NO. | ANNUAL ALLOWANCES | | |
| 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 |
| 6-30-85 | 120 | 46 | 1,087 | 8,004,954 | 21.4 | 7,364 |
| 6-30-86 | 150 | 47 | 1,198 | 9,554,000 | 19.4 | 7,975 |
| 6-30-87 | 143 | 70 | 1,271 | 11,788,000 | 23.4 | 9,275 |

STATISTICAL SECTION
Revenue By Source
 LAST TEN YEARS
 (IN THOUSANDS)

Public Employees Retirement Fund

| FISCAL YEAR | MEMBER CONTRIBUTION | EMPLOYER CONTRIBUTION | INVESTMENT INCOME* | OTHER | TOTAL |
|----------------|------------------------|--------------------------|-----------------------|----------|-----------|
| 1978 | \$37,759 | \$49,976 | \$ 43,040 | \$ 118 | \$130,893 |
| 1979 | 39,777 | 53,639 | 50,326 | 18,808** | 162,550 |
| 1980 | 44,051 | 59,581 | 69,172 | 3,019 | 175,823 |
| 1981 | 48,714 | 65,985 | 109,798 | 287 | 224,784 |
| 1982 | 52,277 | 70,913 | 117,583 | 2,712 | 243,485 |
| 1983 | 66,181 | 74,005 | 149,413 | 2,691 | 292,290 |
| 1984 | 58,348 | 78,967 | 132,373 | 412 | 270,100 |
| 1985 | 60,564 | 68,375 | 172,045 | 668 | 301,652 |
| 1986 | 64,778 | 71,434 | 251,461 | 2,642 | 390,315 |
| 1987 | 67,945 | 74,391 | 311,530 | 6,875 | 460,741 |

Public Employees Police and Fire Fund

| FISCAL YEAR | MEMBER CONTRIBUTION | EMPLOYER CONTRIBUTION | INVESTMENT INCOME* | OTHER | TOTAL |
|----------------|------------------------|--------------------------|-----------------------|----------|-----------|
| 1978 | \$ 4,971 | \$ 7,130 | \$ 5,844 | \$ 1,005 | \$ 18,950 |
| 1979 | 6,235 | 8,434 | 7,491 | 3,875** | 26,035 |
| 1980 | 6,305 | 9,460 | 11,317 | 634 | 27,716 |
| 1981 | 7,109 | 10,660 | 17,345 | 638 | 35,752 |
| 1982 | 7,973 | 11,946 | 19,038 | 750 | 39,707 |
| 1983 | 9,702 | 12,953 | 25,391 | 540 | 48,586 |
| 1984 | 9,671 | 14,473 | 21,546 | 354 | 46,044 |
| 1985 | 10,530 | 15,747 | 29,946 | 394 | 56,617 |
| 1986 | 11,583 | 17,341 | 50,537 | 6,538 | 85,999 |
| 1987 | 12,416 | 18,596 | 60,542 | 1,116 | 92,670 |

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

**Includes Gain or Loss from Statutory Valuation of the Minnesota Post-Retirement Investment Fund.

STATISTICAL SECTION

Revenue Ratios by Source of Revenue

EXCLUDING OTHER INCOME

Public Employees Retirement Fund

| FISCAL YEAR | MEMBER CONTRIBUTION | EMPLOYER CONTRIBUTION | INVESTMENT INCOME | TOTAL REVENUES |
|----------------|------------------------|--------------------------|----------------------|-------------------|
| 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 |
| 1985 | 20.1 | 22.7 | 57.2 | 100.0 |
| 1986 | 16.7 | 18.4 | 64.9 | 100.0 |
| 1987 | 14.9 | 16.4 | 68.7 | 100.0 |

Public Employees Police and Fire Fund

| FISCAL YEAR | MEMBER CONTRIBUTION | EMPLOYER CONTRIBUTION | INVESTMENT INCOME | TOTAL REVENUES |
|----------------|------------------------|--------------------------|----------------------|-------------------|
| 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 |
| 1985 | 18.7 | 28.0 | 53.3 | 100.0 |
| 1986 | 14.6 | 21.8 | 63.6 | 100.0 |
| 1987 | 13.6 | 20.3 | 66.1 | 100.0 |

STATISTICAL SECTION
Expense By Type
 LAST TEN YEARS
 (IN THOUSANDS)

Public Employees Retirement Fund

| FISCAL YEAR | BENEFIT | ADMINISTRATION | OTHER | TOTAL |
|----------------|-----------|----------------|--------|-----------|
| 1978 | \$ 41,055 | \$1,123 | \$ 60 | \$ 42,238 |
| 1979 | 45,752 | 1,256 | 5,113 | 52,121 |
| 1980 | 52,300 | 1,463 | 23 | 53,786 |
| 1981 | 56,013 | 1,776 | 156 | 57,945 |
| 1982 | 64,613 | 2,357 | 146 | 67,116 |
| 1983 | 73,059 | 2,506 | 20,900 | 96,465 |
| 1984 | 97,993 | 2,792 | 26,608 | 127,393 |
| 1985 | 103,547 | 2,888 | 60 | 106,495 |
| 1986 | 120,699 | 2,868 | 1,909 | 125,476 |
| 1987 | 141,365 | 3,189 | 1,942 | 146,496 |

Public Employees Police and Fire Fund

| FISCAL YEAR | BENEFIT | ADMINISTRATION | OTHER | TOTAL |
|----------------|----------|----------------|-------|----------|
| 1978 | \$ 2,832 | \$ 54 | \$ 11 | \$ 2,897 |
| 1979 | 3,469 | 77 | 77 | 3,623 |
| 1980 | 4,311 | 76 | — | 4,387 |
| 1981 | 4,505 | 93 | 15 | 4,613 |
| 1982 | 5,228 | 130 | 34 | 5,392 |
| 1983 | 6,183 | 141 | 1,935 | 8,259 |
| 1984 | 8,395 | 164 | 3,793 | 12,352 |
| 1985 | 8,648 | 175 | 363 | 9,186 |
| 1986 | 10,103 | 176 | 529 | 10,808 |
| 1987 | 12,369 | 208 | 576 | 13,153 |

STATISTICAL SECTION

Benefit Expense by Type

LAST TEN YEARS
(IN THOUSANDS)

Public Employees Retirement Fund

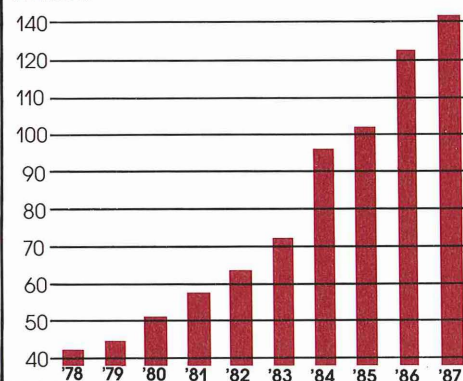
| FISCAL YEAR | RETIREMENT | SURVIVOR | DISABILITY | REFUND | TOTAL |
|-------------|------------|----------|------------|----------|-----------|
| 1978 | \$ 26,829 | \$ 4,410 | \$1,847 | \$ 7,968 | \$ 41,054 |
| 1979 | 28,742 | 4,745 | 2,024 | 10,241 | 45,752 |
| 1980 | 33,458 | 5,618 | 2,262 | 10,962 | 52,300 |
| 1981 | 37,584 | 5,851 | 2,486 | 10,092 | 56,013 |
| 1982 | 48,865 | 6,213 | 2,666 | 11,869 | 64,613 |
| 1983 | 52,963 | 6,669 | 2,956 | 10,471 | 73,059 |
| 1984 | 64,011 | 7,161 | 3,065 | 23,756 | 97,993 |
| 1985 | 79,476 | 7,631 | 3,281 | 13,158 | 103,546 |
| 1986 | 96,584 | 8,174 | 3,375 | 12,566 | 120,699 |
| 1987 | 115,903 | 8,712 | 3,394 | 13,356 | 141,365 |

Public Employees Police and Fire Fund

| FISCAL YEAR | RETIREMENT | SURVIVOR | DISABILITY | REFUND | TOTAL |
|-------------|------------|----------|------------|--------|----------|
| 1978 | \$ 1,820 | \$ 332 | \$ 122 | \$ 559 | \$ 2,833 |
| 1979 | 2,231 | 379 | 140 | 719 | 3,469 |
| 1980 | 2,710 | 451 | 127 | 1,022 | 4,310 |
| 1981 | 3,073 | 486 | 157 | 788 | 4,504 |
| 1982 | 3,656 | 568 | 276 | 728 | 5,228 |
| 1983 | 4,377 | 680 | 300 | 825 | 6,182 |
| 1984 | 5,210 | 771 | 371 | 2,043 | 8,395 |
| 1985 | 6,328 | 860 | 427 | 1,032 | 8,647 |
| 1986 | 7,750 | 943 | 504 | 906 | 10,103 |
| 1987 | 9,662 | 1,023 | 629 | 1,055 | 12,369 |

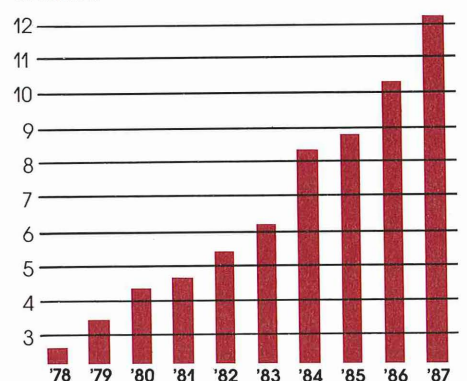
Public Employees Retirement Fund
Total Benefit Expense

in Millions



Public Employees Police and Fire Fund
Total Benefit Expense

in Millions



STATISTICAL SECTION

Additions to Net Assets Available

LAST TEN YEARS
(IN THOUSANDS)

Public Employees Retirement Fund

| FISCAL YEAR | REVENUES | EXPENSES | ANNUAL ADDITIONS | NET ASSETS AVAILABLE |
|----------------|-----------|-----------|---------------------|-------------------------|
| 1978 | \$130,893 | \$ 42,237 | \$ 88,656 | \$ 702,543 |
| 1979 | 162,549 | 52,121 | 110,428 | 812,971 |
| 1980 | 175,823 | 53,786 | 122,037 | 935,008 |
| 1981 | 224,783 | 57,945 | 166,838 | 1,101,846 |
| 1982 | 243,486 | 67,116 | 176,370 | 1,278,216 |
| 1983 | 292,290 | 96,465 | 195,825 | 1,474,041 |
| 1984 | 270,099 | 127,393 | 142,706 | 1,616,747 |
| 1985 | 301,652 | 106,375 | 195,277 | 1,812,024 |
| 1986 | 390,315 | 125,476 | 264,839 | 2,076,863 |
| 1987 | 460,741 | 146,496 | 314,245 | 2,391,109 |

Public Employees Police and Fire Fund

| FISCAL YEAR | REVENUES | EXPENSES | ANNUAL ADDITIONS | NET ASSETS AVAILABLE |
|----------------|-----------|----------|---------------------|-------------------------|
| 1978 | \$ 18,950 | \$ 2,897 | \$ 16,053 | \$ 98,015 |
| 1979 | 26,035 | 3,623 | 22,412 | 120,427 |
| 1980 | 27,716 | 4,387 | 23,329 | 143,756 |
| 1981 | 35,752 | 4,612 | 31,140 | 174,896 |
| 1982 | 39,708 | 5,392 | 34,316 | 209,212 |
| 1983 | 48,587 | 8,259 | 40,328 | 249,540 |
| 1984 | 46,043 | 12,352 | 33,691 | 283,231 |
| 1985 | 56,617 | 9,186 | 47,431 | 330,662 |
| 1986 | 85,999 | 10,808 | 75,191 | 405,853 |
| 1987 | 92,670 | 13,153 | 79,517 | 485,342 |

STATISTICAL SECTION

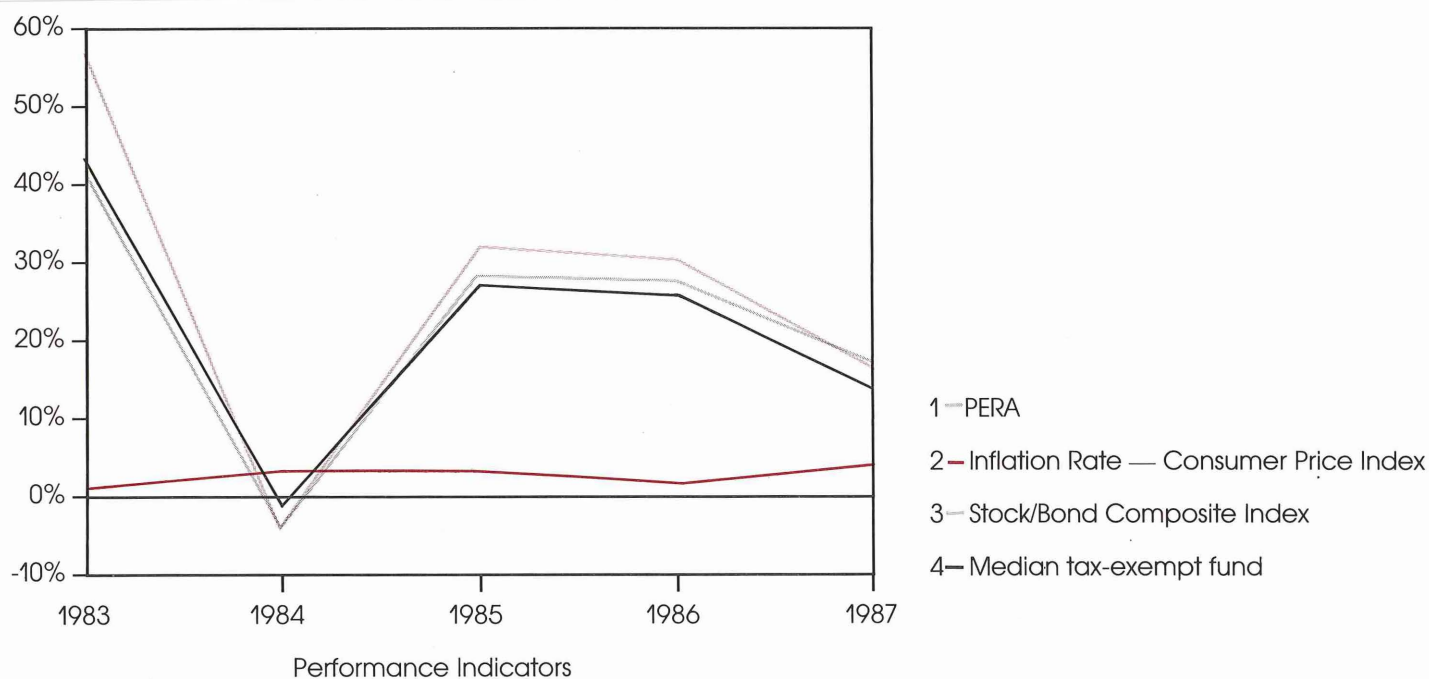
Investment Results Last 5 Years

Investment Results Last 5 Years

| | Fiscal Year | | | | | 5 Year Average |
|---------------------------------------|-------------|-------|------|------|------|-------------------|
| | 1983 | 1984 | 1985 | 1986 | 1987 | |
| Rate of Return — Time Weighted* | | | | | | |
| PERA Funds | 40.5 | -5.5 | 26.8 | 26.2 | 15.8 | 20.6 |
| Inflation Rate — Consumer Price Index | 2.6 | 4.3 | 3.7 | 1.7 | 3.7 | 3.2 |
| Market Indicator | | | | | | |
| Stock/Bond Composite Index | 54.5 | (5.6) | 30.6 | 29.2 | 15.4 | 22.6 |
| Median Tax-Exempt Funds | 41.7 | (2.3) | 26.2 | 25.1 | 13.1 | 20.6 |

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

Investment Results



STATISTICAL SECTION

Schedule of Participating Members

LAST TEN YEARS

Public Employees Retirement Fund

| FISCAL YEAR | BEGINNING BALANCE | ADDITIONS | | SEPARATIONS | | | FUND BALANCE |
|----------------|----------------------|-----------|------------|-------------|---------|------------|-----------------|
| | | NEW | REINSTATED | REFUNDED | BENEFIT | TERMINATED | |
| 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 |
| 1985 | 85,545 | 10,883 | 3,005 | 5,849 | 1,916 | 3,461 | 88,207 |
| 1986 | 88,207 | 11,561 | 2,741 | 5,448 | 1,853 | 3,829 | 91,379 |
| 1987 | 91,379 | 12,220 | 591 | 4,922 | 2,228 | 2,391 | 94,649* |

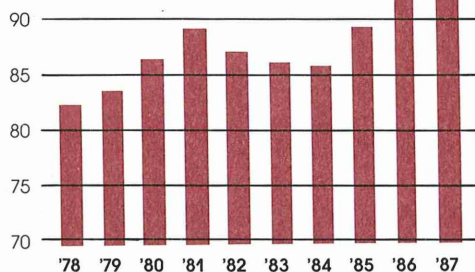
Public Employees Police and Fire Fund

| FISCAL YEAR | BEGINNING BALANCE | ADDITIONS | | SEPARATIONS | | | FUND BALANCE |
|----------------|----------------------|-----------|------------|-------------|---------|------------|-----------------|
| | | NEW | REINSTATED | REFUNDED | BENEFIT | TERMINATED | |
| 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 |
| 1985 | 4,919 | 366 | 132 | 98 | 89 | 139 | 5,091 |
| 1986 | 5,091 | 427 | 91 | 94 | 114 | 106 | 5,295 |
| 1987 | 5,295 | 493 | 28 | 84 | 93 | 157 | 5,482** |

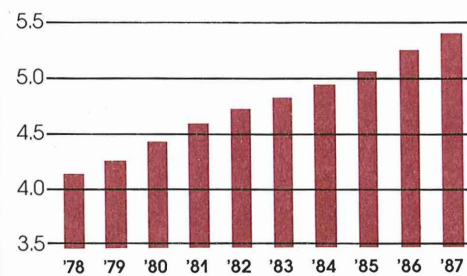
*Includes 2,152 Deferred Members

**Includes 97 Deferred Members

Public Employees Retirement Fund
Fund Balance Participating Members and
Benefit Recipients
in Thousands



Public Employees Police and Fire Fund
Fund Balance Participating Members and
Benefit Recipients
in Thousands



STATISTICAL SECTION

Schedule of Retired Members by Amount and Type of Benefit

Public Employee Retirement Fund

| Amount of Monthly Benefit | Type I | | | | Type II | | | | Total |
|------------------------------|-----------|-----------------------|--------------|----------|-----------|-----------------------|--------------|----------|--------|
| | Annuitant | Optional Annuitant | Disabilitant | Survivor | Annuitant | Optional Annuitant | Disabilitant | Survivor | |
| \$ 1 – 200 | 1,335 | 57 | 11 | 1,625 | 6,141 | 435 | 233 | 36 | 9,873 |
| 201 – 400 | 707 | 28 | 9 | 583 | 3,844 | 283 | 160 | 104 | 5,718 |
| 401 – 600 | 598 | 10 | 1 | 2 | 2,171 | 147 | 66 | 230 | 3,225 |
| 601 – 800 | 83 | 4 | | | 1,574 | 102 | 56 | 165 | 1,984 |
| 801 – 1,000 | 25 | 1 | | | 1,093 | 42 | 42 | 43 | 1,246 |
| 1,001 – 1,200 | 1 | | | | 885 | 33 | 33 | 12 | 964 |
| 1,201 – 1,400 | 2 | | | | 680 | 14 | 20 | 1 | 717 |
| 1,401 – 1,600 | 2 | | | | 427 | 10 | 8 | | 447 |
| 1,601 – 1,800 | | | | | 293 | 7 | 8 | | 308 |
| 1,801 – 2,000 | | | | | 196 | 4 | 1 | | 201 |
| Over 2,000 | | | | | 285 | 5 | 3 | | 293 |
| | 2,753 | 100 | 21 | 2,210 | 17,589 | 1,082 | 630 | 591 | 24,976 |

Public Employee Police and Fire Fund

| Amount of Monthly Benefit | Type I | | | | Type II | | | | Total |
|------------------------------|-----------|-----------------------|--------------|----------|-----------|-----------------------|--------------|----------|-------|
| | Annuitant | Optional Annuitant | Disabilitant | Survivor | Annuitant | Optional Annuitant | Disabilitant | Survivor | |
| \$ 1 – 200 | 24 | 4 | | 67 | 48 | 15 | 1 | | 159 |
| 201 – 400 | 25 | 9 | | 49 | 75 | 19 | 7 | 8 | 192 |
| 401 – 600 | 36 | | | 1 | 95 | 27 | 10 | 23 | 192 |
| 601 – 800 | 16 | | | | 101 | 10 | 10 | 27 | 164 |
| 801 – 1,000 | 3 | 1 | | | 100 | 6 | 15 | 15 | 140 |
| 1,001 – 1,200 | | 1 | | | 117 | 2 | 15 | 5 | 140 |
| 1,201 – 1,400 | 1 | | | | 94 | 3 | 7 | 2 | 107 |
| 1,401 – 1,600 | | | | | 55 | 2 | 3 | 1 | 61 |
| 1,601 – 1,800 | | | | | 51 | 1 | | | 52 |
| 1,801 – 2,000 | | | | | 23 | | | | 23 |
| Over 2,000 | | | | | 31 | | 1 | | 32 |
| | 105 | 15 | 0 | 117 | 790 | 85 | 69 | 81 | 1,262 |

Type I = Benefit Calculated on Career Average Salary

Type II = Benefit Calculated on Highest Five Years' Average Salary

STATISTICAL SECTION

Participating Employers

Cities and Townships

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

| | | | | | |
|---------------------|------------------|----------------|---------------------------|-----------------|---------------------------|
| Lakefield | Milftona | Perham | Shetek | Watkins | Lake of the Woods |
| Lakeland | Minneapolis | Pierz | Shoreview | Watson | Le Sueur |
| Laketown | Minnetota | Pilot Mound | Shorewood | Waubun | Lincoln |
| Lakeville | Minnesota Lake | Pine City | Silver Bay | Waverly | Lyon |
| Lakin | Minnetonka | Pine Island | Silver Creek | Wayzata | Mahnomen |
| Lamberton | Minnetonka Beach | Pine River | Silver Lake | Welcome | Marshall |
| Lancaster | Minnetrista | Pipestone | Slayton | Wells | Martin |
| Landfall | Montevideo | Plainview | Sleepy Eye | Wendell | McLeod |
| Lanesboro | Montgomery | Plato | South International Falls | West Concord | Meeker |
| LaPrairie | Monticello | Plummer | South St. Paul | West St. Paul | Mille Lacs |
| Lauderdale | Montrose | Plymouth | South Bend | Westbrook | Morrison |
| Le Center | Moorhead | Powers | South Branch | Wheaton | Mower |
| Le Roy | Moose Lake | Preble | South Haven | White | Murray |
| Le Sueur | Mora | Preston | Southside | White Bear | Nicollet |
| Lengby | Morgan | Princeton | Spencer | White Bear Lake | Nobles |
| Leon | Morris | Prinsburg | Spicer | Willernie | Norman |
| Lester Prairie | Morristown | Prior Lake | Spring Grove | Williams | Olmsted |
| Lewiston | Morse | Proctor | Spring Lake Park | Willmar | Ottertail |
| Lewisville | Morton | Quincy | Spring Park | Wilmont | Pennington |
| Lexington | Motley | Ramsey | Spring Valley | Windom | Pine |
| Linden | Mound | Randall | Springfield | Winger | Pipestone |
| Lindstrom | Mounds View | Randolph | Stacy | Winnebago | Polk |
| Lino Lakes | Mountain Iron | Ranier | Stanford | Winona | Pope |
| Linwood | Mountain Lake | Raymond | Staples | Winsted | Ramsey |
| Lismore | Murdock | Red Lake Falls | Star Lake | Winthrop | Red Lake |
| Litchfield | Nashwauk | Red Wing | Starbuck | Winton | Redwood |
| Little Canada | Nessel | Redwood Falls | Stephen | Wolf Lake | Renville |
| Little Falls | Nevis | Remer | Stewart | Wolverton | Rice |
| Littlefork | New Brighton | Renville | Stewartville | Wood Lake | Rock |
| Livonia | New Germany | Rice Lake | Stillwater | Woodbury | Roseau |
| Long Lake | New Hope | Richfield | Stockholm | Woodland | St. Louis |
| Long Prairie | New London | Richmond | Storden | Worthington | Scott |
| Longville | New Munich | Robbinsdale | Sverdrup | Wrenshall | Sherburn |
| Lonsdale | New Prague | Rochester | Swanville | Wuori | Sibley |
| Lucan | New Richland | Rock Creek | Sylvan | Wyanett | Stearns |
| Luverne | New Scandia | Rockford | Taconite | Wykoff | Steele |
| Lyle | New Ulm | Rogers | Taylor Falls | Wyoming | Stevens |
| Lynd | New York Mills | Rollingstone | Thief River Falls | York | Swift |
| Mabel | Newburg | Roosevelt | Thomson | Young America | Todd |
| Madelia | Newfolden | Rose Creek | Tintah | Yucatan | Traverse |
| Madison | Newport | Roseau | Tonka Bay | Zimmerman | Wabasha |
| Madison Lake | Nicollet | Rosemount | Tower | Zumbrota | Wadena |
| Magnolia | Nisswa | Roseville | Tracy | | Waseca |
| Mahnomen | Nordland | Rothsay | Trimont | COUNTIES | Washington |
| Mahtomedi | North Branch | Round Lake | Truman | Aitkin | Watsonwan |
| Mankato | North Hero | Royalton | Twin Lakes | Anoka | Wilkin |
| Mantorville | North Mankato | Rush City | Twin Valley | Becker | Winona |
| Maple Grove | North Oaks | Rushford | Two Harbors | Beltrami | Wright |
| Maple Lake | North St. Paul | Rushmore | Tyler | Benton | Yellow Medicine |
| Maple Plain | Northfield | Russell | Ulen | Big Stone | |
| Mapleton | Northome | Ruthton | Underwood | Blue Earth | SCHOOL DISTRICTS |
| Mapleview | Northrop | Rutland | Upsala | Brown | Ada #521 |
| Maplewood | Norway | Sacred Heart | Vadnais Heights | Carlton | Adrian #511 |
| Marble | Norwood | St. Anthony | Vasa | Carver | Aitkin #1 |
| Marietta | Oak Grove | St. Bonifacius | Vergas | Cass | Akeley #301 |
| Marine on St. Croix | Oak Lawn | St. Charles | Vermillion | Chippewa | Albany #745 |
| Marshall | Oak Park Heights | St. Clair | Verndale | Chisago | Albert Lea #241 |
| Martin | Oakdale | St. Cloud | Vernon | Clay | Alden #242 |
| Marysville | Odessa | St. Francis | Vernon Center | Clearwater | Alexandria #206 |
| May | Ogema | St. Hilaire | Vesta | Cook | Alvarado #436 |
| Mayer | Ogilvie | St. James | Victor | Cottonwood | Amboy-Good Thunder #79 |
| Maynard | Okabena | St. Joseph | Victoria | Crow Wing | Annandale #876 |
| Mazeppa | Oklee | St. Leo | Villard | Dakota | Anoka-Hennepin #11 |
| McKinley | Olivia | St. Louis Park | Virginia | Dodge | Anoka-Isanti #15 |
| McGrath | Onamia | St. Michael | Wabasha | Douglas | Appleton #784 |
| McGregor | Orono | St. Paul | Wabasso | Fairbault | Argyle #437 |
| McIntosh | Oronoco | St. Paul Park | Waconia | Fillmore | Arlington-Green Isle #731 |
| Medford | Orr | St. Peter | Wadena | Freeborn | Ashby #261 |
| Medina | Ortonville | Sanborn | Wahkon | Goodhue | Askov #566 |
| Melrose | Osakis | Sandstone | Waite Park | Grant | Atwater #341 |
| Menahga | Oslo | Sargeant | Waldorf | Hennepin | Audubon #21 |
| Mendota Heights | Osseo | Sartell | Walker | Houston | Aurora-Hoyt Lakes #691 |
| Mentor | Ostego | Sauk Centre | Walnut Grove | Hubbard | Austin #492 |
| Midway | Ostrander | Sauk Rapids | Waltham | Isanti | Babbitt #692 |
| Middle River | Owatonna | Savage | Wanamingo | Itasca | Backus #114 |
| Middleville | Palisade | Scandia Valley | Wanda | Jackson | Badger #676 |
| Milaca | Park Rapids | Scanlon | Warren | Kanabec | Bagley #162 |
| Milan | Parkers Prairie | Sebekka | Warroad | Kandiyohi | Balaton #411 |
| Millerville | Paynesville | Shafer | Warsaw | Kittson | Barnesville #146 |
| Millville | Pelican | Shakopee | Waseca | Koochiching | Barnum #91 |
| Milroy | Pelican Rapids | Shamrock | Watertown | Lacqui Parle | Barrett #262 |
| Milton | Pequot Lakes | Sherburn | Waterville | Lake | Battle Lake #542 |

| | | | | | |
|-------------------------|--------------------------|-----------------------------|------------------------|------------------------------|--------------------|
| Beardsley #57 | Echo #893 | Howard Lake #880 | Moose Lake #97 | St. Charles #858 | White Bear Lake Vo |
| Becker #726 | Eden Prairie #272 | Humboldt #352 | Mora #332 | St. Clair #75 | Tech #916 |
| Belgrade #736 | Eden Valley-Watkins #463 | Hutchinson #423 | Morgan #636 | St. Cloud #742 | Willmar #347 |
| Belle Plaine #716 | Edgerton #581 | International Falls #361 | Morris #769 | St. James #840 | Willow River #577 |
| Bellingham #371 | Edina #273 | Inver Grove Heights #199 | Morristown #657 | St. Louis County #710 | Windom #177 |
| Belview #631 | Elbow Lake-Wendell #263 | Isle #473 | Morton #652 | St. Louis Park #283 | Winnebago #225 |
| Bemidji #31 | Elgin #806 | Ivanhoe #403 | Motley #483 | St. Michael-Albertville #885 | Winona #861 |
| Benson #777 | Elk River #728 | Jackson #324 | Mound #277 | St. Paul #625 | Winsted #427 |
| Bertha-Hewitt #786 | Ellendale #762 | Janesville #830 | Mounds View #621 | St. Peter #508 | Winthrop #735 |
| Big Lake #727 | Ellsworth #514 | Jasper #582 | Mountain Iron #703 | Sanborn #638 | Wood Lake #896 |
| Bird Island #646 | Elmore #219 | Jeffers-Storden #178 | Mountain Lake #173 | Sandstone #576 | Worthington #518 |
| Blwabik #693 | Ely #696 | Jordan #717 | Nashwauk-Keewatin #319 | Sartell #748 | Wrenshall #100 |
| Blackduck #32 | Emmons #243 | Karlstad #353 | Neft Lake #707 | Sauk Centre #743 | Wykoff #236 |
| Blooming Prairie #756 | Erskine #597 | Kasson #204 | Nevis #308 | Sauk Rapids #47 | Zumbrota #260 |
| Bloomington #271 | Esko #99 | Kelliher #36 | New London-Spicer #345 | Sebek #820 | |
| Blue Earth #240 | Evansville #208 | Kennedy #354 | New Prague #721 | Shakopee #720 | |
| Borup #522 | Eveleth #697 | Kensington #209 | New Richland #827 | Sherburn #456 | |
| Braham #314 | Eyota-Dover #533 | Kenyon #254 | New Ulm-Hanska #88 | Silver Lake #425 | |
| Brainerd #181 | Fairfax #649 | Kerkhoven-Murdock- | New York Mills #553 | Sioux Valley #328 | |
| Brandon #207 | Fairmont #454 | Sunburg #775 | Newfolden #441 | Slayton #504 | |
| Breckenridge #846 | Faribault #656 | Kiester #222 | Nicollet #507 | Sleepy Eye #84 | |
| Brewster #513 | Farmington #192 | Kimball #739 | North Branch #138 | South Koochiching County- | |
| Bricelyn #217 | Fergus Falls #544 | Koochiching Co. #363 | North St. Paul- | Rainy River | |
| Brooklyn Center #286 | Fergus Falls #935 | La Crescent #300 | Maplewood #622 | Southland #500 | |
| Brooten #737 | Fertile #599 | Lake County #381 | Northfield #659 | South St. Paul #6 | |
| Browerville #787 | Finlayson #570 | Lake Benton #404 | Northway-Young | South Washington | |
| Browns Valley #801 | Fisher #600 | Lake City #813 | America #108 | County #833 | |
| Brownston #421 | Floodwood #698 | Lake Crystal #70 | Ogilvie #333 | Spring Grove #297 | |
| Buffalo #877 | Foley #51 | Lake Park #24 | Oklee #627 | Spring Lake Park #16 | |
| Buffalo Lake #647 | Forest Lake #831 | Lake Wilson-Chandler #918 | Olivia #653 | Spring Valley #237 | |
| Buhl #694 | Fosston #601 | Lake of the Woods #390 | Onamia #480 | Springfield #85 | |
| Buhl-Mountain Iron #713 | Franklin #650 | Lakefield #325 | Orono #278 | Staples #793 | |
| Burnsville #191 | Frazee #23 | Lakeville #194 | Ortonville #62 | Starbuck #614 | |
| Butterfield #836 | Freeborn #244 | Lamberton #633 | Osakis #213 | Stephen #443 | |
| Byron #531 | Fridley #14 | Lancaster #356 | Oslo #442 | Stewart #426 | |
| Caledonia #299 | Fulda #505 | Lanesboro #229 | Osseo #279 | Stewartville #534 | |
| Cambridge #911 | Garden City #78 | Laporte #306 | Owatonna #761 | Stillwater #834 | |
| Cambell-Tintah #852 | Gary #523 | LeCenter #392 | Park Rapids #309 | Strandquist #444 | |
| Canby #891 | Gaylord #732 | LeRoy-Ostrander #499 | Parkers Prairie #547 | Suburban Hennepin | |
| Cannon Falls #252 | Gibbon #733 | LeSueur #393 | Paynesville #741 | Vo Tech | |
| Carlton #93 | Gilbert #699 | Lester Prairie #424 | Pelican Rapids #548 | Swanville #486 | |
| Cass Lake #115 | Glencoe #422 | Lewiston #857 | Pequot Lakes #186 | Taylor Falls #140 | |
| Ceylon #451 | Glenville #245 | Lindstrom-Chisago | Perham #549 | Thief River Falls #564 | |
| Chaska #112 | Glenwood #612 | Lakes #141 | Peterson #232 | Tower-Soudan #708 | |
| Chatfield #227 | Glyndon-Felton #145 | Litchfield #465 | Pierz #484 | Tracy #417 | |
| Chisholm #695 | Gonvick #158 | Little Falls #482 | Pillager #116 | Trimont #457 | |
| Chokio #771 | Goodhue #253 | Littlefork-Big Falls #362 | Pine City #578 | Truman #458 | |
| Circle Pines #12 | Goodridge #561 | Long Prairie #792 | Pine City Vo Tech | Twin Valley #526 | |
| Clara City #126 | Graceville #60 | Lyle #497 | Pine Island #255 | Tyler #409 | |
| Claremont #201 | Granada-Huntley #460 | Lynd #415 | Pine River #117 | Ulen-Hitterdal #914 | |
| Clarissa #789 | Grand Marais #166 | Mabel-Canton #238 | Pipestone #583 | Underwood #550 | |
| Clarkfield #892 | Grand Meadow #495 | Madelia #837 | Plainview #810 | Upsala #487 | |
| Clearbrook #161 | Grand Rapids #318 | Madison #377 | Plummer #628 | Verdi #408 | |
| Cleveland #391 | Granite Falls #894 | Magnolia #669 | Preston #233 | Verndale #818 | |
| Climax #592 | Greenbush #678 | Mahnomen #432 | Princeton #477 | Villard #615 | |
| Clinton #58 | Grey Eagle #791 | Mahtomedi #832 | Prior Lake #719 | Virginia #706 | |
| Cloquet #94 | Grove City #464 | Mankato #77 | Proctor #704 | Wabasha-Kellogg #811 | |
| Cold Spring #750 | Grygla #447 | Maple Lake #881 | Randolph #195 | Wabasso #640 | |
| Coleraine #316 | Hallock #351 | Mapleton #72 | Raymond #346 | Waconia #110 | |
| Columbia Heights #13 | Halstad #524 | Marietta #376 | Red Lake #38 | Wadena #819 | |
| Comfrey #81 | Hancock #768 | Marshall #413 | Red Lake Falls #630 | Wadena Vo Tech | |
| Cosmos #461 | Harmony #228 | Maynard #127 | Red Wing #256 | Waldorf-Pemberton #913 | |
| Cottonwood #412 | Hastings #200 | Mazeppa #809 | Redwood Falls #637 | Walker #119 | |
| Cromwell #95 | Hawley #150 | McGregor #4 | Remer #118 | Walnut Grove #641 | |
| Crookston #593 | Hawfield #203 | McIntosh #603 | Renville #654 | Wanamingo #258 | |
| Crosby-Ironton #182 | Hector #651 | Medford #763 | Richfield #280 | Warren #446 | |
| Cyrus #611 | Henderson #734 | Melrose #740 | Robbinsdale #281 | Warroad #690 | |
| Dakota County Vo Tech | Hendricks #402 | Menahga #821 | Rochester #535 | Waseca #829 | |
| Danube #648 | Hendrum #525 | Mentor #604 | Rock County #670 | Watertown-Mayer #111 | |
| Dassel-Cokato #466 | Hennepin Vo Tech #287 | Middle River #440 | Rockford #883 | Waterville-Elyson #395 | |
| Dawson #378 | Henning #545 | Milaca #912 | Roseau #682 | Waubun-Ogema- | |
| Deer Creek #543 | Herman #264 | Milan #128 | Rosemount #196 | White Earth #435 | |
| Deer River #317 | Hermantown #700 | Milroy #635 | Roseville #623 | Wayzata #284 | |
| Delano #879 | Heron Lake-Okabena #330 | Minneapolis #15 | Rothsay #850 | Welcome #459 | |
| Delavan #218 | Hibbing #701 | Minneota #414 | Round Lake #516 | Wellcome Memorial- | |
| Detroit Lakes #22 | Hill City #2 | Minnesota Lake #233 | Royalton #485 | Garden City #78 | |
| Dilworth #147 | Hills-Beaver Creek #671 | Minnesota River Valley #993 | Rush City #139 | Wells #224 | |
| Dodge Center #202 | Hinckley #573 | Minnetonka #276 | Rushford #234 | West Concord #205 | |
| Duluth #709 | Hoffman #265 | Montevideo #129 | Russell #418 | West St. Paul #197 | |
| Eagle Bend #790 | Holdingford #738 | Montgomery #394 | Ruthton #584 | Westbrook #175 | |
| East Chain #453 | Hopkins #270 | Monticello #882 | Sacred Heart #655 | Wheaton #803 | |
| East Grand Forks #595 | Houston #294 | Moorhead #152 | St. Anthony #282 | White Bear Lake #624 | |

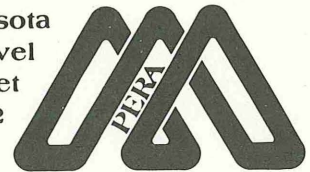
MISCELLANEOUS

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

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

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

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



Dear Chief Financial Officer:

We are pleased to forward our Comprehensive Annual Financial Report (CAFR) for June 30, 1987. Our 1986 CAFR was presented a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). I believe that this current report continues to conform with the Certificate of Achievement program's requirements. I am, therefore, submitting it to the GFOA so that they may determine its eligibility for a certificate.

In November 1986 the Governmental Accounting Standards Board issued Statement No. 5, "Disclosure of Pension Information by Public Employees Retirement Systems and State and Local Governmental Employers." This Statement establishes standards for disclosure of pension information by public employee retirement systems (PERS) and by their governmental employers in notes to financial statements and required supplementary information. The disclosures required by this Statement are intended to provide information needed to assess (a) funding status of a PERS on a going-concern basis, (b) progress made in accumulating sufficient assets to pay benefits when due, and (c) whether employers are making actuarially determined contributions.

Recently we at PERA, in conjunction with the Governmental Accounting and Auditing Committee of the Minnesota Society of Certified Public Accountants, have worked up suggested financial statement footnote disclosures relating to PERA for inclusion in your financial statements for 1987. These suggested disclosures are enclosed with an outline of the requirements for disclosure of a governmental employer contribution to a cost-sharing multiple employer PERS (Minnesota PERA).

The following information from PERA is needed to satisfy the requirements of Statement 5:

1. The actuarial present value of credited projected benefits and net assets available for benefits:

| | Public Employees Retirement Fund | Public Employees Police & Fire Fund |
|---|---|--|
| Total Pension Benefit Obligations | \$2,839,047,000 | \$437,229,000 |
| Net Assets Available for Benefits, at cost | \$2,382,503,000 | \$484,462,000 |
| Adjustment for Market | \$ 226,188,000 | \$ 65,072,000 |
| Net Assets Available for Benefits, at Market | \$2,608,691,000 | \$549,534,000 |

The total pension benefit obligation was calculated by our actuary, The Wyatt Company, as of June 30, 1987. The net assets available for benefits, at cost, can be found on page 24 of our CAFR for June 30, 1987. The adjustment for market value is found on page 33 by subtracting the cost from market value.

2. Statement 5 requires that the units' employer contributions be expressed as a percentage of all of the employer contributions received by the PERS. The total employer contribution received by the Public Employees Retirement Fund is \$74,391,000 and by the Public Employees Police and Fire Fund is \$18,596,000. This information is found on page 25. The employer contribution you paid into PERA, divided by the appropriate figure shown above will give you the percentage figure you need.
3. Related Party Investments - During 1987 and as of June 30, 1987, PERA held no securities issued by a local governmental entity within the State of Minnesota.

Please give a copy of this letter and enclosures to your auditing firm for their use during the annual audit. If either you or your auditor has questions about this material, please call.

Statement 5 is effective for financial reports issued for fiscal years beginning after December 15, 1986. We hope that this information will assist you in preparing your 1987 financial statements.

Sincerely,

Gary B. Hovland
Acting Manager of Finance

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

SUGGEST FOOTNOTE DISCLOSURE

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

JANUARY 6, 1988

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

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

XX. Defined Benefit Pension Plans - Statewide

A. Plan Description

All full-time and certain part-time employees of the City of Anytown are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund and the Public Employees Police and Fire Fund which are cost-sharing multiple-employer public employee retirement systems. The payroll for employees covered by PERA plans for the year ended December 31, 1987, was \$_____; the City's total payroll was \$_____.

All full-time employees and certain part-time employees are eligible to participate in the PERA plans. Public Employees Retirement Fund members belong to either the Coordinated Fund or the Basic Fund. Coordinated members are covered by Social Security and Basic members are not. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the Police and Fire Fund. The PERA plans provide pension benefits, deferred annuity, and death and disability benefits. Benefits are established by State statute.

Retirement benefits for members of the Basic and Coordinated Funds are as follows:

- (a) When age plus years of service equal 90, the full unreduced normal annuity is payable.
- (b) As early as age 55 with at least 5 years of paid service credit; annuity reduced 1/4 percent for each month under age 65.
- (c) Any age with at least 30 years, reduced by 1/4 percent for each month under age 62.
- (d) Age 65 or older with at least one but less than 5 years of paid service credit (proportionate annuity). Must terminate service at age 65 or older.
- (e) Age 55 with at least 5 years of paid service credit or any age with at least 30 years representing PERA service combined with other fund coverage.

Retirement benefits for members of the Police and Fire Funds are as follows:

- (a) When age plus years of service equal 90, the full unreduced normal annuity is payable.
- (b) Age 55 or older with at least 5 years' service credit.
- (c) Age 55 or older with at least 5 years paid service credit representing PERA service combined with other fund coverage.

- (d) Age 65 or older with at least 1 year of paid service credit (proportionate annuity). Must terminate service at age 65 or older.

A member who terminates public service with five or more years of credited allowable service may leave his or her amount in the fund to qualify for an annuity at retirement age. The annuity as determined under the formula will be increased from the first of the month following date of termination at prescribed interest rates. The former member may accept a refund at any time prior to the date retirement annuity begins.

The funds also provide various death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive amounts determined as defined by the funds.

B. Contributions Required and Made

Covered employees are required by State statute to contribute fixed percentages of their gross earnings to the pension plans. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Current contribution rates for the plans are as follows:

| | <u>Employee</u> | <u>Employer</u> | <u>Additional Employer</u> |
|-----------------------------------|-----------------|-----------------|--------------------------------|
| Public Employees Retirement Fund: | | | |
| Basic Fund | 8% | 8% | 2 1/2% |
| Coordinated Fund | 4% | 4% | 1/4% |
| Police and Fire Fund | 8% | 12% | 0 |

Total contributions made during fiscal year 1987 amounted to \$_____, of which \$_____ was made by the City and \$_____ was made by employees. These contributions represented _____ percent (City) and _____ percent (employees) of the covered payroll.

C. Funding Status and Progress

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

The pension benefit obligations of the PERA as of June 30, 1987, were as follows:

| | Public Employees Retirement Fund | Public Employees Police & Fire Fund |
|---|---|--|
| | <u>(in millions)</u> | |
| Total pension benefit obligations | \$ | \$ |
| Net assets available for benefits, at market | <u> </u> | <u> </u> |
| Unfunded pension benefit obligation | <u>\$</u> | <u>\$</u> |

The actuarial calculations of annual contributions include amounts that would be required to achieve full (100 percent) funding by the year 2009.

The measurement of the pension benefit obligation is based on an actuarial valuation as of June 30, 1987. Net assets available to pay pension benefits were valued as of June 30, 1987.

The City's contribution for the year ended June 30, 19__ to PERA plans represented __. __ percent of total contributions required of all participating entities.

Ten-year historical trend information is presented in PERA's State PERS Comprehensive Annual Financial Report for the year ended June 30, 1987. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

D. Related Party Investments

During 1987 and as of June 30, 1987, PERA held no securities issued by the City or other related parties.