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Public Employees Retirement Association

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<https://www.mnpera.org/>

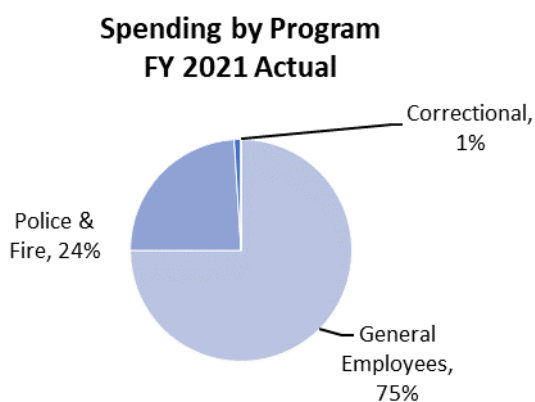
AT A GLANCE

- The Public Employees Retirement Association (PERA) was established in 1931.
- PERA is governed by an 11-member board of trustees.
- In accordance with Minnesota Statute, PERA administers:
 - Three cost-sharing multiple-employer defined benefit retirement plans;
 - One agent multiple-employer defined benefit plan;
 - One defined contribution plan; and,
 - One agency fund to account for a limited number of local governments' Other Post Employment Benefit (OPEB) contributions.
- During fiscal year 2021, PERA:
 - Collected approximately \$1.4 Billion in member and employer contributions;
 - Earned approximately \$9.7 Billion on its investments;
 - Paid almost \$2.3 Billion in benefit payments;
 - Returned more than \$70 million in lump-sum refund payments to terminated members; and
 - Made defined contribution payments of almost \$7 million.
- PERA has over 2,000 total participating employers including townships, cities, counties, schools, and other miscellaneous local governments as defined in Minnesota Statute.
- PERA had 164,774 defined benefit fund members, 155,857 inactive members, and 125,460 annuitants receiving benefits at the end of fiscal year 2021.

PURPOSE

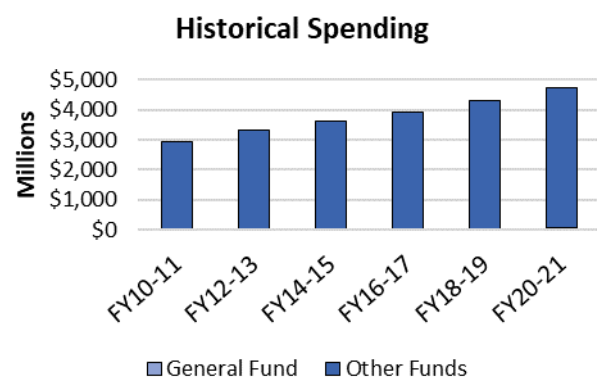
The Public Employee Retirement Association's (PERA) mission is to administer and promote sustainable retirement plans and provide services our member's value. PERA does this by providing secure retirement benefits members can count on at affordable rates for public employers, with member-focused service delivery.

BUDGET



Notes: (1) The Statewide Volunteer Firefighter Plan and the Defined Contribution Plan spending represents less than one percent of the total spending. (2) Spending includes retirement benefits, refunds of contributions, and administrative expenses.

Source: PERA 2021 Comprehensive Annual Financial Report



Notes: (1) Although indiscernible on the bar chart, General Fund appropriations finance some retirement benefits for the General Employees and Police & Fire Employees Plans. (2) Other Funds includes PERA's pension trust funds.

Source: PERA 2021 Comprehensive Annual Financial Report

PERA administers three defined benefit plans: General Employees, Correctional, and Police & Fire Plans. All of these plans are funded primarily with investment earnings which compromise approximately 71 percent of revenues over the last 10 years. Plan member and employer contributions comprised about 13 percent and 16 percent, respectively, of revenues in the same period.

PERA receives annual General Fund appropriations. In fiscal year 2021, PERA received General Fund appropriations totaling \$34 million as listed below:

- Under Minnesota Statute 353.505, the State of Minnesota will contribute \$16 million annually until September 2031, to help pay off the unfunded liability that existed when Minneapolis Employees Retirement Fund (MERF) was consolidated into PERA in 2010.
- Under M.S. 353.65, PERA also received \$9 million of “direct state aid” for the Police and Fire Plan in fiscal year 2021. This aid continues through the earlier of fiscal year 2048 or when the plan reaches a 100% funded ratio based on the actuarially determined value of the plan’s assets.
- Finally, under M.S. 423A.022, PERA receives \$9 million per year in “supplemental aid” for the Police and Fire Plan. This aid terminates at the earlier of July 1, 2048 or December 1 of the year after the fiscal year-end in which the values of *both* the State Patrol retirement plan and the PERA Police and Fire Plan actuarial value of assets equals or exceeds 90% of actuarially determined liabilities.

PERA’s expenditures consist primarily of retirement benefit payments and refunds of contributions. PERA’s administrative expense for these funds continue to be less than 1/10 of 1% of plan net assets.

STRATEGIES

PERA’s core functions include collecting, recording, and maintaining the accounting of retirement contributions; collecting and managing member information; issuing benefit and refund payments; and delivering education and training through counseling, workshops and publications.

RESULTS

The 2018 Legislature enacted significant pension reforms for the General Employees, Police & Fire, and Correctional Plans including lowering PERA’s investment earnings assumption from 8.0% annually to 7.5% annually. The full funding amortization date for the General Plan, the Police & Fire Plan, and for the Correctional Plan is 2048.

Three measures of a defined benefit plan’s financial health are:

- **Funded Ratio** – This ratio is the percent of a retirement fund’s net assets, calculated for actuarial purposes, that is available to pay the present value of benefits that employees already earned. The higher the ratio, the better positioned the retirement plan is to pay future benefits when they become due.
- **Contribution Sufficiency/(Deficiency) Rate** – This rate is the difference between the actuary’s computation of required employer and employee contributions rates and the statutory contribution rates, expressed as a percent of payroll. A sufficiency indicates that the plan is on target to reach a 100% funded ratio before its full funding date; conversely, a deficiency means the retirement system is not collecting enough contributions to its full funding target date.
- **Unfunded Actuarial Accrued Liability** – This is the difference between the actuary’s valuation of assets and the present value of member’s future benefits.

Type of Measure	Performance Measure – Market Value of Assets	06/30/20	6/30/21
Quality	PERA General Plan Funding Ratio	79.0%	97.9%
Quality	PERA General Plan Contribution Sufficiency/(Deficiency)	1.4%	2.8%
Quality	PERA General Plan Unfunded Actuarial Accrued Liability	\$6.0 billion	\$628 million
Quality	PERA Police & Fire Plan Funding Ratio	87.2%	105.6%
Quality	PERA Police & Fire Plan Contribution Sufficiency/(Deficiency)	4.1%	6.4%
Quality	PERA Police & Fire Plan Unfunded Actuarial Accrued Liability	\$1.3 billion	-\$604 million
Quality	PERA Correctional Plan Funding Ratio	96.7%	119.0%
Quality	PERA Correctional Plan Contribution Sufficiency/(Deficiency)	0.1%	2.8%
Quality	PERA Correctional Plan Unfunded Actuarial Accrued Liability (Asset)	\$27 million	-\$165 million

PERA is governed by Minnesota Statutes Chapters 353, 353D, and, 353E (<https://www.revisor.mn.gov/statutes>).

Public Employees Retirement Association

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base	
					FY24	FY25
<u>Expenditures by Fund</u>						
7100 - Public Employees Retirement	1,602,430	1,737,521	1,832,776	1,950,937	2,143,341	2,334,782
7110 - Police and Fire	572,514	597,631	639,318	654,068	673,666	693,473
7120 - PERA Correctional Plan	20,375	22,344	26,206	28,080	29,993	31,956
7130 - Minneapolis Employee Ret Plan	109,974	8,879				
7140 - Volunteer Firefighter Ret Plan	7,623	5,772	5,296	5,559	6,135	6,298
7190 - PERA Defined Contribution Plan	4,293	7,076	8,474	8,783	9,223	9,684
Total	2,317,209	2,379,222	2,512,070	2,647,427	2,862,358	3,076,193
Biennial Change				463,066		779,054
Biennial % Change				10		15
<u>Expenditures by Program</u>						
Public Employee Retirement Asn	2,317,209	2,379,222	2,512,070	2,647,427	2,862,358	3,076,193
Total	2,317,209	2,379,222	2,512,070	2,647,427	2,862,358	3,076,193
<u>Expenditures by Category</u>						
Compensation	9,894	10,101	10,602	12,356	13,437	13,902
Operating Expenses	5,518	6,400	6,849	17,197	20,920	21,073
Other Financial Transaction	2,301,797	2,362,721	2,494,618	2,617,874	2,828,001	3,041,218
Total	2,317,209	2,379,222	2,512,070	2,647,427	2,862,358	3,076,193
<u>Full-Time Equivalents</u>						
	96.15	94.42	98.25	121.00	124.00	124.00

Public Employees Retirement Association

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base	
	FY20	FY21	FY22	FY23	FY24	FY25
7100 - Public Employees Retirement						
Open Appropriation	1,603,191	1,738,288	1,833,544	1,951,705	2,144,056	2,335,162
Transfers Out	761	766	768	768	715	380
Expenditures	1,602,430	1,737,521	1,832,776	1,950,937	2,143,341	2,334,782
Biennial Change in Expenditures			443,762		694,410	
Biennial % Change in Expenditures			13		18	
Full-Time Equivalents	96.15	94.42	98.25	121.00	124.00	124.00

7110 - Police and Fire

Open Appropriation	572,514	597,631	639,318	654,068	673,666	693,473
Expenditures	572,514	597,631	639,318	654,068	673,666	693,473
Biennial Change in Expenditures				123,241		73,753
Biennial % Change in Expenditures				11		6

7120 - PERA Correctional Plan

Open Appropriation	20,375	22,344	26,206	28,080	29,993	31,956
Expenditures	20,375	22,344	26,206	28,080	29,993	31,956
Biennial Change in Expenditures				11,566		7,663
Biennial % Change in Expenditures				27		14

7130 - Minneapolis Employee Ret Plan

Open Appropriation	109,974	8,879		0	0	0
Expenditures	109,974	8,879				
Biennial Change in Expenditures				(118,852)		0
Biennial % Change in Expenditures				(100)		

7140 - Volunteer Firefighter Ret Plan

Open Appropriation	7,623	5,772	5,296	5,559	6,135	6,298
Expenditures	7,623	5,772	5,296	5,559	6,135	6,298
Biennial Change in Expenditures				(2,540)		1,578
Biennial % Change in Expenditures				(19)		15

7190 - PERA Defined Contribution Plan

Public Employees Retirement Association

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base	
					FY24	FY25
Open Appropriation	4,293	7,076	8,474	8,783	9,223	9,684
Expenditures	4,293	7,076	8,474	8,783	9,223	9,684
Biennial Change in Expenditures				5,888		1,650
Biennial % Change in Expenditures				52		10

Public Employees Retirement Association

Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Open				
Fund: 7100 - Public Employees Retirement				
FY2023 Appropriations	1,769,720	1,769,720	1,769,720	3,539,440
Base Adjustments				
Forecast Open Appropriation Adjustment	181,985	374,336	565,442	939,778
Forecast Base	1,951,705	2,144,056	2,335,162	4,479,218
Fund: 7110 - Police and Fire				
FY2023 Appropriations	593,032	593,032	593,032	1,186,064
Base Adjustments				
Forecast Open Appropriation Adjustment	61,036	80,634	100,441	181,075
Forecast Base	654,068	673,666	693,473	1,367,139
Fund: 7120 - PERA Correctional Plan				
FY2023 Appropriations	21,478	21,478	21,478	42,956
Base Adjustments				
Forecast Open Appropriation Adjustment	6,602	8,515	10,478	18,993
Forecast Base	28,080	29,993	31,956	61,949
Fund: 7130 - Minneapolis Employee Ret Plan				
FY2023 Appropriations	1,000	1,000	1,000	2,000
Base Adjustments				
Forecast Open Appropriation Adjustment	(1,000)	(1,000)	(1,000)	(2,000)
Forecast Base	0	0	0	0
Fund: 7140 - Volunteer Firefighter Ret Plan				
FY2023 Appropriations	6,363	6,363	6,363	12,726
Base Adjustments				
Forecast Open Appropriation Adjustment	(804)	(228)	(65)	(293)
Forecast Base	5,559	6,135	6,298	12,433
Fund: 7190 - PERA Defined Contribution Plan				
FY2023 Appropriations	6,889	6,889	6,889	13,778
Base Adjustments				
Forecast Open Appropriation Adjustment	1,894	2,334	2,795	5,129
Forecast Base	8,783	9,223	9,684	18,907

(Dollars in Thousands)

Revenue Change Summary

Non-Dedicated	FY23	FY24	FY25	Biennium 2024-25
Fund: 7100 - Public Employees Retirement				
Forecast Revenues	2,840,928	2,985,659	3,137,767	6,123,426
Fund: 7110 - Police and Fire				
Forecast Revenues	1,019,523	1,071,440	1,126,002	2,197,442
Fund: 7120 - PERA Correctional Plan				
Forecast Revenues	60,335	63,436	66,696	130,132
Fund: 7140 - Volunteer Firefighter Ret Plan				
Forecast Revenues	13,195	13,854	14,547	28,401
Fund: 7190 - PERA Defined Contribution Plan				
Forecast Revenues	14,301	15,016	15,767	30,783