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Agency Purpose

Established by legislative act in 1931, the Public Employees Retirement Association (PERA) of Minnesota administers four public employee retirement plans in accordance with M.S. sections 353, 353A, 353D, 353E and 356. PERA's membership includes employees of cities, counties, schools, other local governments, and retired annuitants. In addition, PERA works with 2,100 separate governmental employers within the state, as defined in M.S. 353.01 subd. 6.

PERA's purpose is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services. PERA's vision is to provide on-demand access to reliable pension information and superior customer service.

Core Functions

PERA functions under the direction of an Executive Director responsible to a policy-setting 11-member Board of Trustees. Core functions include:

- ◆ collecting and managing retirement contributions;
- ◆ collecting and managing member information;
- ◆ issuing benefit and refund payments; and
- ◆ delivering education and training.

Operations

PERA administers four separate funds. Each has specific membership, contribution, benefit, and pension provisions.

- ◆ The Public Employees Retirement Fund (PERF) encompasses two plans. The Basic plan includes employees who are not covered by Social Security and was closed to new members in 1968. The Coordinated plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security.
- ◆ The Public Employees Police and Fire Fund (PEPFF) originally established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all police officers and firefighters hired since 1980.
- ◆ The Local Government Correctional Service Retirement Fund (PECF), created in 1999, covers correctional officers serving in county and regional adult and juvenile correctional facilities.
- ◆ The Public Employees Defined Contribution Plan was established in 1987 to provide a retirement plan for ambulance service personnel but has been expanded to encompass physicians, elected officials (except county sheriffs), city managers, and volunteer fire fighters.
- ◆ The Account for Local Government Post Employment Benefits, created in 2007 and 2008 allows local governments to establish a trust fund to be used only to fund and pay for the post employment benefits owed to retired employees.

Contributions

Member contributions, employer contributions, and investment earnings cover the liability for present and future benefits. Each membership category within the association has a specific contribution rate set by statute. The rates for the Coordinated Plan and Police & Fire Fund are scheduled to increase incrementally beginning 01-01-2006 until 01-01-2010. Contribution rates as of 06-30-2008 were:

At A Glance

(As reported in the Fiscal Year 2007 CAFR)

PERA is the administrator of three cost-sharing, multiple-employer retirement plans, and one multiple-employer defined contribution plan.

PERA does not receive direct state appropriations. Income is derived solely from member and employer contributions plus investment earnings. Income exceeding benefits paid is reinvested in the plan to cover future benefits.

Annual Business Processes

Benefits Paid (in thousands)	
Benefits	\$1,066,116
Refunds	29,107

Membership Counts	
Active members	160,512
Deferred members	42,259
Annuitants	68,743

Funding Ratio	
PERA Coordinated	73.3%
Police & Fire Fund	91.7%
Correctional Fund	98.4%

Fund	Employee Contribution	Employer Contribution
PERA Basic Plan	9.10%	11.78%
PERA Coordinated Plan	6.00%	6.50%
Police & Fire Fund	8.60%	12.90%
Correctional Fund	5.83%	8.75%

Pension Benefits

Each membership category has similar benefits. Retirement, survivor, and disability pensions are available to members who meet certain eligibility requirements defined by their plan. In addition, refunds of contributions are available at any time to members who leave public service and are not receiving a pension.

Key Goals

PERA's purpose is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services. PERA's vision is to provide on-demand access to reliable pension information and superior customer service.

- ◆ Extend our ability to deliver core retirement planning services on-demand to members;
- ◆ Expand reporting options for employers to allow their agencies and PERA to more effectively fulfill our shared administration duties and meet members service needs; and
- ◆ Further develop staff's knowledge and skills to support changing job responsibilities to meet the mission and vision.

Key Measures

Two important measures of the health of a retirement system are the level of funding and the contribution sufficiency or deficiency. The better the level of funding, the larger the ratio of assets to accrued liabilities and a higher degree of assurance that promised pension benefits are secure. A contribution sufficiency means that member and employer contribution rates are high enough to fully fund the promised pension benefits by the date set in statute while a contribution deficiency indicates that the rates do not cover the cost of the promised pension benefits. The figures shown are as of 6-30-2007 and do not reflect future contribution rate increases.

Fund	Funding Ratio	Sufficiency / (Deficiency)
PERA Basic & Coordinated Plan	73.3%	(1.06)%
Police & Fire Fund	91.7%	(7.98)%
Correctional Fund	98.4%	2.22%

Budget

PERA operates within a dedicated pension trust fund designed for the exclusive use of its members and beneficiaries. The Commissioner of Finance maintains an open appropriation account to fund expenditures. PERA FY 2009 expenditures are budgeted at \$950 million for the PERF, \$375 million for the PEPFF, \$2.5 million for the PECF and \$1.6 million for the PEDCP. Over 98% of the expenditure budget is for the payment of benefits and refunds. The PERA Board of Trustees annually approves an operating budget for administrative expenses. For FY 2009 administrative expenses are budgeted at \$11,936,178. PERA revenues for FY 2009 are expected to be about \$600 million, exclusive of investment income that may be earned.

Contact

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Dollars in Thousands

	Current		Governor Recomm.		Biennium 2010-11
	FY2008	FY2009	FY2010	FY2011	
<u>Direct Appropriations by Fund</u>					
Other Post Employment Benefit					
Current Appropriation	1,600	150	150	150	300
Recommended	1,600	150	150	150	300
Change		0	0	0	0
% Biennial Change from 2008-09					-82.9%
Retirement System Building					
Current Appropriation	1,352	1,352	1,352	1,352	2,704
Recommended	1,352	1,352	1,352	1,352	2,704
Change		0	0	0	0
% Biennial Change from 2008-09					0%
<u>Expenditures by Fund</u>					
Open Appropriations					
Public Employees Retirement	864,969	980,000	980,000	980,000	1,960,000
Pera Correctional Plan	3,013	2,500	2,500	2,500	5,000
Police And Fire	297,534	375,000	375,000	375,000	750,000
Statutory Appropriations					
Pera Defined Contribution Plan	1,571	1,600	1,600	1,600	3,200
Other Post Employment Benefit	15,800	7,550	6,150	6,150	12,300
Retirement System Building	965	6,836	2,777	2,777	5,554
Total	1,183,852	1,373,486	1,368,027	1,368,027	2,736,054
<u>Expenditures by Category</u>					
Total Compensation	6,450	7,264	7,264	7,264	14,528
Other Operating Expenses	4,315	910,936	906,877	906,877	1,813,754
Other Financial Transactions	1,173,087	455,286	453,886	453,886	907,772
Total	1,183,852	1,373,486	1,368,027	1,368,027	2,736,054
<u>Expenditures by Program</u>					
Public Empl Retr Asn	1,183,852	1,373,486	1,368,027	1,368,027	2,736,054
Total	1,183,852	1,373,486	1,368,027	1,368,027	2,736,054
Full-Time Equivalent (FTE)	87.0	86.7	86.7	86.7	

PUBLIC EMPLOYEES RETIRE ASSOC

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
Pera Defined Contribution Plan	2,897	4,000	4,000	4,000	8,000
Public Employees Retirement	594,092	500,000	500,000	500,000	1,000,000
Pera Correctional Plan	22,674	20,000	20,000	20,000	40,000
Other Post Employment Benefit	200	0	0	0	0
Police And Fire	153,643	100,000	100,000	100,000	200,000
Total Non-Dedicated Receipts	773,506	624,000	624,000	624,000	1,248,000
<u>Dedicated Receipts:</u>					
Other Revenues:					
Other Post Employment Benefit	15,600	6,000	6,000	6,000	12,000
Retirement System Building	807	1,425	1,425	1,425	2,850
Total Dedicated Receipts	16,407	7,425	7,425	7,425	14,850
Agency Total Revenue	789,913	631,425	631,425	631,425	1,262,850