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Public Employees Retirement Association

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www.mnpera.org

AT A GLANCE

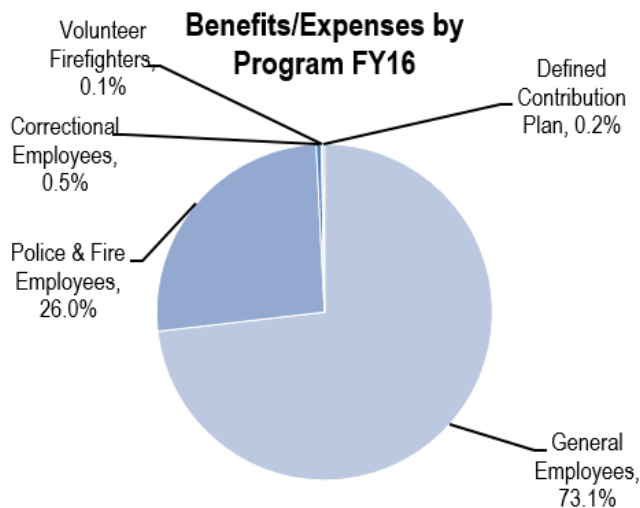
- Benefits Paid (in thousands)
 - Benefits \$1,868,800
 - Refunds \$44,370
 - Membership
 - 160,400 Active Members
 - 192,000 Inactive Members
 - 105,000 Annuitants
- Source: 2016 Financial Statements

PURPOSE

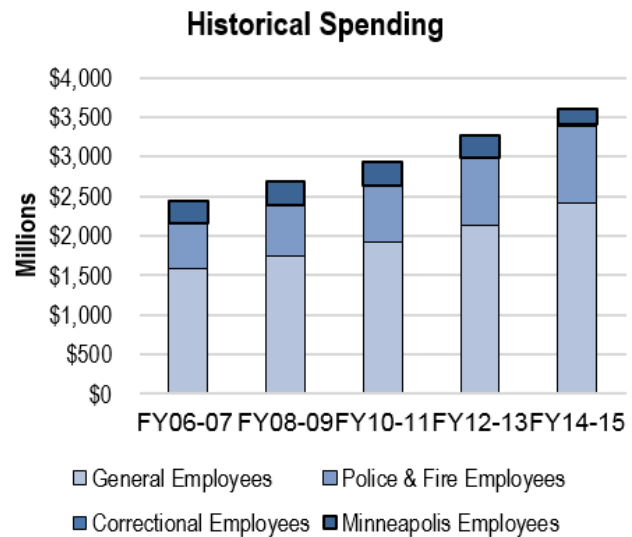
The Public Employees Retirement Association (PERA) of Minnesota administers four defined benefit retirement plans, one defined contribution retirement plan, and one agency fund in accordance with Minnesota Statute sections 353, 353A, 353D, 353E, 353G and 356. PERA's membership includes approximately 356,000 active and inactive (vested and non-vested) employees and 105,000 benefit annuitants from over 2,100 separate governmental entities, including townships, cities, counties, schools and other miscellaneous local governments as defined in M.S. 353.01, subd. 6.

PERA's overarching goal is to ensure that contributions collected from members and employers and the investment earnings on those contributions will be sufficient to provide promised benefits to benefit recipients, allowing public employees the opportunity to achieve a successful and secure retirement without relying on the State for financial support. Investment income accounts for almost 66 percent of PERA's revenues. Member contributions account for another 15 percent and employer contributions from local governments make up the difference of 19 percent. The State of Minnesota contributes \$16 million each year through the year 2031 to help pay off the unfunded liability that existed when MERF was consolidated into PERA in 2010. PERA also receives \$9 million each year for the Minneapolis Police and Minneapolis Fire funds that consolidated with the PERA Police & Fire plan in 2012. PERA does not receive any other direct appropriations from the General Fund.

BUDGET



Source: 2016 Financial Statements



Source: 2015 CAFR

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. Benefit payments have a financial impact on the state's economy and provide benefit recipients and their families the opportunity to lead healthy, productive lives during their retirement years. Since 1980 when the State Board of Investment adjusted their asset allocation, investments have returned an annualized 9.9 percent, allowing contribution rates to remain relatively stable. PERA's administrative costs are also very low at less than 5 hundredths of 1 percent of assets.

RESULTS

A recent study from the National Institute on Retirement Security (NIRS) found that in 2014 the income of retired public employees in the State of Minnesota resulted in the creation of 46,581 new jobs that paid \$2.2 billion in wages and salaries. The benefits paid to residents of our state from the three major retirement systems generated \$7 billion in economic output and federal, state, and local tax revenues of \$1.2 billion in 2012. Every dollar of pension benefits paid generated \$1.75 in total economic activity in Minnesota. PERA monthly pays over \$155 million in annuity benefits to the 105,000 benefit recipients, of which more than 90 percent live in the State of Minnesota.

The two most important measures of the health of a defined benefit retirement system are (1) the level of funding and (2) whether contribution rates are sufficient to earn enough assets to cover pension liabilities over the life time of the members. The following Performance Measures table shows the funded ratio, by plan, and the contribution sufficiency/(deficiency) as a percent of payroll, along with the unfunded actuarial accrued liability as of 6/30/14 and as of 6/30/15 (the most recent data available as of the writing of this narrative) for PERA's three defined benefit plans. While all three plans are on track to become fully funded at some point in the future, Minnesota Statute requires that the unfunded liability be amortized over a closed period of time. The full funding amortization date for the General Plan is 2034; for the Police & Fire Plan is 2041; and for the Correctional Plan is 2031. The contribution sufficiency/deficiency ratios shown below indicate whether or not existing contribution rates are sufficient to get the plans fully funded by their full funding amortization date. The numbers below use the actuarial value of assets.

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>6/30/14</i> | <i>6/30/15</i> |
|------------------------|--|----------------|----------------|
| Quality | PERA General Plan Funding Ratio | 73.5% | 76.3% |
| Quality | PERA General Plan Contribution Sufficiency | (2.05)% | (1.23)% |
| Quantity | PERA General Plan Unfunded Actuarial Liability | \$5.6 Billion | \$5.6 Billion |
| Quality | PERA Police & Fire Plan Funding Ratio | 80.1% | 83.6% |
| Quality | PERA Police & Fire Plan Contribution Sufficiency | (5.12)% | (2.70)% |
| Quantity | PERA Police & Fire Plan Unfunded Actuarial Liability | \$1.6 Billion | \$1.4 Billion |
| Quality | PERA Correctional Plan Funding Ratio | 96.2% | 95.6% |
| Quality | PERA Correctional Plan Contribution Sufficiency | 1.09% | 0.04% |
| Quantity | PERA Correctional Plan Unfunded Actuarial Liability | \$16 Million | \$22 Million |

Minnesota Statute sections 353 (<https://www.revisor.mn.gov/statutes/?id=353>), 353D (<https://www.revisor.mn.gov/statutes/?id=353D>), 353E (<https://www.revisor.mn.gov/statutes/?id=353E>)

(Dollars in Thousands)

Expenditures By Fund

| | Actual FY14 | Actual FY15 | Actual FY16 | Estimate FY17 | Forecasted Base | |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | | | FY18 | FY19 |
| 7100 - Public Employees Retirement | 1,163,472 | 1,223,186 | 1,287,391 | 1,514,395 | 1,659,591 | 1,823,644 |
| 7110 - Police And Fire | 454,748 | 484,372 | 501,718 | 600,000 | 660,000 | 730,000 |
| 7120 - Pera Correctional Plan | 7,838 | 8,887 | 10,417 | 12,000 | 13,000 | 14,000 |
| 7130 - Minneapolis Employee Ret Plan | 134,999 | 132,014 | 127,621 | 130,000 | 130,000 | 130,000 |
| 7140 - Volunteer Firefighter Ret Plan | 1,174 | 1,329 | 1,716 | 3,000 | 6,000 | 8,000 |
| 7190 - Pera Defined Contribution Plan | 2,836 | 3,524 | 3,769 | 5,000 | 5,500 | 6,500 |
| 7401 - Retirement System Building | 1,380 | 1,277 | 1,455 | 1,500 | 1,500 | 1,500 |
| Total | 1,766,448 | 1,854,589 | 1,934,087 | 2,265,895 | 2,475,591 | 2,713,644 |
| <i>Biennial Change</i> | | | | 578,945 | | 989,252 |
| <i>Biennial % Change</i> | | | | 16 | | 24 |

Expenditures by Program

| | | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Program: Public Employee Retirement | | | | | | |
| Asn | 1,766,448 | 1,854,589 | 1,934,087 | 2,265,895 | 2,475,591 | 2,713,644 |
| Total | 1,766,448 | 1,854,589 | 1,934,087 | 2,265,895 | 2,475,591 | 2,713,644 |

Expenditures by Category

| | | | | | | |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Compensation | 7,733 | 7,980 | 8,435 | 9,442 | 9,536 | 9,631 |
| Operating Expenses | 5,351 | 6,419 | 6,132 | 7,138 | 7,638 | 7,138 |
| Other Financial Transactions | 1,753,365 | 1,840,189 | 1,919,520 | 2,249,315 | 2,458,417 | 2,696,875 |
| Grants, Aids and Subsidies | 0 | | | | | |
| Capital Outlay-Real Property | | 1 | | | | |
| Total | 1,766,448 | 1,854,589 | 1,934,087 | 2,265,895 | 2,475,591 | 2,713,644 |
| | | | | | | |
| Full-Time Equivalents | 88.7 | 89.9 | 92.7 | 100.0 | 100.0 | 100.0 |

7100 - Public Employees Retirement

| | Actual | | Actual | Estimate | Forecast Base | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | FY14 | FY 15 | FY 16 | FY17 | FY18 | FY19 |
| Open Appropriation | 1,164,228 | 1,223,945 | 1,288,151 | 1,515,155 | 1,660,351 | 1,824,409 |
| Net Transfers | (755) | (759) | (760) | (760) | (760) | (765) |
| Expenditures | 1,163,472 | 1,223,186 | 1,287,391 | 1,514,395 | 1,659,591 | 1,823,644 |
| <i>Biennial Change in Expenditures</i> | | | | 415,128 | | 681,448 |
| <i>Biennial % Change in Expenditures</i> | | | | 17 | | 24 |
| Full-Time Equivalents | 88.7 | 89.9 | 92.7 | 100.0 | 100.0 | 100.0 |

7110 - Police And Fire

| | Actual | | Actual | Estimate | Forecast Base | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | FY14 | FY 15 | FY 16 | FY17 | FY18 | FY19 |
| Open Appropriation | 454,748 | 484,372 | 501,718 | 600,000 | 660,000 | 730,000 |
| Expenditures | 454,748 | 484,372 | 501,718 | 600,000 | 660,000 | 730,000 |
| <i>Biennial Change in Expenditures</i> | | | | 162,598 | | 288,282 |
| <i>Biennial % Change in Expenditures</i> | | | | 17 | | 26 |

7120 - Pera Correctional Plan

| | Actual | | Actual | Estimate | Forecast Base | |
|--|--------------|--------------|---------------|---------------|---------------|---------------|
| | FY14 | FY 15 | FY 16 | FY17 | FY18 | FY19 |
| Open Appropriation | 7,838 | 8,887 | 10,417 | 12,000 | 13,000 | 14,000 |
| Expenditures | 7,838 | 8,887 | 10,417 | 12,000 | 13,000 | 14,000 |
| <i>Biennial Change in Expenditures</i> | | | | 5,692 | | 4,583 |
| <i>Biennial % Change in Expenditures</i> | | | | 34 | | 20 |

7130 - Minneapolis Employee Ret Plan

| | Actual | | Actual | Estimate | Forecast Base | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | FY14 | FY 15 | FY 16 | FY17 | FY18 | FY19 |
| Open Appropriation | 134,999 | 132,014 | 127,621 | 130,000 | 130,000 | 130,000 |
| Expenditures | 134,999 | 132,014 | 127,621 | 130,000 | 130,000 | 130,000 |
| <i>Biennial Change in Expenditures</i> | | | | (9,392) | | 2,379 |
| <i>Biennial % Change in Expenditures</i> | | | | (4) | | 1 |

7140 - Volunteer Firefighter Ret Plan

| | Actual | | Actual | Estimate | Forecast Base | |
|--|--------------|--------------|--------------|--------------|---------------|--------------|
| | FY14 | FY 15 | FY 16 | FY17 | FY18 | FY19 |
| Open Appropriation | 1,174 | 1,329 | 1,716 | 3,000 | 6,000 | 8,000 |
| Expenditures | 1,174 | 1,329 | 1,716 | 3,000 | 6,000 | 8,000 |
| <i>Biennial Change in Expenditures</i> | | | | 2,212 | | 9,284 |
| <i>Biennial % Change in Expenditures</i> | | | | 88 | | 197 |

7190 - Pera Defined Contribution Plan

| | Actual | | Actual | Estimate | Forecast Base | |
|--|--------------|--------------|--------------|--------------|---------------|--------------|
| | FY14 | FY 15 | FY 16 | FY17 | FY18 | FY19 |
| Open Appropriation | 2,836 | 3,524 | 3,769 | 5,000 | 5,500 | 6,500 |
| Expenditures | 2,836 | 3,524 | 3,769 | 5,000 | 5,500 | 6,500 |
| <i>Biennial Change in Expenditures</i> | | | | 2,408 | | 3,231 |
| <i>Biennial % Change in Expenditures</i> | | | | 38 | | 37 |

7401 - Retirement System Building

| | Actual | | Actual | Estimate | Forecast Base | |
|--|--------------|--------------|--------------|--------------|---------------|--------------|
| | FY14 | FY 15 | FY 16 | FY17 | FY18 | FY19 |
| Balance Forward In | 5,359 | 5,415 | 5,443 | 5,569 | 5,569 | 5,569 |
| Receipts | 1,400 | 1,305 | 1,581 | 1,500 | 1,500 | 1,500 |
| Expenditures | 1,380 | 1,277 | 1,455 | 1,500 | 1,500 | 1,500 |
| Balance Forward Out | 5,379 | 5,443 | 5,569 | 5,569 | 5,569 | 5,569 |
| <i>Biennial Change in Expenditures</i> | | | | 298 | | 45 |
| <i>Biennial % Change in Expenditures</i> | | | | 11 | | 2 |