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Public Employees Retirement Association

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

AT A GLANCE

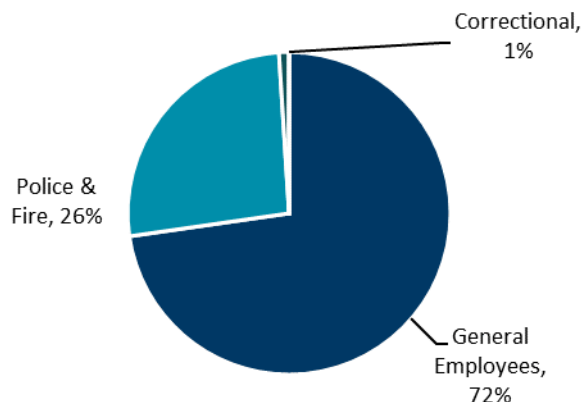
- The Public Employees Retirement Association (PERA) was established in 1931.
- PERA is governed by an 11-member board of trustees.
- In accordance with Minnesota Statute, PERA administers:
 - Three cost-sharing multiple-employer defined benefit retirement plans;
 - One agent multiple-employer defined 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 2023, PERA:
 - Collected approximately \$1.5 Billion in member and employer contributions;
 - Earned approximately \$3.3 Billion on its investments;
 - Paid almost \$2.6 Billion in benefit payments;
 - Returned more than \$74 million in lump-sum refund payments to terminated members; and
 - Made defined contribution payments of over \$7.6 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 169,682 defined benefit fund members, 168,402 inactive members, and 133,524 annuitants receiving benefits at the end of fiscal year 2023.

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

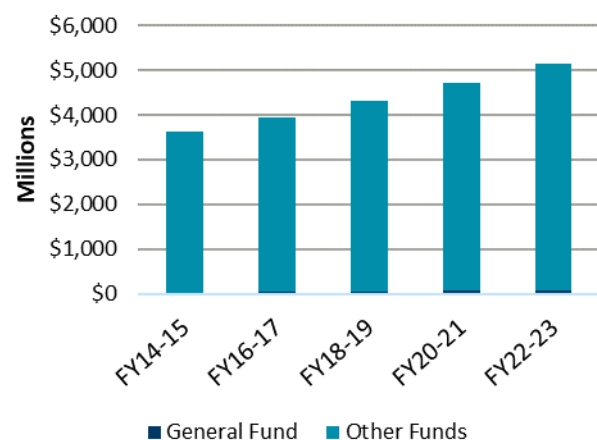
**Spending by Program
FY 2023 Actual**



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 2023 Comprehensive Annual Financial Report

Historical Spending



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 2023 Comprehensive Annual Financial Report

PERA administers three defined benefit plans: General Employees (GE), Correctional, and Police & Fire (P&F) Plans. All of these plans are funded primarily with investment earnings which compromise approximately 66 percent of revenues over the last 10 years. Plan member and employer contributions comprised about 15 percent and 19 percent, respectively, of revenues in the same period.

PERA receives annual General Fund appropriations. In fiscal year 2023, 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 2023. 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 0.1% 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 legislature reduced the statutorily-established investment rate of return assumption from 7.5% to 7.0% effective July 1, 2023. PERA’s actuaries determined that the statutorily established investment return assumption of 7.0% is within the reasonable range from the guidance set forth in the Actuarial Standards of Practice. 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 reach its full funding target date.
- **Unfunded Actuarial Accrued Liability (UAAL)** – This is the difference between the actuary’s valuation of assets and the present value of member’s future benefits.

Measure name	Measure Type	Measure Data Source	Historical Trend	Most recent data
PERA GE Funded Ratio	Quality	2023 Actuarial Valuation	Down 3.1% since 2022	83.1%
PERA GE Contribution Sufficiency	Quality	2023 Actuarial Valuation	Up .2% since 2022	3.5%
PERA GE UAAL	Quality	2023 Actuarial Valuation	Up \$1.4B since 2022	\$5.6B

Measure name	Measure Type	Measure Data Source	Historical Trend	Most recent data
PERA P&F Funded Ratio	Quality	2023 Actuarial Valuation	Down 5.3% since 2022	86.5%
PERA P&F Contribution Sufficiency	Quality	2023 Actuarial Valuation	Down 5.4% since 2022	1.4%
PERA P&F UAAL	Quality	2023 Actuarial Valuation	Up \$794M since 2022	\$1.7B
PERA CP Funded Ratio	Quality	2023 Actuarial Valuation	Down 7.3% since 2022	95.9%
PERA CP Contribution Sufficiency	Quality	2023 Actuarial Valuation	Down 1.5% since 2022	1.7%
PERA CP UAAL	Quality	2023 Actuarial Valuation	Up \$76M since 2022	\$45M

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

Public Employees Retirement Association

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base	
					FY26	FY27

Expenditures by Fund

2001 - Other Misc Special Revenue				333	333	333
7100 - Public Employees Retirement	1,832,776	1,903,317	1,995,806	2,155,109	2,262,848	2,375,974
7110 - Police and Fire	639,318	676,109	727,648	716,832	752,675	790,308
7120 - PERA Correctional Plan	26,206	29,680	32,571	30,143	31,651	33,232
7140 - Volunteer Firefighter Ret Plan	5,296	11,055	16,687	19,231	20,761	21,799
7190 - PERA Defined Contribution Plan	8,474	7,833	7,507	9,269	9,733	10,219
Total	2,512,070	2,627,995	2,780,219	2,930,917	3,078,001	3,231,865
Biennial Change				571,072		598,730
Biennial % Change				11		10

Expenditures by Program

Public Employee Retirement Asn	2,512,070	2,627,995	2,780,219	2,930,917	3,078,001	3,231,865
Total	2,512,070	2,627,995	2,780,219	2,930,917	3,078,001	3,231,865

Expenditures by Category

Compensation	10,602	11,609	12,831	17,100	17,955	18,852
Operating Expenses	6,849	7,928	10,048	18,551	19,446	20,384
Other Financial Transaction	2,494,618	2,608,458	2,757,340	2,895,266	3,040,600	3,192,629
Total	2,512,070	2,627,995	2,780,219	2,930,917	3,078,001	3,231,865

Total Agency Expenditures	2,512,070	2,627,995	2,780,219	2,930,917	3,078,001	3,231,865
Internal Billing Expenditures		6		333	333	333
Expenditures Less Internal Billing	2,512,070	2,627,989	2,780,219	2,930,584	3,077,668	3,231,532

Full-Time Equivalents

	98.25	108.27	110.90	130.90	130.90	130.90
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Public Employees Retirement Association

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base	
					FY26	FY27
2001 - Other Misc Special Revenue						
Balance Forward In				3,000	2,667	2,334
Transfers In			3,000			
Balance Forward Out			3,000	2,667	2,334	2,001
Expenditures				333	333	333
Biennial Change in Expenditures				333		333
Biennial % Change in Expenditures						

7100 - Public Employees Retirement

Open Appropriation	1,833,544	1,904,186	1,826,427	2,155,156	2,262,515	2,375,641
Receipts				333	333	333
Internal Billing Receipts				333	333	333
Transfers In			170,093			
Transfers Out	768	868	715	380		
Expenditures	1,832,776	1,903,317	1,995,806	2,155,109	2,262,848	2,375,974
Biennial Change in Expenditures				414,821		487,907
Biennial % Change in Expenditures				11		12
Full-Time Equivalents	98.25	108.27	110.90	130.90	130.90	130.90

7110 - Police and Fire

Open Appropriation	639,318	676,009	708,251	716,832	752,675	790,308
Transfers In		100	19,397			
Expenditures	639,318	676,109	727,648	716,832	752,675	790,308
Biennial Change in Expenditures				129,053		98,503
Biennial % Change in Expenditures				10		7

7120 - PERA Correctional Plan

Open Appropriation	26,206	29,680	27,316	30,143	31,651	33,232
Transfers In			5,256			
Expenditures	26,206	29,680	32,571	30,143	31,651	33,232
Biennial Change in Expenditures				6,828		2,169
Biennial % Change in Expenditures				12		3

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base	
	FY22	FY23	FY24	FY25	FY26	FY27
7140 - Volunteer Firefighter Ret Plan						
Open Appropriation	5,296	11,055	16,687	19,231	20,761	21,799
Expenditures	5,296	11,055	16,687	19,231	20,761	21,799
Biennial Change in Expenditures				19,567	6,642	
Biennial % Change in Expenditures				120	18	

7190 - PERA Defined Contribution Plan

Open Appropriation	8,474	7,833	7,507	9,269	9,733	10,219
Expenditures	8,474	7,833	7,507	9,269	9,733	10,219
Biennial Change in Expenditures				469		3,176
Biennial % Change in Expenditures				3		19

Public Employees Retirement Association

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Open				
Fund: 7100 - Public Employees Retirement				
FY2025 Appropriations	2,154,776	2,154,776	2,154,776	4,309,552
Base Adjustments				
Forecast Open Appropriation Adjustment	380	107,739	220,865	328,604
Forecast Base	2,155,156	2,262,515	2,375,641	4,638,156
Fund: 7110 - Police and Fire				
FY2025 Appropriations	716,832	716,832	716,832	1,433,664
Base Adjustments				
Forecast Open Appropriation Adjustment		35,843	73,476	109,319
Forecast Base	716,832	752,675	790,308	1,542,983
Fund: 7120 - PERA Correctional Plan				
FY2025 Appropriations	30,143	30,143	30,143	60,286
Base Adjustments				
Forecast Open Appropriation Adjustment		1,508	3,089	4,597
Forecast Base	30,143	31,651	33,232	64,883
Fund: 7140 - Volunteer Firefighter Ret Plan				
FY2025 Appropriations	19,231	19,231	19,231	38,462
Base Adjustments				
Forecast Open Appropriation Adjustment		1,530	2,568	4,098
Forecast Base	19,231	20,761	21,799	42,560
Fund: 7190 - PERA Defined Contribution Plan				
FY2025 Appropriations	9,269	9,269	9,269	18,538
Base Adjustments				
Forecast Open Appropriation Adjustment		464	950	1,414
Forecast Base	9,269	9,733	10,219	19,952
Dedicated				
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	333	333	333	666
Forecast Base	333	333	333	666
Revenue Change Summary				
Non-Dedicated				

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Fund: 7100 - Public Employees Retirement				
Forecast Revenues	3,100,000	3,255,000	3,417,750	6,672,750
Fund: 7110 - Police and Fire				
Forecast Revenues	1,200,000	1,260,000	1,323,000	2,583,000
Fund: 7120 - PERA Correctional Plan				
Forecast Revenues	67,000	70,350	73,868	144,218
Fund: 7140 - Volunteer Firefighter Ret Plan				
Forecast Revenues	23,000	24,150	25,358	49,508
Fund: 7190 - PERA Defined Contribution Plan				
Forecast Revenues	21,000	22,050	23,153	45,203