

Table of Contents
2016-17 Biennial Budget – Public Employee Retirement Association

Agency Profile – Public Employee Retirement Association..... 1

www.mnpera.org

AT A GLANCE

- Benefits Paid (in thousands)
 - Benefits \$1,627,719
 - Refunds \$42,518
- Membership
 - Active Members 158,000
 - Deferred Members 176,000
 - Annuitants 98,000

Source: 2013 CAFR

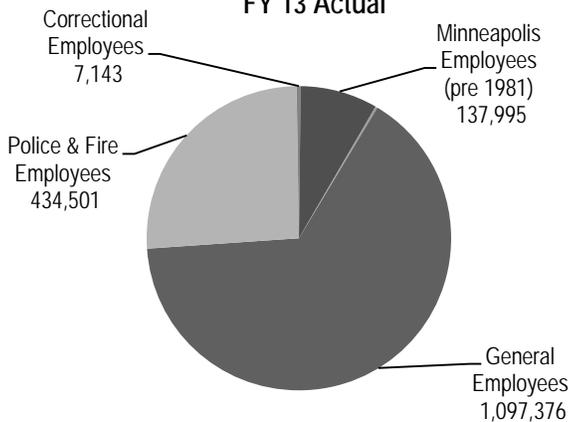
PURPOSE

The Public Employees Retirement Association (PERA) of Minnesota administers five 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 334,000 active and inactive (vested and non-vested) employees and 98,000 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 needing to rely on the State for financial support. Investment income accounts for almost 65 percent of PERA's revenues. Member contributions account for another 16 percent and employer contributions from local governments make up the difference of 19 percent. The State of Minnesota contributes a maximum of \$24 million each year through the year 2031 (or until the Minneapolis Employees Retirement Fund (MERF) becomes fully funded, whichever occurs first) 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.

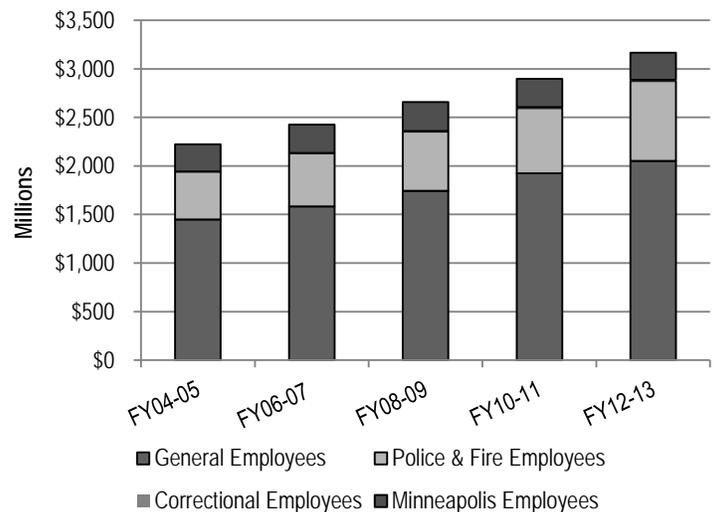
BUDGET

**Spending by Program
FY 13 Actual**



Source: CAFR 2013

Historical Spending



Source: CAFR 2013

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 5.5 hundredths of 1 percent of assets.

RESULTS

A recent study from the National Institute on Retirement Security (NIRS) found that in 2012 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 \$145 million in annuity benefits to the 98,000 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 6/30/11 and as of 6/30/13 (the most recent data available as of the writing of this narrative) for the three defined benefit plans that existed in at the end of fiscal year 2013.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>
Quality	PERA General Plan Funding Ratio	75.2%	72.8%
Quality	PERA General Plan Contribution Sufficiency	0.03%	(1.65)%
Quantity	PERA General Plan Unfunded Actuarial Liability	\$4.4 Billion	\$5.2 Billion
Quality	PERA Police & Fire Plan Funding Ratio	82.9%	81.2%
Quality	PERA Police & Fire Plan Contribution Sufficiency	(4.78)%	(2.64)%
Quantity	PERA Police & Fire Plan Unfunded Actuarial Liability	\$1.1 Billion	\$1.4 Billion
Quality	PERA Correctional Plan Funding Ratio	96.5%	91.0%
Quality	PERA Correctional Plan Contribution Sufficiency	1.16%	0.26%
Quantity	PERA Correctional Plan Unfunded Actuarial Liability	\$9.9 Million	\$34 Million

Minnesota Statute sections 353, 353A, 353D, 353E, 353G and 356