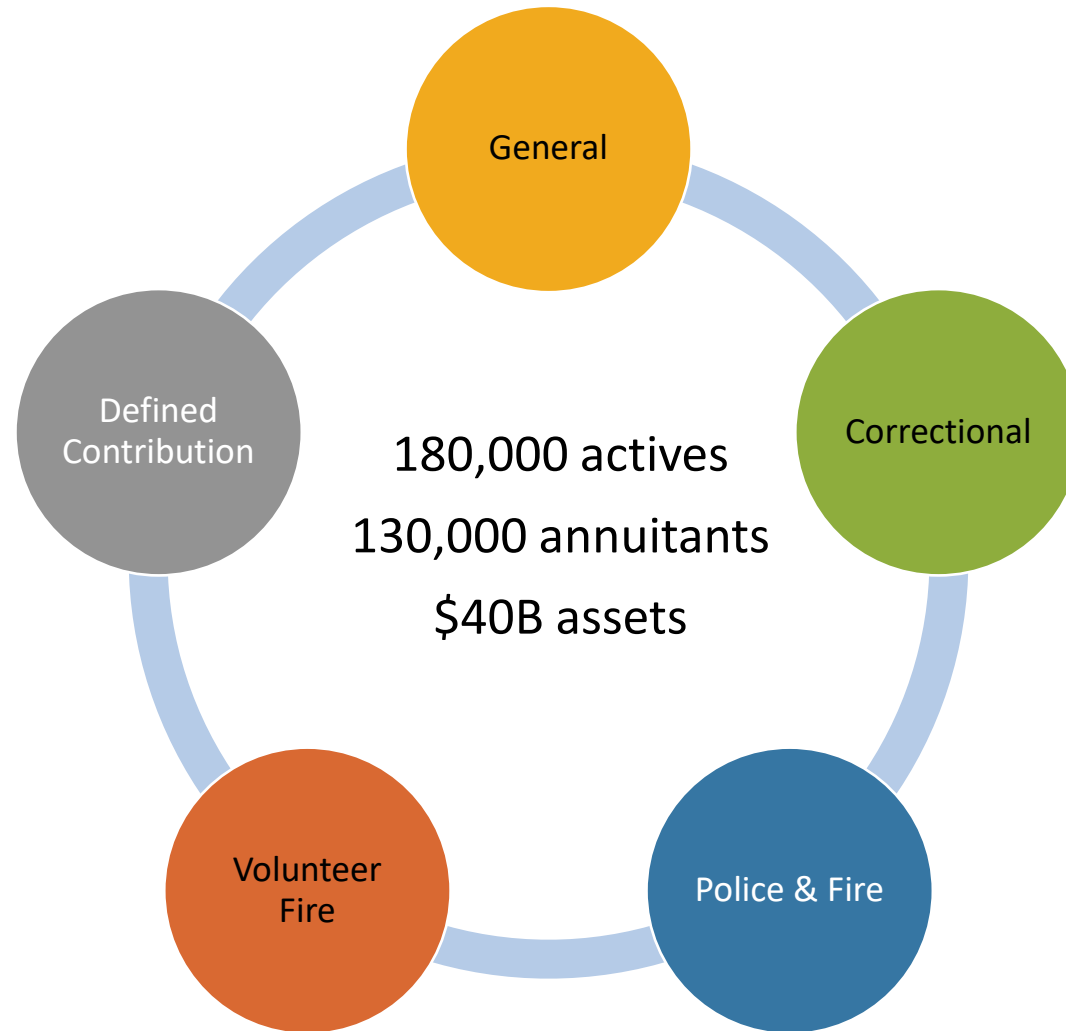


PERA Update for LCPR

Doug Anderson, ASA, MAAA, Executive Director

February 12, 2024





Governed by an 11-member Board of Directors

- Five elected by PERA membership
- Five appointed by the governor
- State auditor

Board responsibilities include:

- Set policies, approve the agency operating budget, hiring and advising the executive director
- Consider disability and other appeals
- Oversee the administration of plans

Statewide Volunteer Firefighter

For volunteer firefighters who provide service to a municipal fire department or an independent nonprofit firefighting corporation.

5,898
Members

\$152 M
Assets

Defined Contribution Plan

Exclusively for physicians, elected local governmental officials, city managers, and governmental volunteer ambulance service personnel.

8,238
Members

\$90 M
Assets

Other Post-Employment Benefits (OPEB)

A public entity that creates an actuarial liability to pay OPEB to employees after termination of service may establish a trust used to pay the benefits.

23
Employers

\$773 M
Assets

Long-Term Investment Account

Certain cities and counties have the option to invest a portion of their funds with the State Board of Investment in an account managed by PERA.

2
Cities

\$7 M
Assets



PERA Cost-Sharing Plan Membership

	General Plan	Police & Fire Plan	Correctional Plan
Membership	Employees of cities, counties, townships, schools, and other entities	Full-time and certain part-time police officers and firefighters, and certain paramedics	Employees expected to respond to incidents and who are directly responsible for security, custody, and control of confined persons
Active	154,261	11,635	3,786
Retirees & Survivors	115,812	10,490	1,606
Disability Retirements	3,268	2,111	237
Deferred	<u>158,513</u>	<u>2,907</u>	<u>6,982</u>
Total Members	431,854	27,143	12,611
Average Monthly Benefit	\$1,279	\$4,955	\$1,204
Annual Postretirement Increase	50% of CPI, 1.0% Minimum, 1.5% Maximum	1.0% Fixed	50% of CPI, 1.0% Minimum, 1.5% Maximum



General Plan Funding Ratio & Sufficiency

Funded Status as of July 1, 2023

Actuarial Accrued Liability	\$33.1 B
Market Value of Assets	<u>\$27.5 B</u>
Unfunded Liability	\$ 5.6 B
Funded Ratio (assets ÷ liabilities)	83.1%

Projected Full Funding Date **2041**

FY24 Funding Sufficiency/Deficiency

Employee Contribution	6.50%
Employer Contribution*	7.50%
MERF Contribution**	<u>0.48%</u>
Total Statutory Contributions	14.48%
Normal Cost & Administrative Expense	8.72%
Amortization of Unfunded Liability	<u>4.47%</u>
Total Required Contributions	13.19%
Funding Sufficiency/Deficiency	1.29%

*Employer Contribution is reduced 1.0% when the plan reaches full funding, or July 1, 2048 if earlier.

**MERF contribution continues until 2031



Police & Fire Plan Funding Ratio & Sufficiency

Funded Status as of July 1, 2023

Actuarial Accrued Liability	\$12.8 B
Market Value of Assets	<u>\$11.0 B</u>
Unfunded Liability	\$ 1.8 B
Funded Ratio (assets ÷ liabilities)	86.5%

Projected Full Funding Date **2061**

FY24 Funding Sufficiency/Deficiency

Employee Contribution	11.80%
Employer Contribution	17.70%
Minneapolis P&F Contributions*	0.63%
State Contributions**	<u>1.49%</u>
Total Statutory Contributions	31.62%
Normal Cost & Administrative Expense	23.37%
Amortization of Unfunded Liability	<u>8.74%</u>
Total Required Contributions	32.11%
Funding Sufficiency/Deficiency	(0.49%)

*Minneapolis contributions continue until 2031

**State contributions are two separate \$9M amounts expiring 2048 or upon meeting funding ratio thresholds if earlier



Correctional Plan Funding Ratio & Sufficiency

Funded Status as of July 1, 2023

Actuarial Accrued Liability	\$1,112 M
Market Value of Assets	<u>\$1,067 M</u>
Unfunded Liability	\$ 45 M
Funded Ratio (assets ÷ liabilities)	95.9%

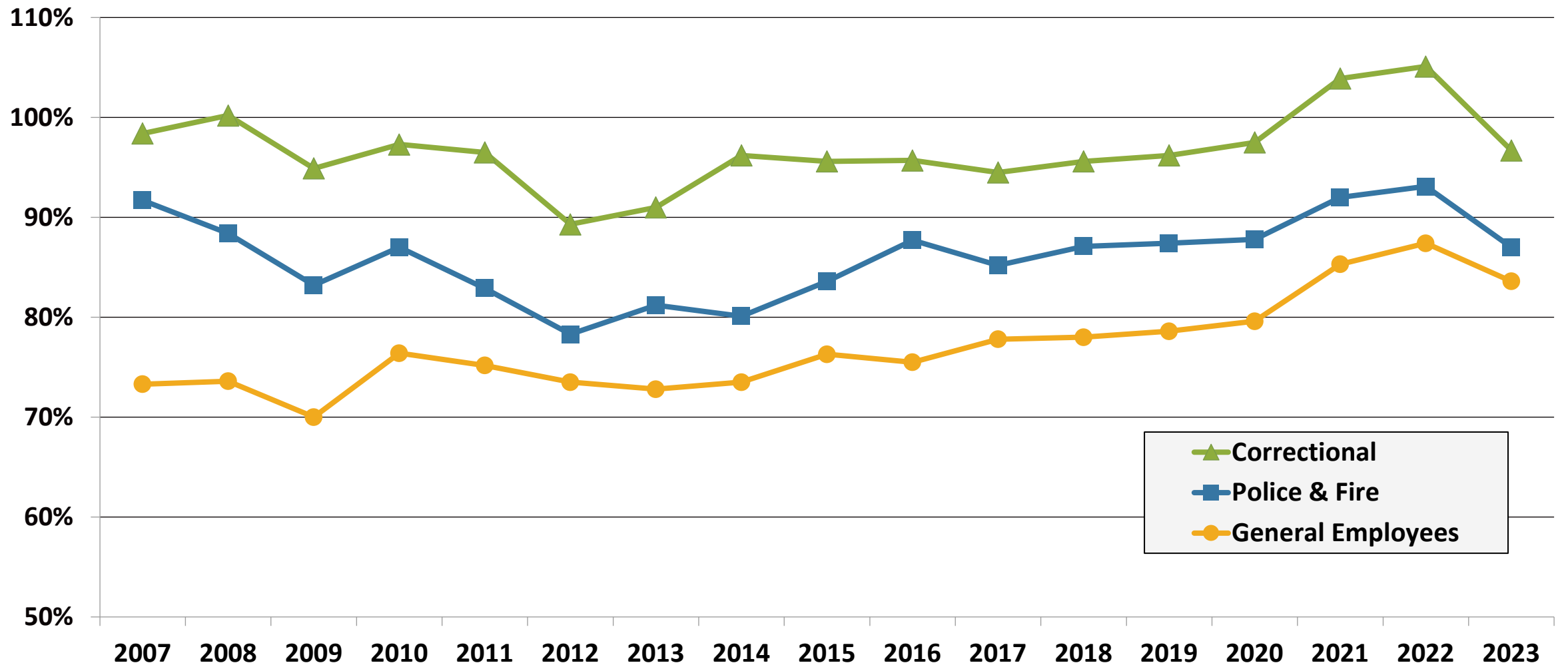
FY24 Funding Sufficiency/Deficiency

Employee Contribution	5.83%
Employer Contribution	<u>8.75%</u>
Total Statutory Contributions	14.58%
Normal Cost & Administrative Expense	14.11%
Amortization of Unfunded Liability	<u>0.89%</u>
Total Required Contributions	15.00%
Funding Sufficiency/Deficiency	(0.42%)

Projected Full Funding Date 2045

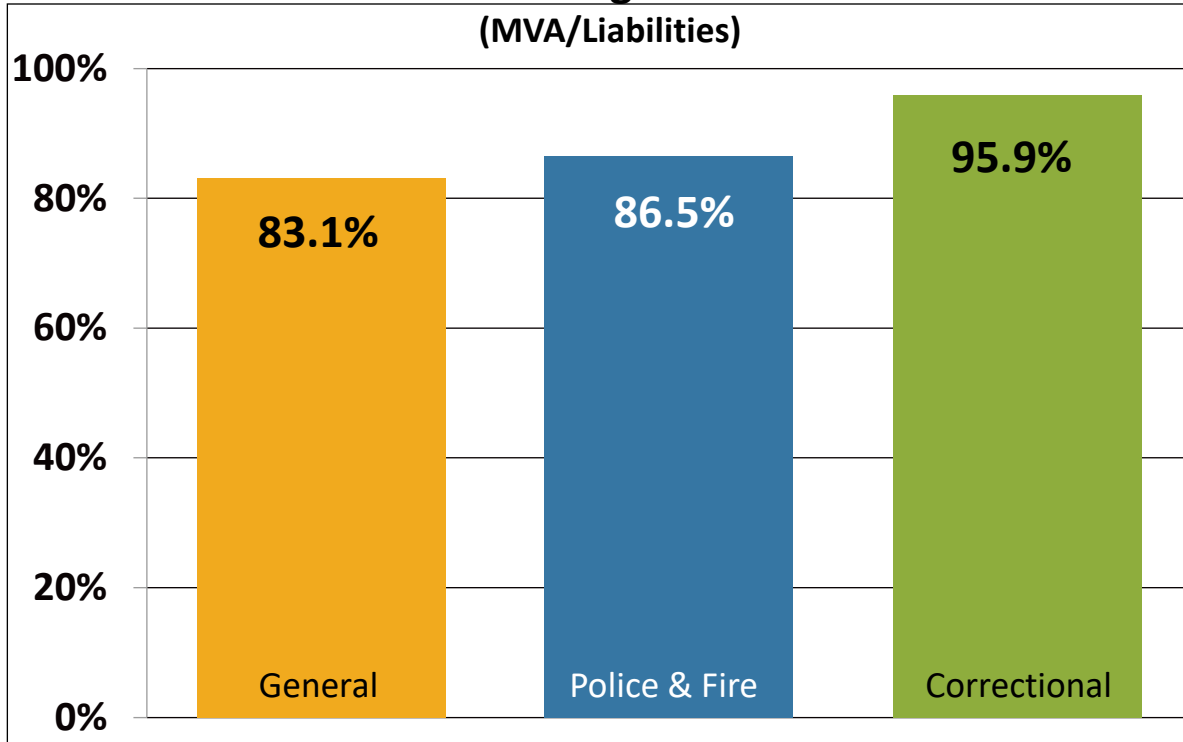


PERA Funding Ratios (AVA / AAL)

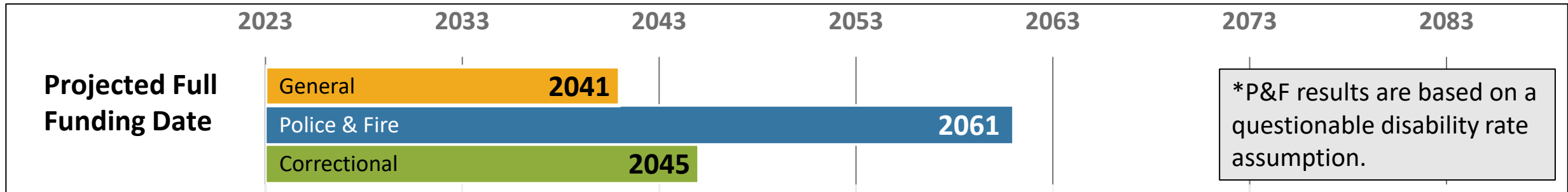
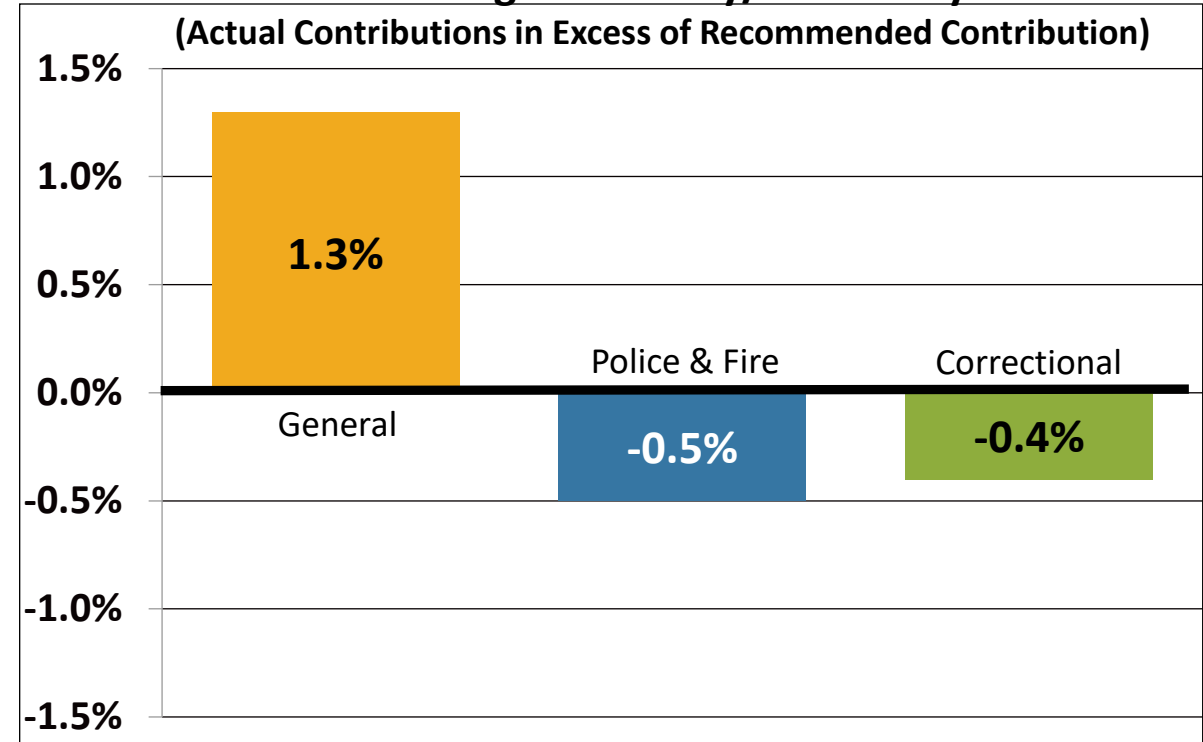


PERA Plan Funding Status as of July 1, 2023

**Funding Ratio
(MVA/Liabilities)**



**Funding Sufficiency/Deficiency
(Actual Contributions in Excess of Recommended Contribution)**



*P&F results are based on a questionable disability rate assumption.



PERA Scorecard – What are our priority issues?

Metrics	Questions to Consider	General	Police & Fire	Correctional
Assumptions	Are the economic & demographic assumptions appropriate?	7.0% is reasonable	7.0% is reasonable, but disability rates are not	7.0% is reasonable
Funding Status	Is the plan expected to achieve and maintain fully funded status?	83% now, 100% by 2041	87% now, 100% by 2061	96% now, 100% by 2045
Contributions	Do employees and employers contribute the appropriate amount?	Contributions 164% of Normal Cost	Contributions 127% of Normal Cost	Contributions 105% of Normal Cost
Benefits	Do retirees have sufficient inflation protection?	50% CPI, 1.0% Min 1.5% Max	1% fixed (No SS)	100% CPI, 1.0% Min 2.5% Max

Initiatives	Cost
<p>Executive Director Qualifications & Salary Range Modify PERA’s executive director qualifications and salary range to match TRA and MSRS.</p>	None
<p>General and Correctional Plan Workers’ Compensation Offsets Modify to eliminate workers’ compensation from offsets to match the P&F Plan.</p>	Insignificant
<p>Defined Contribution Plan Change statute to ensure the plan meets federal IRS requirements.</p>	None
<p>Statewide Volunteer Firefighter (SVF) Plan Change from annual to biannual reporting for lump sum plan annual reports.</p>	Plan savings
<p>Privatization Withdrawal Liability Assess privatizing entities a withdrawal liability that covers the entity’s unfunded liability.</p>	Small cost to privatizing entity