

A large, golden statue of a woman in classical attire standing next to a horse, set against the backdrop of a grand, domed building with intricate architectural details.

Public Employees Retirement Association Update for APERG

Doug Anderson
Executive Director
July 11, 2018



PERA Membership & Cash Flow as of June 30, 2017

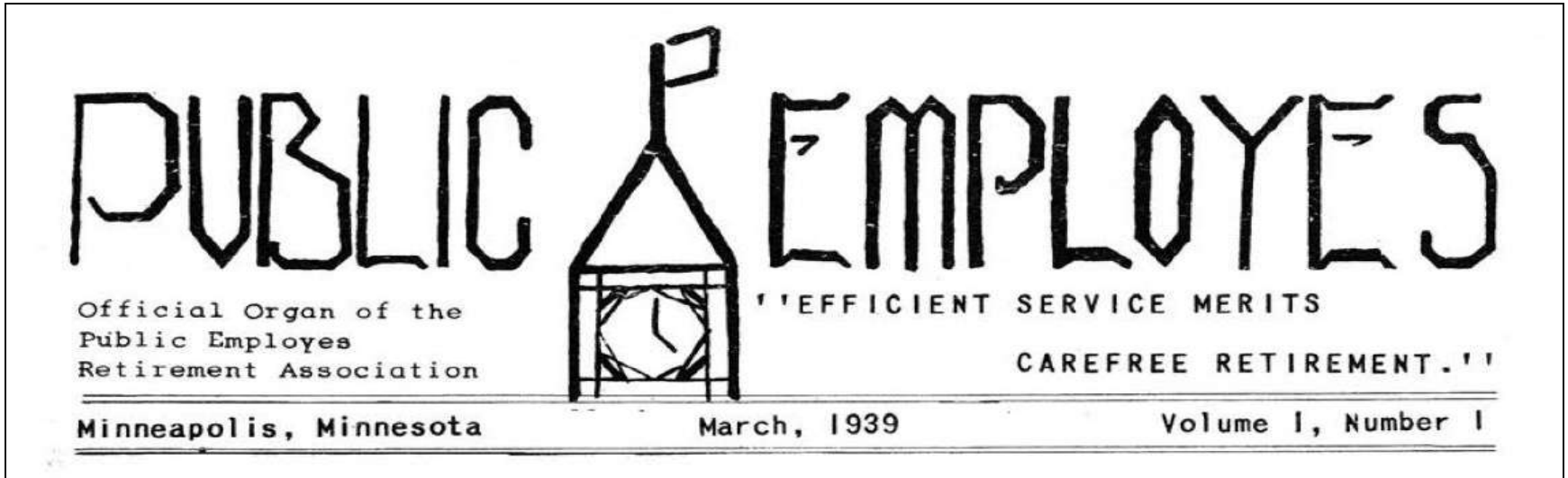
	General Employees Retirement Plan	Police & Fire Retirement Plan	Local Government Correctional Plan
Receiving Benefits	98,201	10,579	1,085
Deferred Payment Status	190,609	2,640	5,557
Active Members	<u>152,867</u>	<u>11,522</u>	<u>3,842</u>
Total Members	441,677	24,741	10,484
Active to Retiree Ratio	1.6 to 1	1.1 to 1	3.5 to 1
Total Contributions	\$0.9B	\$277M	\$29M
Total Benefit Payments	<u>1.5B</u>	<u>514M</u>	<u>13M</u>
Net Cash Flow	(\$0.6B)	(\$237M)	\$16M
Total Assets	\$20.1B	\$7.9B	\$602M
Actual Investment Earnings	\$2.7B	\$1.1B	\$78M
Investment Rate of Return	15.1%	15.2%	15.1%
Funding Ratio	76%	86%	87%



History



PERA's First Newsletter



“The interest earnings upon our investments have dropped. The average annual rate of interest we earned in the beginning amounted to over 5%...and last year about 3.3%. 4% was the rate on which we based our estimate. So in this respect we were too liberal.”

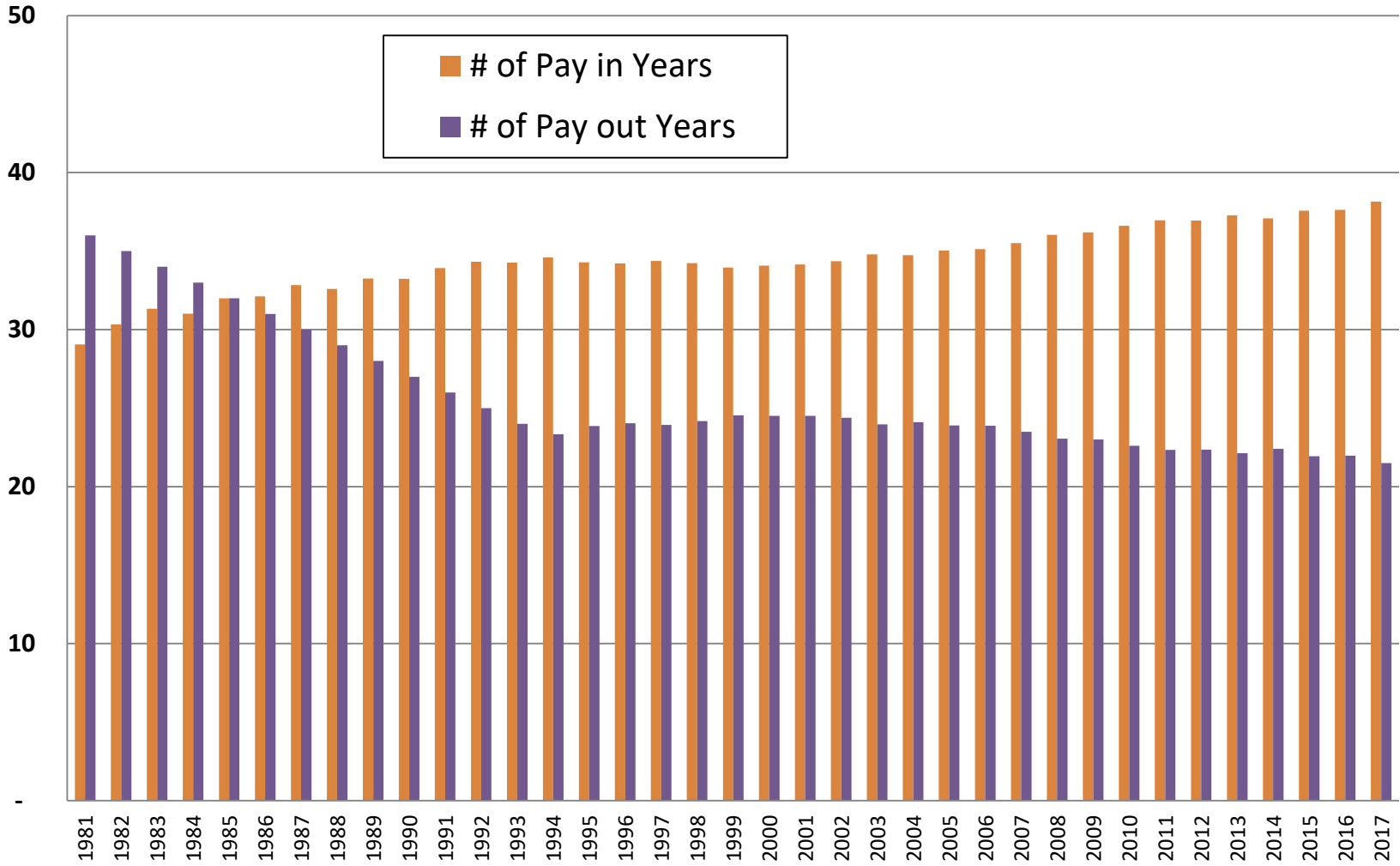
“That those who are receiving annuities from our fund are living longer than the American Table of Mortality says they would...16 of them should have died, but only 7 of them did die.”

“The adoption by this Association of the ½ of 1% additional contribution...would have resulted in a growth of our surplus”



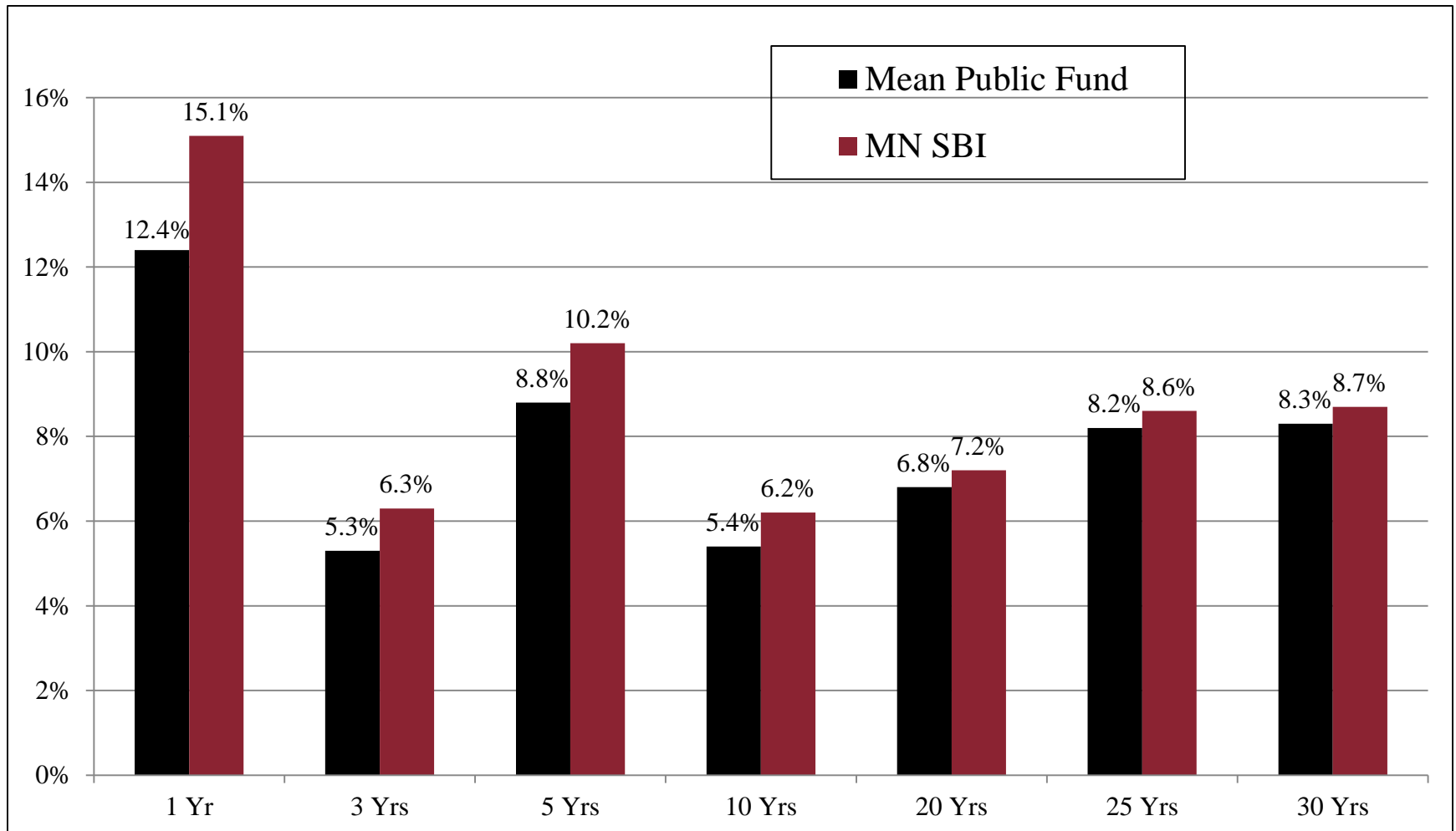


Historical & Expected Pay In and Pay Out Periods





Historical Investment Returns



Actual Returns for Periods Ending June 30, 2017

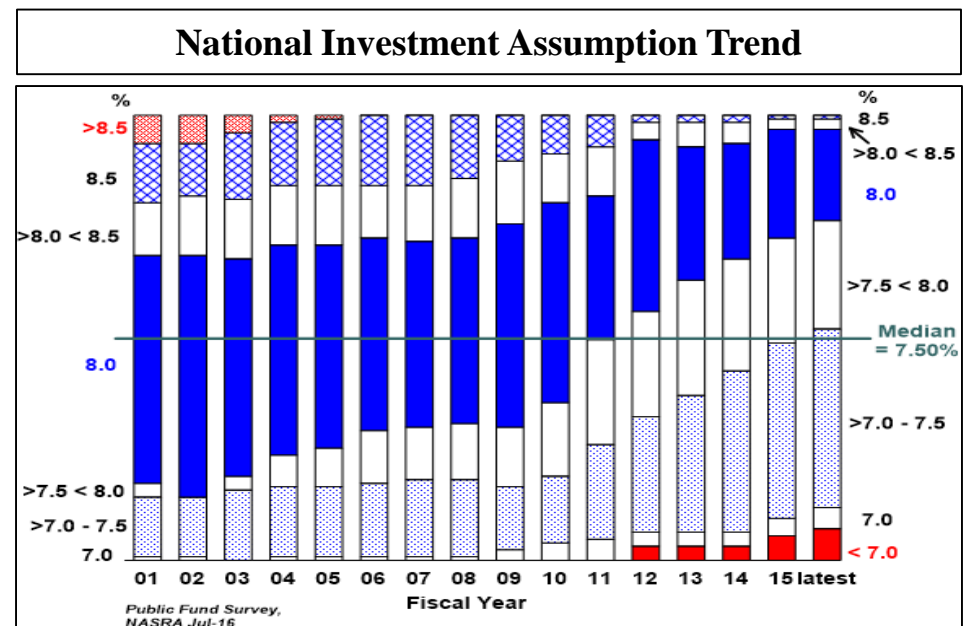
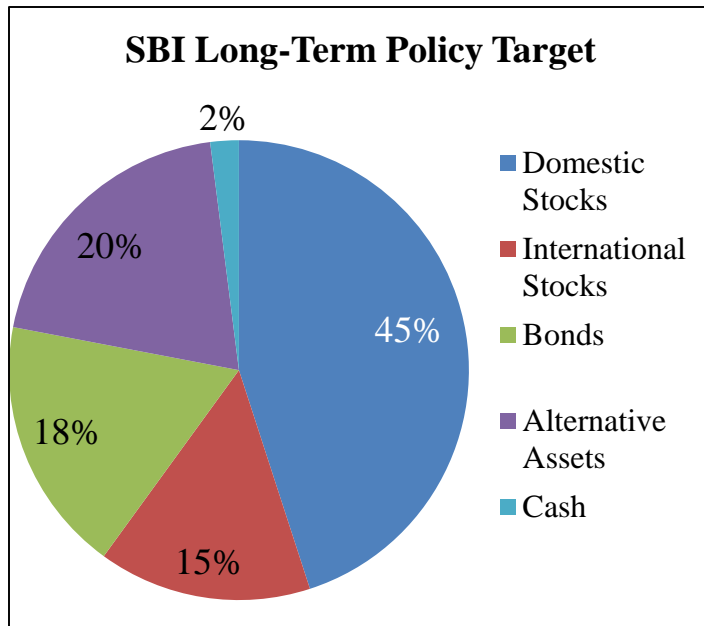


PERA 2018 Legislative Changes



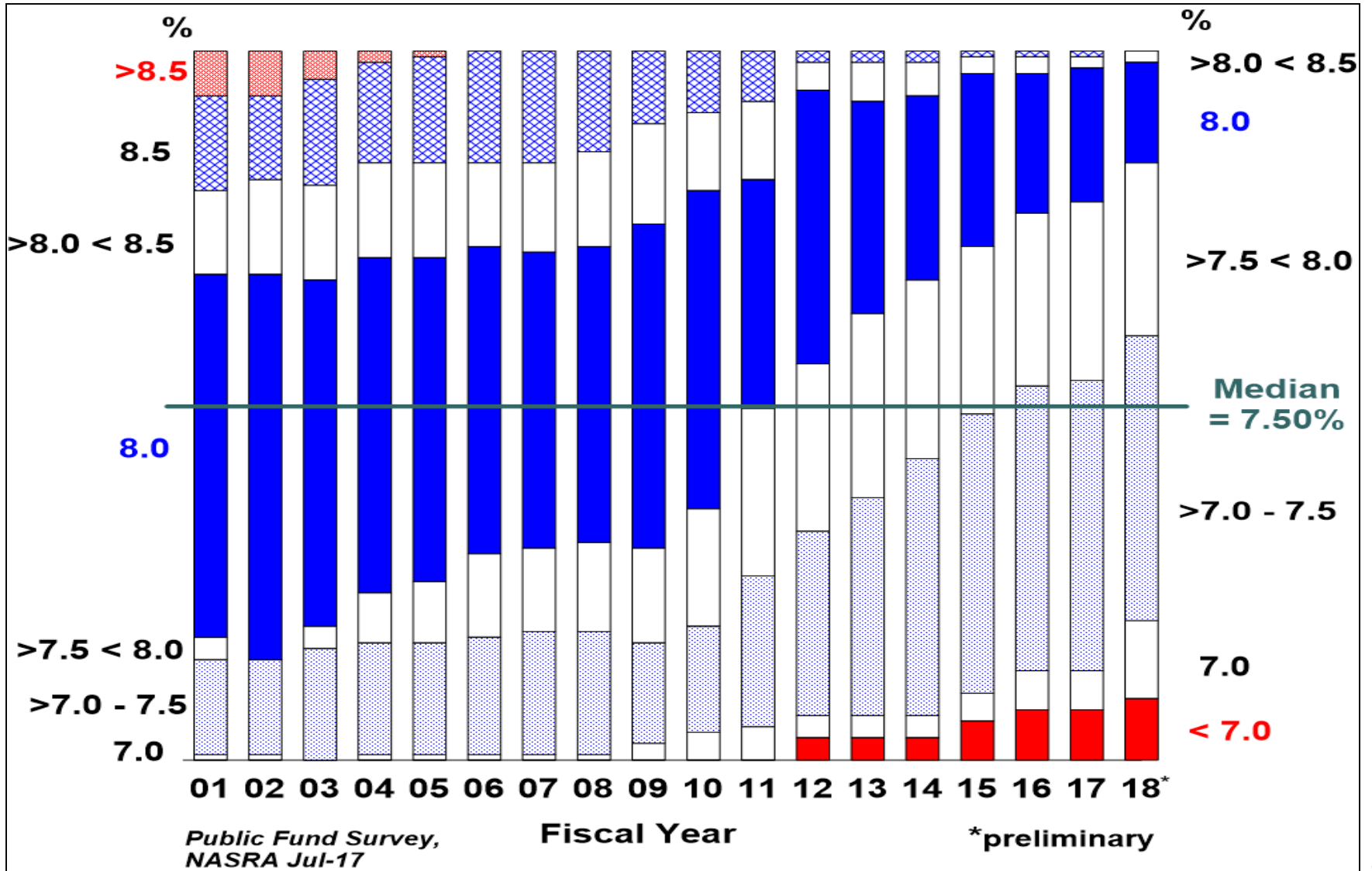


Investment Return Assumption Setting Process







Public Pension Fund Investment Return Assumption Trend



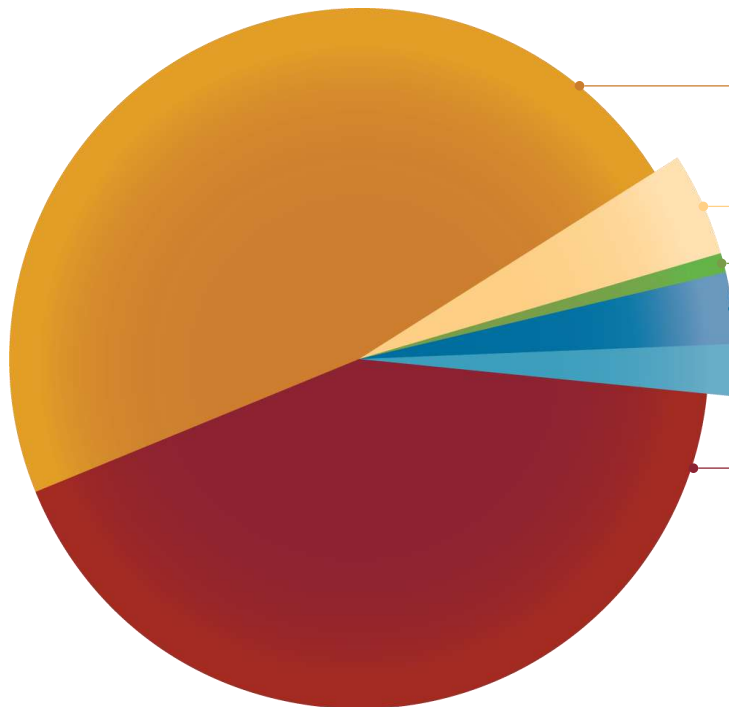


General Employees Plan – Current Contribution Allocation

6.5%  +  **7.5%**

Employee Contributions



Employer Contributions



- **6.2%** for full or fairly reduced early retirement benefits with 1% annual increases after age 66
- **0.7%** for a future 2.5% COLA
- **0.1%** for 1% annual increases before age 66
- **0.4%** for augmented early retirement benefits
- **1.0%** for disability, death, refunds, and operating expenses
- **5.6%** for improved future benefit security and progress towards full funding



General Employees Plan – 2018 Legislative Proposal

6.5%  +  7.5%

Employee Contributions

Employer Contributions

Change 1:

Eliminate 2.5% trigger and replace with 50% of CPI increase with 1.0% floor and 1.5 cap (0.1% of pay net savings)

Change 2:

Redirect 0.5% of contributions primarily used for augmented early retirement benefits and 1% pre-66 increases towards improved future benefit security and progress towards full funding



General Employees Plan – 2018 Legislative Proposal

Summary	Explanation
No Additional Cost	No employee, employer, or State aid contribution increases
Meets 2017 Bill Mandates	Meets benefit changes and funding target mandated by 2017 Omnibus Bill
Improved Funding Status	\$600M liability reduction \$37M/year (0.6% of payroll) reduction in Annual Required Contribution(ARC) Estimated full funding period improved to 21 years
More Equitable Benefit Distribution	Postretirement adjustments changed from 1% for one generation and 2.5% for another generation to an inflation based approach (see below)
Stakeholder Supported	Supported by AFSCME 5, AFSCME 65, Teamsters 320, PEPSA, MMRA, LMC, AMC, and MICA

If Social Security Inflation Index (CPI-W) is:	PERA Postretirement Increase will be:
CPI-W < 2.0%	1%
2.0% < CPI-W < 3.0%	50% of CPI-W
CPI-W > 3%	1.5%

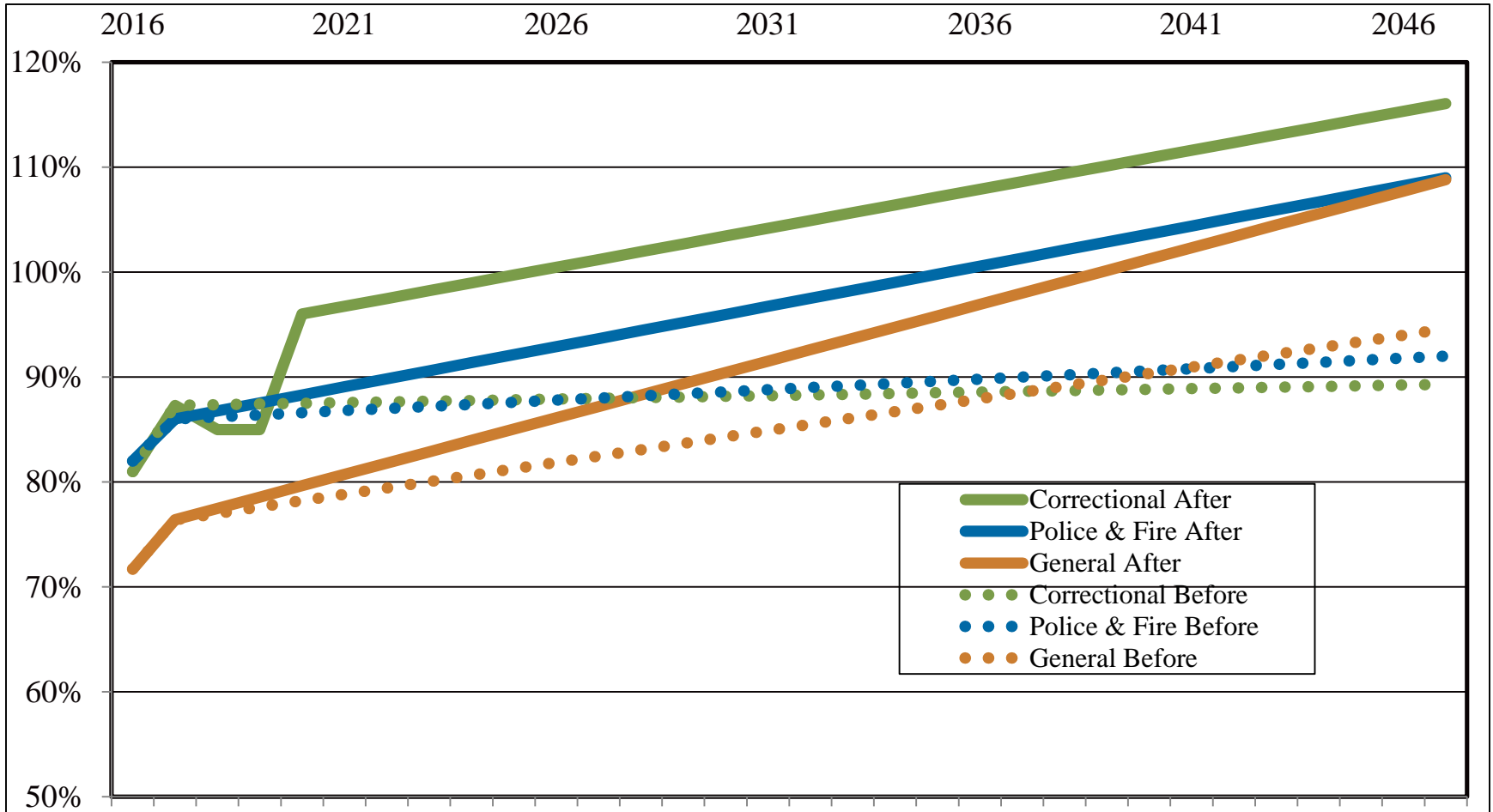


Police & Fire Plan – 2018 Legislative Proposal

Summary	Explanation
Additional Funding	1% employee increase (phased-in) 1.5% employer increase (phased-in) Direct state aid of \$4.5M in FY19, \$4.5M in FY20, and \$9M /year thereafter until the Plan is 100% funded
Improved Funding Status	Estimated full funding period improved to 18 years
Benefit Change	Trigger eliminated Postretirement increases fixed at 1%
Stakeholder Supported	Supported by Minnesota Police and Peace Officers Association (MPPOA), Minnesota Professional Firefighters (MPFF), League of Minnesota Cities (LMC), Association of Minnesota Counties (AMC), and the Minnesota Inter-County Association (MICA)



Impact of 2018 Omnibus Retirement Bill on Funding Projections



The 2018 Omnibus Retirement Bill significantly improves the funding trajectory for each plan. All plans expect to be fully funded within 30 years.