

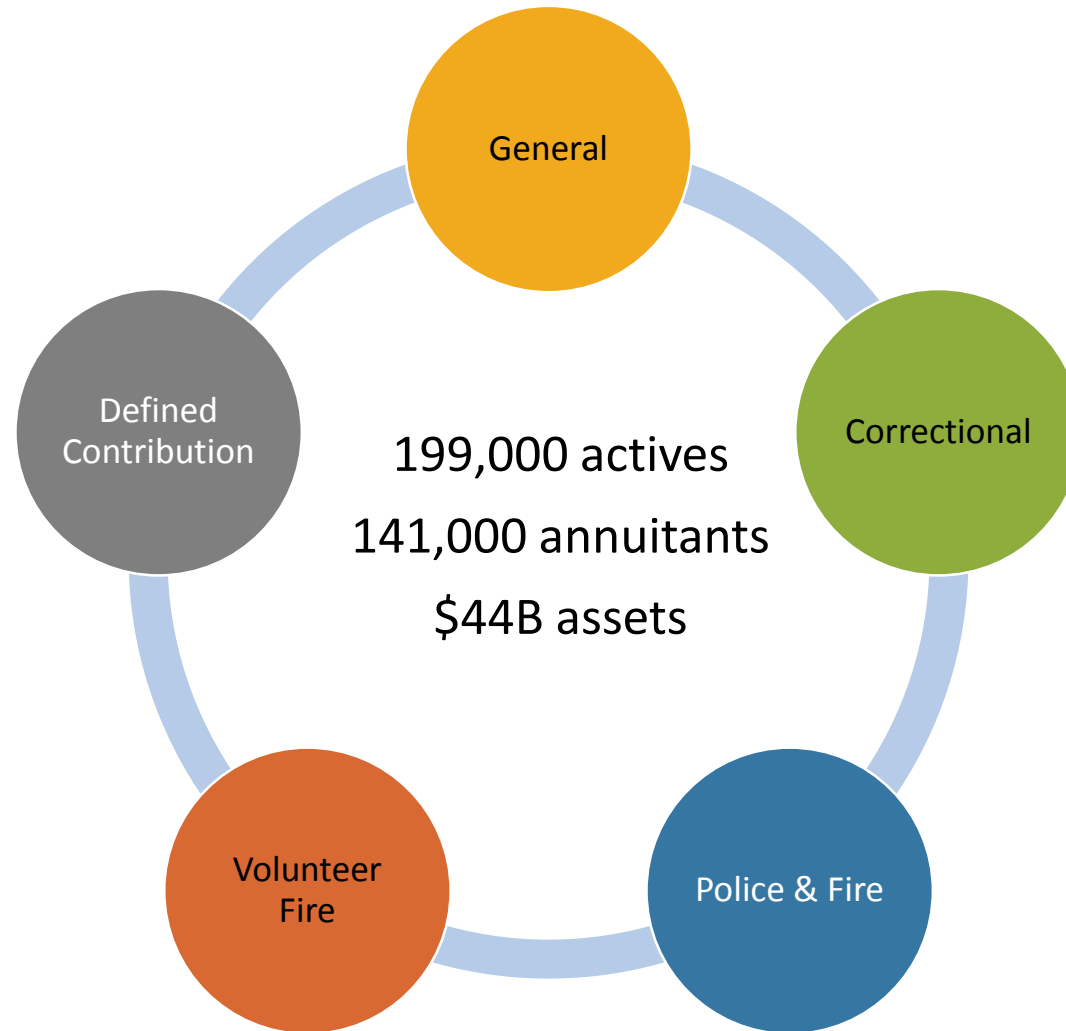
PERA Update for LCPR

March 11, 2025

Doug Anderson, ASA, MAAA, Executive Director

Amy Streng, Policy Coordinator





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

| | | |
|---|--------------------------|---------------------------|
| <p>Statewide Volunteer Firefighter (SVF) For volunteer firefighters who provide service to a municipal fire department or an independent nonprofit firefighting corporation.</p> | <p>6,471 Members</p> | <p>\$184 M Assets</p> |
| <p>Defined Contribution Plan Exclusively for physicians, elected local governmental officials, city managers, and governmental volunteer ambulance service personnel.</p> | <p>8,056 Members</p> | <p>\$102 M Assets</p> |
| <p>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.</p> | <p>22 Employers</p> | <p>\$992 M Assets</p> |
| <p>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.</p> | <p>4 Entities</p> | <p>\$17 M Assets</p> |

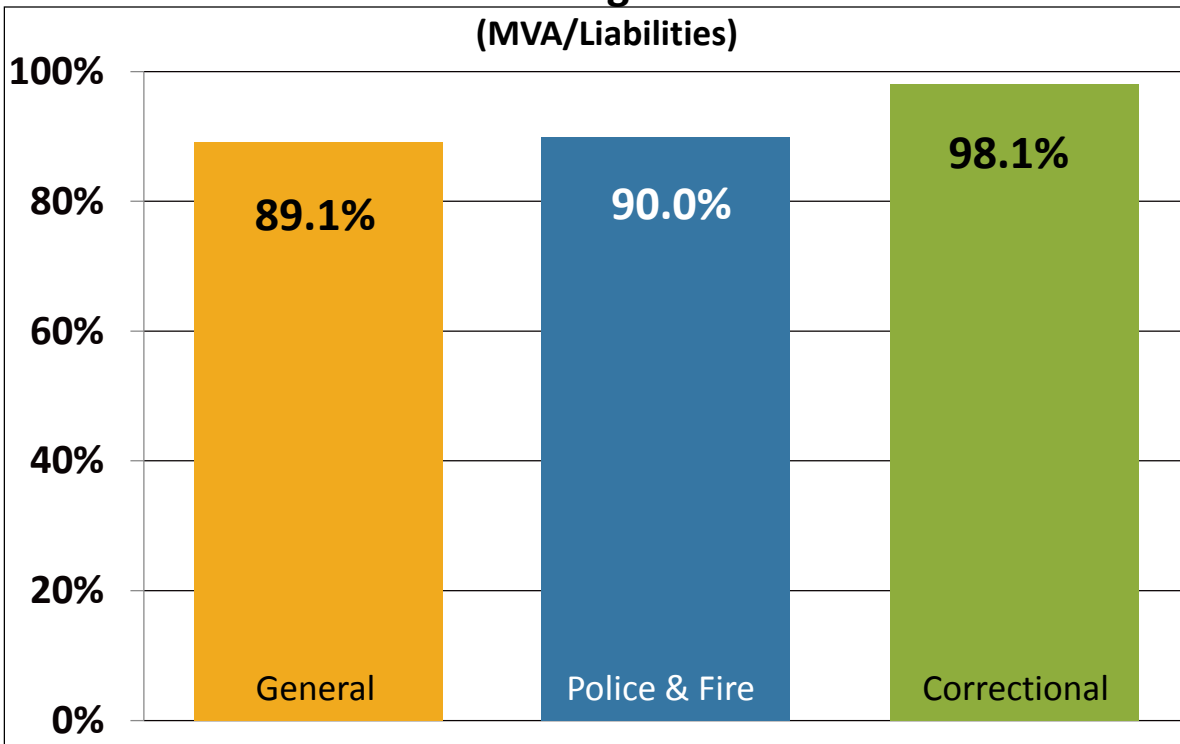
PERA Cost-Sharing Plan Membership

| | 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 | 164,224 | 11,994 | 3,914 |
| Retirees & Survivors | 118,685 | 10,706 | 1,710 |
| Disability Retirements | 3,195 | 2,186 | 248 |
| Deferred | 161,395 | 2,834 | 7,272 |
| Total Members | 447,499 | 27,720 | 13,144 |
| Average Monthly Benefit | \$1,296 | \$5,052 | \$1,268 |
| Annual Postretirement Increase | 50% of CPI, 1.0% Minimum, 1.5% Maximum | 1.0% Fixed | 100% of CPI, 1.0% Minimum, 2.5% Maximum |

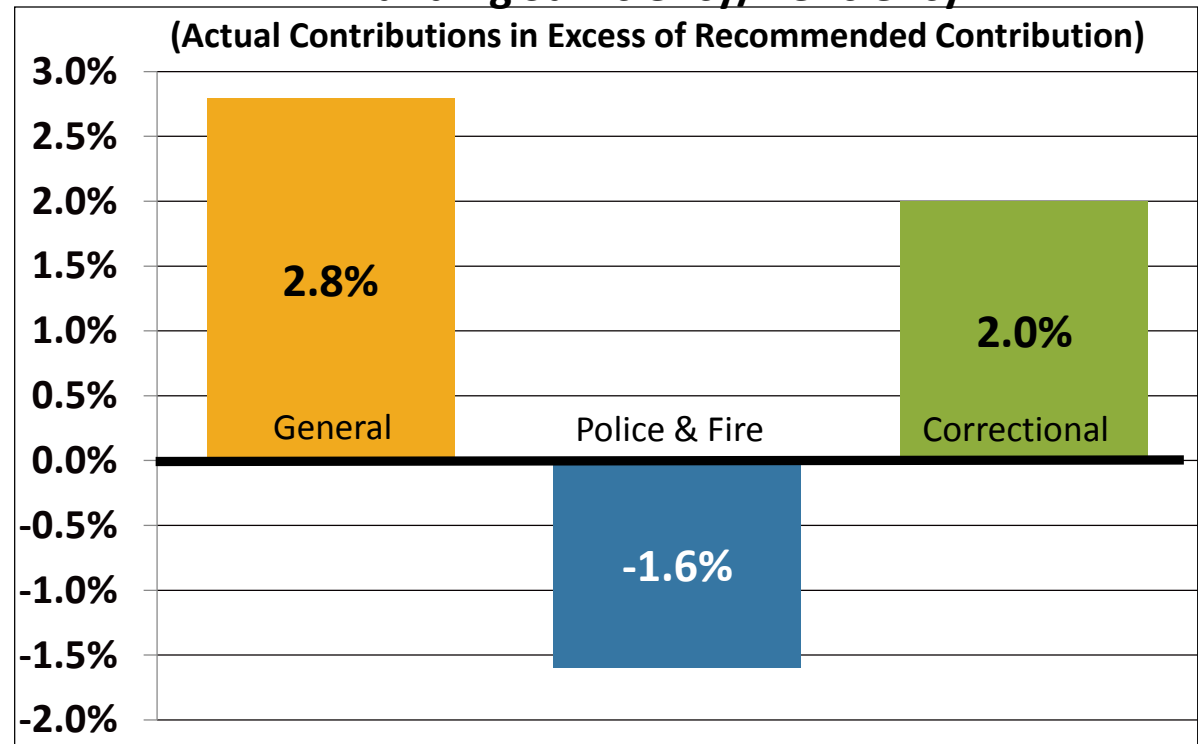


PERA Plans Financial Health - July 1, 2024

Funding Ratio (MVA/Liabilities)

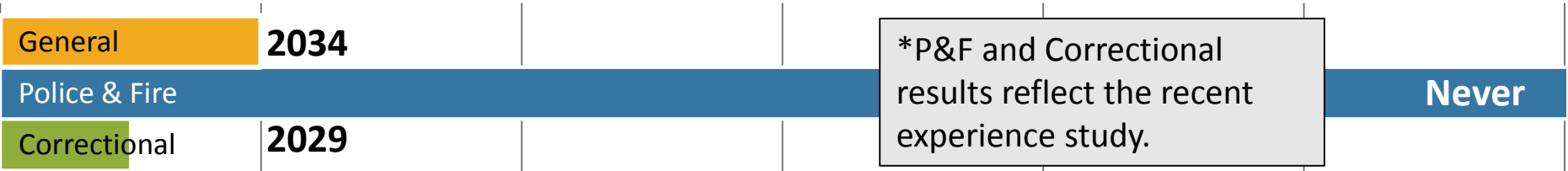


Funding Sufficiency/Deficiency



2024 2034 2044 2054 2064 2074 2084

**Projected Full
Funding Date**



*P&F and Correctional results reflect the recent experience study.



General Plan Funding Ratio & Sufficiency

Funded Status as of July 1, 2024

| | |
|--|-----------------|
| Actuarial Accrued Liability | \$33.9 B |
| Market Value of Assets | <u>\$30.2 B</u> |
| Unfunded Liability | \$ 3.7 B |
| Funded Ratio (assets ÷ liabilities) | 89.1% |

Projected Full Funding Date **2034**

FY24 Funding Sufficiency/Deficiency

| | |
|---------------------------------------|--------------|
| Employee Contribution | 6.5% |
| Employer Contribution* | 7.5% |
| MERF Contribution** | <u>0.4%</u> |
| Total Statutory Contributions | 14.4% |
| Normal Cost & Administrative Expense | 8.8% |
| Amortization of Unfunded Liability | <u>2.8%</u> |
| Total Required Contributions | 11.6% |
| Funding Sufficiency/Deficiency | 2.8% |

*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, 2024

| | |
|--|-----------------|
| Actuarial Accrued Liability | \$13.4 B |
| Market Value of Assets | <u>\$12.1 B</u> |
| Unfunded Liability | \$ 1.3 B |
| Funded Ratio (assets ÷ liabilities) | 90.0% |

Projected Full Funding Date **Never**

FY24 Funding Sufficiency/Deficiency

| | |
|---------------------------------------|---------------|
| Employee Contribution | 11.8% |
| Employer Contribution | 17.7% |
| Minneapolis P&F Contributions* | 0.6% |
| State Contributions** | <u>1.3%</u> |
| Total Statutory Contributions | 31.4% |
| Normal Cost & Administrative Expense | 26.4% |
| Amortization of Unfunded Liability | <u>6.6%</u> |
| Total Required Contributions | 33.0% |
| Funding Sufficiency/Deficiency | (1.6%) |

*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 | \$1,232 M |
| Market Value of Assets | <u>\$1,208 M</u> |
| Unfunded Liability | \$ 24 M |
| Funded Ratio (assets ÷ liabilities) | 98.1% |

FY24 Funding Sufficiency/Deficiency

| | |
|---------------------------------------|--------------|
| Employee Contribution | 6.8% |
| Employer Contribution | <u>10.3%</u> |
| Total Statutory Contributions | 17.1% |
| Normal Cost & Administrative Expense | 14.6% |
| Amortization of Unfunded Liability | <u>0.5%</u> |
| Total Required Contributions | 15.1% |
| Funding Sufficiency/Deficiency | 2.0% |

Projected Full Funding Date 2029



PERA Scorecard – March 2025

Success

Caution

Concern

Metrics for P&F and Correctional reflect recent experience study recommendations

| Metrics | Questions to Consider | General | Police & Fire | Correctional |
|---------------------------------|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Assumptions | Are the economic & demographic assumptions appropriate? | Yes | Yes | Yes |
| Financial Health | Is the plan expected to achieve and maintain fully funded status? | 89% now, 100% by 2034 | 90% now, will not improve | 98% now, 100% by 2028 |
| Benefit Amount & Retirement Age | Does the Plan provide a reasonable benefit at a reasonable retirement age for a career member? | 68% of FAS @ 66 + SS | 90% of FAS @ 55 | 66% of FAS @ 55 + SS |
| Contributions | Do employees and employers contribute the appropriate amount? | Contributions 158% of Normal Cost | Contributions 112% of Normal Cost | Contributions 117% of Normal Cost |
| Benefits | Do retirees have sufficient inflation protection? | 50% CPI, 1.0% Min 1.5% Max | 1% fixed | 100% CPI, 1.0% Min 2.5% Max |



PERA 2025 Legislative Initiatives & Positions

| Initiatives | Cost |
|--|---|
| <p>General Plan Postretirement Formula Increase PERA staff is recommending that the PERA Board of Trustees supports a proposal to increase the General Plan postretirement benefit formula to 100% of CPI, 1.0% minimum, 1.75% maximum with a provision to ensure contribution rates are not increased and the addition of a plan sustainability provision. Board decision expected March 13.</p> | <p>Costs are absorbed by the Plan. No member or employer rate increase.</p> |
| <p>Privatization Withdrawal Liability Assess privatizing entities a withdrawal liability that covers the entity's unfunded liability.</p> | <p>Small cost to privatizing entity</p> |
| <p>Amortization Methodology The PERA Board of Trustees supports legislation to change the amortization method to use layered amortization with timeframes recommended by the Amortization Work Group.</p> | <p>None</p> |
| <p>Pre-retirement Survivor Benefit Recodification Recodifies and standardizes PERA's pre-retirement survivor benefits.</p> | <p>Insignificant</p> |
| <p>Administrative Bill Clarifying and conforming changes to PERA's statutes.</p> | <p>None</p> |

