



# 90 YEARS STRONG

A Look to Our Past; A Plan for Our Future

## Popular Annual Financial Report

For Fiscal Year Ended June 30, 2021



PUBLIC EMPLOYEES  
RETIREMENT ASSOCIATION

PENSION TRUST FUNDS OF THE STATE OF MINNESOTA



## A Message from the Executive Director

### Dear members and stakeholders:

I am pleased to present the Popular Annual Financial Report (PAFR), a summary of the key measurements of our plans. The PAFR is based on information contained in PERA's Annual Comprehensive Financial Report (ACFR). The ACFR is available at <https://mnpera.org/financial/annual-comprehensive-financial-report/>

The pandemic continues to be a world-wide concern, as it was last year. However, from a strictly financial perspective, there is good news to report for fiscal year (FY) 2021. The most important aspect of PERA's story in FY2021 is investment income. PERA's investments earned a rate of return greater than 30 percent. The financial condition of PERA's plans improved from this strong investment returns.

Not only did the robust investment increase funded levels in all plans, but PERA realized this return at a particularly opportune time. PERA's actuaries determine a reasonable rate of return on PERA's investment portfolio. PERA uses this rate of return as the discount rate for estimating the present value of future benefit payments or the total pension liability. Other things being equal, if the return/discount rate goes down, the estimated liability goes up. Last year, PERA used the statutory estimated rate of return of 7.5 percent to estimate the total pension liability. This year, the actuaries' analysis showed that a rate between 5.71 percent and 6.61 percent would be more ap-

propriate. PERA's management decided to use a 6.5 percent return/discount rate for financial reporting purposes to give a fairer estimate of our financial condition. Management's choice to value the liability using a lower discount rate increased the estimated total pension liability for our plans.

FY2021's strong investment earnings more than offset negative net cash flow and the increased total pension liability from adopting a lower discount rate for financial reporting. This resulted in increased funded status for all plans.

The General Retirement Employees and Police and Fire Plans are now funded at their highest level in 20 years (87 percent and 93.7 percent respectively). The Correctional Plan is funded at the highest level in its history at 101.6 percent.

PERA is in a strong financial position at year end. We realize we may face future challenges and we will continuously respond to emerging financial and social conditions to ensure that are plans are sustainable, now and in the future.

Sincerely,



Doug Anderson  
Executive Director

## 2021 Contribution Rates (percentages applied to pensionable wages)

Effective Date	Contributor	General Fund	Police & Fire	Correctional
Jan. 1, 2020	Member	6.50%	11.80%	5.93%
	Employer	7.50%	17.70%	8.75%

Contribution rates did not change between FY2020 and FY2021. The Minnesota State legislature set contribution rates.

## About the Financial Statements

The **Statement of Fiduciary Net Position** measures the resources PERA has available to pay pension benefits less liabilities owed by PERA to people and businesses other than members. However, the statement does not include the actuarially estimated pension liability owed to plan members.

The **Statement of Changes in Fiduciary Net Position** reports the changes to PERA's net position that happened during the year.

For more information, please see PERA's ACFR available at [mnpera.org](http://mnpera.org)

### HIGHLIGHTS:

**Combined Fiduciary Net Position** increased by about \$8.6 billion (26.6 percent) from \$32.4 billion at FY2020 to about \$41 billion at FY2021.

**Combined Total Pension Liability** increased about \$6.4 billion from \$39.7 billion at FY2020 to about \$46.1 billion at FY2021 (Note: \$5.2 billion of the liability change was from adopting a lower rate of return/discourt rate for reporting FY2021 finances).

**Net Pension Liability** is the **Total Pension Liability** less **Fiduciary Net Position**. PERA's Net Pension Liability decreased by about \$2.2 billion from \$7.3 billion at FY2020 to about \$5.1 billion at FY2021.

## Condensed Financial Statements

### Fiduciary Net Position— Defined Benefit Plans (in millions)

Assets	General Employees	Police & Fire	Correctional	FY2021 Combined Total	FY2020 Combined Total	FY2019 Combined Total
Cash & Receivables	\$481	\$194	\$17	\$692	\$1,445	\$966
Investments	28,112	11,211	1,019	40,342	30,957	31,076
Securities Lending Collateral	1,822	726	66	2,614	2,276	2,380
Capital Assets & Other	6	0	0	6	6	6
<b>Total Assets</b>	<b>30,421</b>	<b>12,131</b>	<b>1,102</b>	<b>43,654</b>	<b>34,684</b>	<b>34,428</b>
Liabilities						
Accounts Payable	8	7	1	16	12	13
Accrued Compensated Absences	1	0	0	1	1	1
Securities Lending Collateral	1,822	726	66	2,614	2,276	2,380
Bonds Payable	2	0	0	2	3	4
<b>Total Liabilities</b>	<b>1,833</b>	<b>733</b>	<b>67</b>	<b>2,633</b>	<b>2,292</b>	<b>2,398</b>
<b>Total Net Position</b>	<b>\$28,588</b>	<b>\$11,398</b>	<b>\$1,035</b>	<b>\$41,021</b>	<b>\$32,392</b>	<b>\$32,030</b>

## PERA Membership — Defined Benefit Plans

	General Employees	Police & Fire	Correctional	Total
Retirees and beneficiaries receiving benefits	112,232	11,656	1,572	125,460
Vested and non-vested terminated employees not yet receiving benefits	147,100	2,725	6,032	155,857
Current, active vested and non-vested employees	149,281	11,705	3,788	164,774
<b>Total</b>	<b>408,613</b>	<b>26,086</b>	<b>11,392</b>	<b>446,091</b>

## Giving Back to Minnesota

Annual benefits paid to Minnesota residents out of total payments

89 percent of benefit payments\* are made to Minnesota residents. Out of \$2.3 billion in benefit payments, \$2.1 billion stay in Minnesota.



\*Estimate based on June 2021 payments

## Condensed Financial Statements

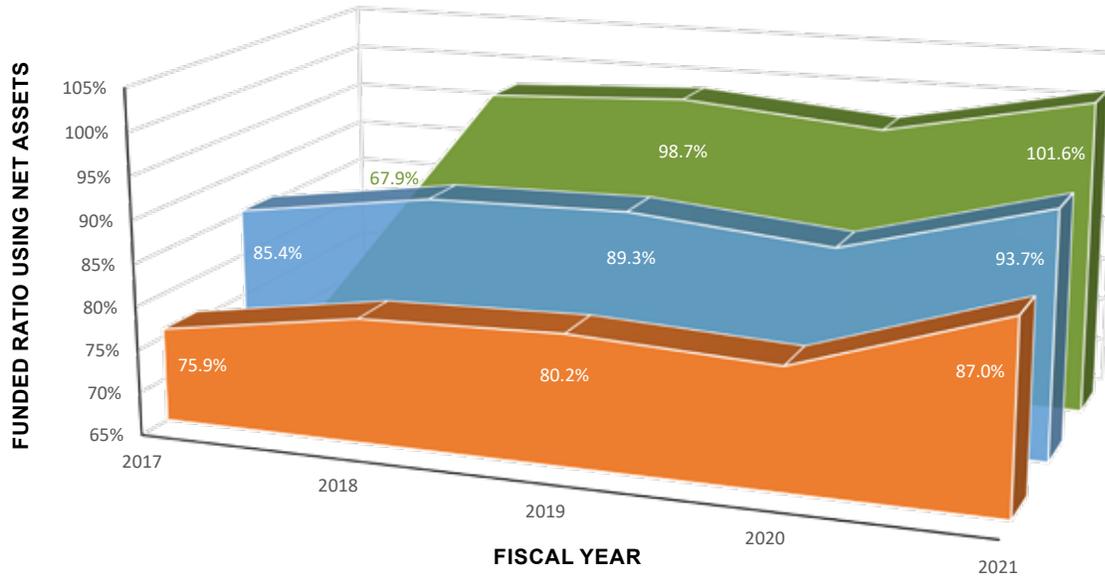
### Changes in Fiduciary Net Position— Defined Benefit Plans (in millions)

Additions	General Employees	Police & Fire	Correctional	FY2021 Combined Total	FY2020 Combined Total	FY2019 Combined Total
Employer Contributions	\$525	\$201	\$19	\$745	\$722	\$709
Member Contributions	439	129	13	581	572	548
State Contributions	16	18	0	34	29	29
Investment Income (Loss)	6,713	2,673	238	9,624	1,333	2,208
<b>Total Additions</b>	<b>7,693</b>	<b>3,021</b>	<b>271</b>	<b>10,984</b>	<b>2,656</b>	<b>3,494</b>
Deductions						
Retirement Benefits	1,666	593	20	2,279	2,189	2,099
Refunds of Contributions	58	3	2	63	91	71
Administrative Expenses	13	1	1	15	14	15
<b>Total Deductions</b>	<b>1,737</b>	<b>597</b>	<b>23</b>	<b>2,357</b>	<b>2,294</b>	<b>2,185</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$5,956</b>	<b>\$2,424</b>	<b>\$248</b>	<b>\$8,627</b>	<b>\$362</b>	<b>\$1,309</b>

## Financial Net Position to Total Pension Liability

(FY2017 - FY2021)

General Plan | Police & Fire | Correctional Plan



### What the numbers mean

Funded status measures the dollars a pension fund has received and invested, compared to the pension payments it needs to make. To measure a plan's funded ratio, the value of assets in a pension fund is divided by the value of promised lifetime benefits. When a pension plan has 100 percent of the money it needs to pay its promised pensions, it is fully funded.

## Award winning PAFR

Government Finance Officers Association is pleased to announce that Public Employees Retirement Association of Minnesota has received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR award).

The award represents a significant achievement by the entity. In order to be eligible for the PAFR award, a government must also submit its comprehensive annual financial report to GFOA's Certificate of Achievement for Excellent in Financial Reporting Program and receive the Certificate for the current fiscal year. Each eligible report is reviewed by judges who evaluate the report based on the following categories: reader appeal, understandability, distribution methods, creativity and other elements.

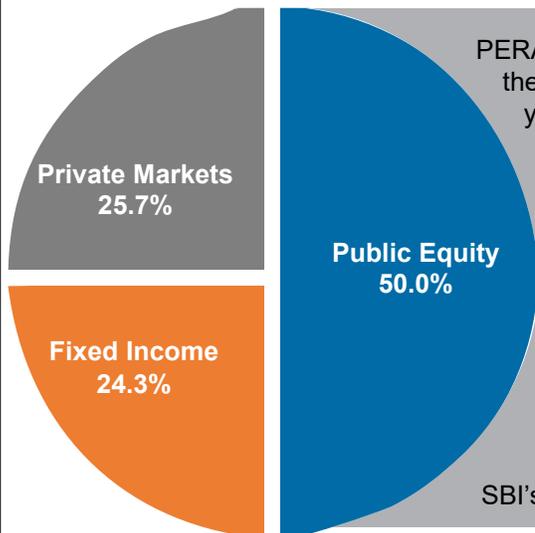


## Fund Performance by Asset Class

	Rates of Return (Annualized)				
	FY2021	3-Year	5-Year	10-Year	20-Year
<b>Public Equity</b>					
Actual	42.4%	15.8%	16.0%	12.3%	8.2%
Benchmark	41.6%	15.6%	15.6%	N/A	N/A
<b>Fixed Income</b>					
Actual	(1.3%)	6.8%	4.3%	4.3%	5.1%
Benchmark	(2.8%)	6.2%	N/A	N/A	N/A
<b>Private Markets</b>					
Actual	37.8%	14.0%	15.3%	12.3%	12.6%
Benchmark	N/A	N/A	N/A	N/A	N/A

\* Percentages are net of all management fees.

## About the Combined Fund and Asset Allocation



PERA's pension contributions from employees and employers are invested in the Combined Funds. Since these assets normally accumulate for 30 to 40 years, the State Board of Investment's (SBI) objective is to take advantage of the long investment time horizon offered by equities and alternative assets in order to meet its actuarial return target and ensure sufficient funds are available to finance promised benefits at the time of retirement.

The long-term objective of the Combined Funds are:

- Provide returns that are 3 to 5 percentage points greater than inflation over the latest 20-year period; and
- Outperform a composite market index weighted in a manner that reflects the actual asset mix of the Combined Funds over the latest 10-year period.

SBI's asset allocation policy is consistent with these objectives.

For more investment information and to view SBI's Annual Report, visit <http://mn.gov/sbi/>

## About the Popular Annual Financial Report (PAFR)

This Popular Annual Financial Report (PAFR) is derived from the information contained in PERA's Annual Comprehensive Financial Report (ACFR), but does not include all funds administered by PERA or certain other information required to be presented in accordance with Generally Accepted Accounting Principles. Unlike the ACFR, this report does not include information about PERA's Defined Contri-

bution Fund or Statewide Volunteer Firefighter Fund. The PAFR presents the Financial Net Position to Total Pension Liability rather than the actuarial funding as required by accounting standards. Also, the PAFR does not include footnotes which can be found in the more comprehensive report. For a copy of PERA's ACFR, visit <https://mnpera.org/financial/annual-comprehensive-financial-report/>



### Public Employees Retirement Association

Pension Trust Funds of the State of Minnesota  
60 Empire Drive, Suite 200 | St. Paul, MN 55103  
1-800-652-9026 | 651-296-7460 | mnpera.org