



PUBLIC EMPLOYEES  
RETIREMENT ASSOCIATION

2023

# POPULAR ANNUAL FINANCIAL REPORT



# DEAR MEMBERS AND STAKEHOLDERS:

On behalf of the management and staff of the Minnesota Public Employees Retirement Association (PERA), it is our pleasure to present the *Popular Annual Financial Report (PAFR)* for the year ending June 30, 2023. The PAFR provides a summary of the performance and financial health of our plans.

Fiscal year 2023 ushered in stability in the investment market after a year of significant volatility. The investment rate of return increased from -6.4% for fiscal year 2022 to 8.9% for fiscal year 2023.

For PERA, fiscal year 2023 was also marked by the passage of significant legislation that advances PERA's mission to administer and promote sustainable retirement plans and provide services our members value. The legislation included the following:

- » A reduction of the statutorily-established investment rate of return from 7.5%, which was deemed unreasonable by PERA's actuaries to 7% which was deemed reasonable by PERA's actuaries.
- » An appropriation of one-time state aid totaling approximately \$170 million to the General Employees Plan, almost \$19.4 million to the Police & Fire Plan, and over \$5.2 million to the Correctional Plan. The one-time state aid was used to reduce the net pension liability and to fully fund a one-time cost-of-living adjustment to benefit recipients in fiscal year 2024.
- » Provisions that require a Police & Fire Plan applicant for duty disability based on a psychological condition to complete required treatment prior to being eligible to apply for a duty disability benefit.

The actuarial valuation for funding purposes is used to determine the financial health of the retirement plans. The measurements use the actuarial value of assets, which is smoothed over a five-year period to minimize the impact of investment volatility. The table below shows the contribution sufficiency or deficiency and the funding ratios presented in the funding valuation reports.

ACTUARIAL VALUATION FOR FUNDING PURPOSES - PERA DEFINED BENEFIT RETIREMENT PLANS AS OF JULY 1, 2023 AND 2022			
	GENERAL EMPLOYEES FUND	POLICE & FIRE FUND	CORRECTIONAL FUND
Contribution Sufficiency (Deficiency), as of 07/01/2023	3.5%	1.4%	1.7%
Contribution Sufficiency (Deficiency), as of 07/01/2022	3.3%	6.8%	3.2%
Funding Ratio - Actuarial Value of Assets, as of 07/01/2023	83.6%	87.0%	96.7%
Funding Ratio - Actuarial Value of Assets, as of 07/01/2022	87.4%	93.1%	105.1%

As a result of the reduction in the statutorily-established investment rate of return assumption from 7.5% to 7%, the contribution sufficiency and funding ratio decreased for all plans. For the General Plan, this decline in contribution sufficiency was offset by one-time state aid and ultimately resulted in a slight increase in the contribution sufficiency. The legislature also provided one-time state aid payments to the other Police & Fire and Correctional plans. However, the state aid did not offset the decrease from the reduction in the statutorily-established investment rate of return for those plans.

Sincerely,



Doug Anderson

Executive Director

## ABOUT THE POPULAR ANNUAL FINANCIAL REPORT (PAFR) .....

The Popular Annual Financial Report (PAFR) is a summary of key measurements contained in PERA's Annual Comprehensive Financial Report (ACFR). Like the ACFR, the PAFR is consistent with generally accepted accounting principles and guidelines established by the Governmental Accounting Standards Boards. The PAFR does not include information about PERA's Defined Contribution Plan or Statewide Volunteer Firefighter Plan. Readers are encouraged to review PERA's ACFR for additional information. For a copy of PERA's ACFR, visit [mnpera.org/financial/annual-comprehensive-financial-report](http://mnpera.org/financial/annual-comprehensive-financial-report).

### FIDUCIARY NET POSITION - DEFINED BENEFIT PLANS (IN MILLIONS)

	GENERAL EMPLOYEES FUND	POLICE & FIRE FUND	CORRECTIONAL FUND	TOTAL
Total Assets, as of 06/30/2023	\$28,937	\$ 11,618	\$1,123	\$41,678
Total Assets, as of 06/30/2022	27,391	10,961	1,026	39,378
Change in Total Assets	\$1,546	\$657	\$97	\$2,300
Percentage Change	5.6%	6.0%	9.4%	5.8%
Total Liabilities as of 06/30/2023	\$1,437	\$579	\$56	\$2,072
Total Liabilities, as of 06/30/2022	1,357	545	51	1,953
Change in Total Liabilities	\$80	\$34	\$5	\$119
Percentage Change	5.9%	6.2%	9.4%	6.1%
Total Net Position Restricted for Pensions, as of 06/30/2023	\$27,501	\$11,039	\$1,067	\$39,607
Total Net Position Restricted for Pensions, as of 06/30/2022	26,034	10,415	975	37,424
Change in Net Position Restricted for Pensions	\$1,467	\$624	\$92	\$2,183
Percentage Change	5.6%	6.0%	9.4%	5.8%

## ABOUT THE FINANCIAL STATEMENTS .....

The Statement of Fiduciary Net Position measures the assets PERA has invested and available to pay pension benefits less liabilities owed by PERA. 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 in PERA's net position that occurred between the current and prior year. PERA's net position increased by almost \$2.2 billion, or 5.8%, to \$39.6 billion as of June 30, 2023. This increase can be attributed to an 8.9% investment rate of return for the fiscal year.

### CHANGES IN FIDUCIARY NET POSITION - DEFINED BENEFIT PLANS (IN MILLIONS)

ADDITIONS	GENERAL EMPLOYEES FUND	POLICE & FIRE FUND	CORRECTIONAL FUND	TOTAL	FY22	CHANGE
Employer Contributions	\$581	\$223	\$21	825	771	54
Member Contributions	487	144	14	645	604	41
State Contributions	16	18	0	34	34	0
Investment Income (loss)	2,273	913	87	3,273	(2,516)	5,789
<b>Total Additions</b>	<b>\$3,357</b>	<b>\$1,298</b>	<b>\$122</b>	<b>\$4,777</b>	<b>(\$1,107)</b>	<b>\$5,884</b>
DEDUCTIONS						
Benefits	\$1,808	\$670	\$27	\$2,505	\$2,394	\$111
Refunds of Contributions	68	4	3	75	80	(5)
Administrative Expenses	14	1	0	15	15	0
<b>Total Deductions</b>	<b>\$1,890</b>	<b>\$675</b>	<b>\$30</b>	<b>\$2,595</b>	<b>\$2,489</b>	<b>\$106</b>

## 2023 CONTRIBUTION RATES

EFFECTIVE DATE	CONTRIBUTOR	GENERAL EMPLOYEES FUND			POLICE & FIRE FUND	CORRECTIONAL FUND
		Basic	Coordinated	MERF		
01/01/2020	Member	9.10%	6.50%	9.75%	11.80%	5.83%
	Employer	11.78%	7.50%	9.75%	17.70%	8.75%

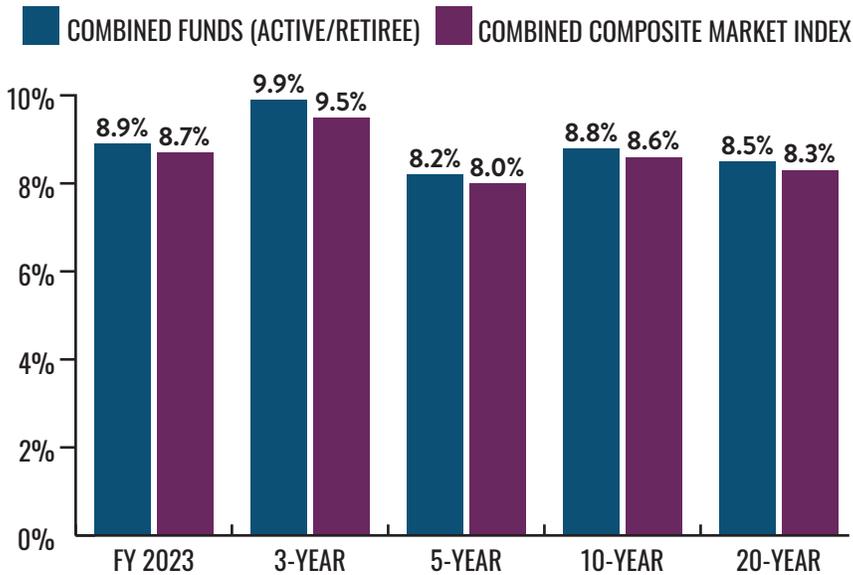
The Minnesota Legislature establishes the contribution rates. The rates have not changed since 2020.

## PERA MEMBERSHIP - DEFINED BENEFIT PLANS

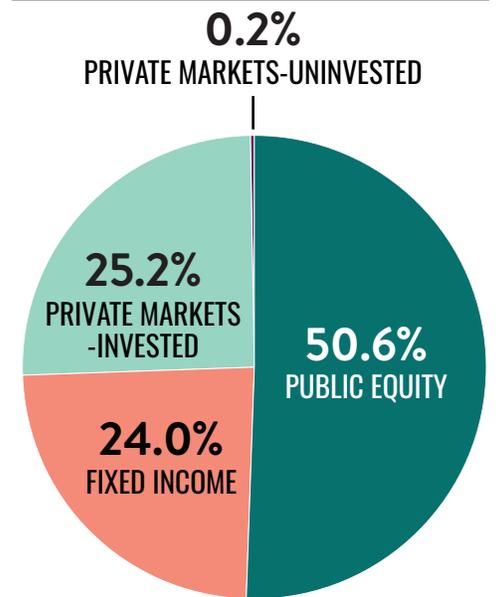
	GENERAL EMPLOYEES	POLICE & FIRE	CORRECTIONAL FUND	TOTAL
Retirees and beneficiaries receiving benefits	119,080	12,601	1,843	133,524
Vested and non-vested terminated employees not yet receiving benefits	158,513	2,907	6,982	168,402
Current, active vested and non-vested employees	154,261	11,635	3,786	169,682
<b>Total</b>	<b>431,854</b>	<b>27,143</b>	<b>12,611</b>	<b>471,608</b>

## FUND PERFORMANCE

Percentages are net of all management fees



## ASSET MIX



## FUNDING RATIOS

The Funding Ratio uses the actuarial value of assets to determine the financial health of the retirement plans and how to fund them. The funding ratio measures the actuarial value of assets smoothed over a five year period to minimize the impact of investment volatility, compared to the actuarial accrued liability (the value of promised life-time benefits).

GENERAL EMPLOYEES PLAN	83.6%
POLICE & FIRE PLAN	87.0%
CORRECTIONAL PLAN	96.7%

## ABOUT PERA'S GOVERNANCE STRUCTURE

PERA is governed by its Board of Trustees. The Board consists of 11 members. The state auditor is a member by statute and five trustees are appointed by the governor to represent cities, counties, school boards, retirees and the public, respectively. The remaining five members are elected by the PERA membership at large to represent the general active membership, Police & Fire plan members and all benefit recipients. All elected and appointed Board members serve four-year terms.