

February 18, 2026

Members of the Public Employees Retirement Association Board of Trustees:

We are providing this letter in connection with our audit of the financial statements of the Public Employees Retirement Association (PERA) for the year ended June 30, 2025. Generally accepted auditing standards require us to communicate certain matters to you that may assist you in overseeing the financial reporting process for which management is responsible.

Audit Objectives and Scope

The purpose of our audit was to express an opinion as to whether PERA's financial statements, including note disclosures, present fairly, in all material respects, the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Other Information Contained in the Public Employees Retirement Association's Annual Comprehensive Financial Report

PERA's Annual Comprehensive Financial Report contains other documents and information that are not a required part of the financial statements. Our responsibility is to express an opinion on the basic financial statements, notes to the financial statements, and supporting schedules within the financial section of PERA's 2025 Annual Comprehensive Financial Report. Management's Discussion and Analysis and other supplementary information are required by generally accepted accounting principles. We have applied certain limited procedures to the supplementary information. However, we did not audit the information and express no opinion on it.

The Introductory and Statistical sections of the Annual Comprehensive Financial Report present various demographic and historical information about PERA. This supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. We did not audit this information and, accordingly, we express no opinion on it.

Auditor's Responsibilities Under Generally Accepted Auditing Standards

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The auditing standards require that we conduct the audit to provide reasonable, but not absolute, assurance about the fair presentation of PERA's financial statements. We are also responsible for planning our audit to provide reasonable, rather than absolute, assurance of detecting fraudulent financial reporting or misappropriation of assets that would be considered material to PERA's financial statements.

Audit Reports and Conclusions

We issued an unqualified audit opinion on PERA's financial statements for the year ended June 30, 2025. An unqualified audit opinion means the financial statements were fairly presented, in all material respects, in accordance with generally accepted accounting principles. Our audit opinion on the financial statements, dated December 23, 2025, was included in PERA's 2025 Annual Comprehensive Financial Report.

We have attached with this letter a copy of our report on internal control over financial reporting and compliance for the year ended June 30, 2025. *Government Auditing Standards* require that we issue a report that describes our consideration of PERA's internal control over financial reporting and our tests of certain provisions of laws, regulations, and contracts. The report contains one finding related to internal control. We emphasize that our responsibilities for internal control and compliance do not constitute the same level of assurance as an audit opinion.

Additionally, we have attached a copy of written representations we requested from PERA management. We did not propose any material adjustments to management. We identified one uncorrected misstatement that did not affect our audit opinion. However, uncorrected misstatements, or matters underlying those uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Significant Accounting Policies, Management Judgments, and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events, and assumptions about future events.

Difficulties Encountered in Performing the Audit

We received the full cooperation of PERA's management and staff in performing this audit. We had no disagreements with management over the application of accounting principles, the scope of the audit, disclosures to be included in PERA's financial statements, or the wording of the auditor's report. We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Restriction on Use

This letter is intended solely for the information and use of the Public Employees Retirement Association Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Jordan Bjonfald, CPA
Audit Director

Attachments

cc: Doug Anderson, Executive Director
Tracy Gebhard, Chief Financial Officer



February 17, 2026

Judy Randall, Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Ms. Randall:

Thank you for the opportunity to respond to your office's audit finding in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (ICCFR).

The Public Employees Retirement Association is committed to issuing high quality, accurate financial statements in compliance with Generally Accepted Accounting Principles (GAAP).

Response to the OLA's Finding and Recommendations

The OLA has reported the following audit finding and recommendations in the ICCFR Report.

Audit Finding

The Public Employees Retirement Association did not have adequate internal controls to ensure it accurately reported cash in its financial statements.

Recommendations

- The Public Employees Retirement Association should strengthen its internal controls to ensure the accuracy of cash reported in its financial statements.
- The Public Employees Retirement Association should resolve the cash balance variance between its accounting system and the state's accounting system.

Agency Response

The Public Employees Retirement Association acknowledges the audit finding. The conditions occurred primarily due to significant employee turnover which resulted in several new staff members assuming responsibilities while still becoming familiar with established processes and procedures. During this transition, existing controls were not consistently sufficient to identify the noted issue in a timely manner.

The Public Employees Retirement Association has implemented additional training, enhanced supervisory review, and updated written procedures to ensure consistency and compliance going forward. These actions are intended to strengthen controls during periods of staff transition and reduce the risk of recurrence.

Judy Randall, Legislative Auditor

February 17, 2026

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Person Responsible: Tracy Gebhard, Chief Financial Officer

Estimated Completion Date: October 2, 2026

We appreciated your staff's professionalism and dedicated efforts during this audit. Thank you again for the opportunity to respond to your office's report.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Anderson". The signature is fluid and cursive, with a large initial "D" and "A".

Doug Anderson, Executive Director

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Public Employees Retirement Association Board of Trustees

The Honorable Tim Walz, Governor

Doug Anderson, Executive Director, Public Employees Retirement Association

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Public Employees Retirement Association (PERA) as of and for the year ended June 30, 2025, and have issued our report thereon dated December 23, 2025. PERA's basic financial statements consist of its Statements of Fiduciary Net Position and Changes in Fiduciary Net Position and the related notes to the financial statements.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PERA's internal control. Accordingly, we do not express an opinion on the effectiveness of PERA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying *Finding and Recommendations* section as Finding 1, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Public Employees Retirement Association's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on PERA's response to the findings identified in our audit and described in the accompanying *Finding and Recommendations* section. PERA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the PERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PERA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lori Leysen, CPA
Deputy Legislative Auditor



Jordan Bjonfald, CPA
Audit Director

December 23, 2025

Finding and Recommendations

FINDING 1

The Public Employees Retirement Association did not have adequate internal controls to ensure it accurately reported cash in its financial statements.

The Public Employees Retirement Association (PERA) potentially overstated cash in the General Employees Retirement Fund and the Statewide Volunteer Firefighter Fund by \$15.6 million and \$600,000, respectively. PERA manages and records cash transactions in its own accounting system and in the state's accounting system and prepares its financial statements from its own accounting system. The ending cash balance recorded in each system had an unresolved variance totaling \$16.2 million, and PERA reported the higher balance recorded in its accounting system in its financial statements.

PERA did not periodically reconcile cash between the two systems during the fiscal year and thus did not identify the variance until it completed an annual reconciliation in September 2025. However, PERA was not able to identify the underlying cause of the variance and make an appropriate correction before it issued its financial statements. Reconciling the cash balance between the two systems daily or monthly during the fiscal year would have likely allowed sufficient time for PERA to identify and correct the variance before it issued its financial statements.

RECOMMENDATIONS

- **The Public Employees Retirement Association should strengthen its internal controls to ensure the accuracy of cash reported in its financial statements.**
 - **The Public Employees Retirement Association should resolve the cash balance variance between its accounting system and the state's accounting system.**
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December 23, 2025

Jordan Bjonfald, Audit Director
Office of the Legislative Auditor
Room 140, Centennial Building
658 Cedar Street
Saint Paul, MN 55155

Dear Mr. Bjonfald:

We are providing this letter in connection with your audit of the financial statements of the Public Employees Retirement Association (PERA) for the period from July 1, 2024, through June 30, 2025. The purpose of your audit is to express an opinion as to whether the financial statements, including the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position, footnote disclosures, and required supplementary information, present fairly, in all material respects, the financial position and results of operations of PERA in accordance with accounting principles generally accepted in the United States of America.

We understand that certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December 23, 2025, the following representations made to you during your audit.

1. We are responsible for the preparation and fair presentation of the financial statements referred to above, including the accompanying notes to the financial statements, and believe they are fairly presented in conformity with generally accepted accounting principles.
2. We have made available to you all:
 - a. financial records and related data supporting the financial statements;
 - b. financial records related to activities not accounted for on the state's accounting system, including bank accounts maintained outside the state treasury, relationships with foundations, etc., which we have knowledge of; and
 - c. minutes of board meetings.

3. The financial statements properly classify all activities.
4. PERA is not aware of any plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
5. We have disclosed to you all items, if any, on the financial statements that were accounted for on the basis of tentative, preliminary, or inconclusive data.
6. Since June 30, 2025, there have been no events or transactions other than those reflected in the financial statements or fully disclosed that have a material effect on these statements or which should be disclosed therein in order to make them not misleading.
7. We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor have any assets been pledged as collateral.
8. Provisions for uncollectible receivables have been properly identified and recorded.
9. Investments as reported by the State Board of Investment to PERA are properly valued on the financial statements.
10. Capital assets are properly reported and, if applicable, depreciated.
11. Special and extraordinary items are appropriately classified and reported, if applicable.
12. We have identified all accounting and fair value estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
13. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial reporting purposes are appropriate.
14. Error corrections and accounting changes, including changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity, are appropriately reported, if applicable.
15. We have disclosed to you the identity of any related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed any such relationships and transactions.
16. The following have been properly recorded in the financial statements or disclosed in the notes to the financial statements in accordance with generally accepted accounting principles, if applicable:
 - a. deposit and investments risk disclosures, including custodial credit risk, and investments in foreign securities and derivative instruments;

- b. significant assumptions used in making accounting estimates, including those measured at fair value;
- c. guarantees, whether written or oral, under which PERA is contingently liable; and
- d. the required footnote disclosures required by Governmental Accounting Standards Board (GASB) Statement Number 67, *Financial Reporting for Pension Plans*, and Statement Number 72, *Fair Value Measurement and Application*, in our Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025.

17. We made all audit adjustments you proposed to correct misstatements you identified. The effects of all uncorrected misstatements identified by you for which no audit adjustments were proposed, as listed in the attached appendix, are immaterial, both individually and in the aggregate, to the financial statements as a whole.

18. We are responsible for the required supplementary information (RSI) in our Annual Comprehensive Financial Report, including any related disclosures. The RSI includes Management's Discussion and Analysis; Schedule of Changes in Net Pension Liability and Related Ratios; Schedule of Contributions from Employers and Nonemployers; and Schedule of Investment Returns.

We believe that the RSI has been measured and presented within the prescribed authoritative guidelines, and our methods of measurement and presentation have not changed from those used in the prior fiscal year. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the RSI.

19. We are responsible for the supplementary information (SI) in our Annual Comprehensive Financial Report, including any related disclosures. The SI includes the Schedule of Administrative Expenses; the Schedule of Payments to Consultants; and the Schedule of Investment Expenses.

We believe that the SI, including its form and content, is fairly presented in accordance with the applicable criteria, and our methods of measurement and presentation have not changed from those used in the prior fiscal year. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the SI.

20. Regarding internal control:

- a. We are responsible for establishing and maintaining internal controls over financial reporting and have disclosed to you all material weaknesses in the internal control structure that we are aware of, including those for which we believe the cost of

corrective action may exceed the benefits. We believe the internal control system is adequate and is functioning as intended.

- b. We have disclosed any changes in internal control over compliance or other factors that might have significantly affected internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses) that have occurred subsequent to June 30, 2025.

21. Regarding fraud:

- a. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
- b. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- c. We have no knowledge of any fraud or suspected fraud that affects the entity and involves management, employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements.
- d. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

22. Regarding financial-related legal compliance:

- a. We have identified and disclosed to you all laws, regulations, contractual agreements, and policies and procedures that have a direct and material effect on PERA's financial statements, including legal and contractual provisions for reporting specific activities in separate funds.
- b. We are responsible for complying with those laws, regulations, contracts, and policies and procedures. We have complied with those laws and regulations, or we have reported to you any instances of noncompliance with these provisions, which we are aware of through December 23, 2025.

23. We have disclosed, if significant to the financial statements, any:

- a. violations or possible violations of laws, regulations, or contract provisions whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for auditor reporting on noncompliance;
- b. unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB And AICPA Pronouncements*; or
- c. other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.

24. We have a process to track the status of prior audit findings and recommendations, including progress made in resolving those issues.
25. We have identified for you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations, if applicable.

Doug Anderson

Doug Anderson, Executive Director

Tracy Gebhard

Tracy Gebhard, Chief Financial Officer

Appendix – Uncorrected Misstatements

Misstatements identified by the Office of the Legislative Auditor for which no audit adjustments were proposed include:

1. Cash in PERA's general ledger did not reconcile to cash reported in the state's accounting system resulting in the following misstatements totaling \$16,281,000:
 - Overstatements by Fund: General Employees Fund – \$15,642,000 and Statewide Volunteer Firefighter Defined Benefit Fund – \$639,000