



PERA

NEWS

Assets Over \$30 Billion

Serving over 450,000 public employees in Minnesota

GENERAL

POLICE & FIRE

CORRECTIONAL

WINTER 2020

PERA's Plans Remain Healthy

PERA's Board and staff continuously monitor the health of our retirement plans. However, due to the large amount of work necessary to measure and audit results accurately, reports that help evaluate the plan's funding status are only prepared annually. Every October, we receive actuarial valuation reports that measure each plan's funding status as of June 30. Our staff also prepares the Certified Annual Financial Report (CAFR) at that time, which includes tremendous detail on PERA's membership, assets, and liabilities.

The numbers reported as of June 30, 2020, will not tell the entire story of what happened during this incredibly eventful year. The global pandemic and civil unrest will undoubtedly have an impact on our membership that we can't fully measure yet. Items we can measure, such as the assets, will show a positive investment return for the year but will not show how investments dropped by over 20% in the spring and recovered in early summer.

Thanks to the steady hand of the State Board of Investment, the funds were able to achieve a 4.2% return for the fiscal year. The strategies they are able to use as long-term investors allowed them to maintain patience during the worst of times and benefit from the rapid recovery. While the 4.2% return did not meet the long-term 7.5% assumption, it was still welcomed with some relief after considering all the year's events.

The funds proved just how resilient they can be. In fact, PERA's assets have grown to a record high of \$32.6B as of June 30, 2020.

As of June 30, 2020, the funding ratios for the General Employees Retirement Plan (79.1%), the Police & Fire Plan (87.2%), and the Local Government Correctional Service Retirement Plan (96.7%) were all down only about 2% each from their respective funding ratios in the prior year. The national average funding ratio for all plans per publicplans-data.org in 2018 was 73.8%.

The funding ratio is a comparison of the market value of plan assets with the actuarial accrued liability. The actuarial accrued liability is a standard measure of the present value of member benefits that can be attributable to past service. The goal for each plan is to achieve and maintain a 100% funding ratio. Anything short of that goal indicates that benefits earned to date have not been adequately funded.

From 2010 to 2018, PERA's Board advocated for changes to put all three plans on a stronger path to full funding. Together with other legislative changes, and according to projections done by PERA's actuary in 2019, the three plans were on track to be fully funded well before the legislative goal of 2048. The projections showed the General Plan reaching that goal in 2037, the Police & Fire Plan in 2031, and the Correctional Plan in 2025.

"Administer and promote sustainable retirement plans and provide services that our members value."

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PRESIDENT'S MESSAGE



Thomas Stanley
President
PERA Board of Trustees

The past year has been difficult and created great uncertainties for PERA and our members. From a strictly financial perspective, the biggest challenge for PERA's plans has been the investment volatility created by the Coronavirus pandemic. Between mid-February and mid-March, the stock market dropped by over 30 percent. Although the markets have largely recovered, we will not be complacent. The effects of the pandemic are likely to include economic impacts that will affect individuals, communities, and organizations like PERA for some time to come.

PERA, its Board, and its employees are poised to meet the challenges. Even given the difficult financial conditions of fiscal year 2020, PERA's funded status declined only minimally, as noted in this newsletter's "PERA's Plans Remain Healthy" article. PERA's Board of Trustees works closely with the Executive Director on understanding the financial variables affecting our plans and identifying ways to evolve the existing plan designs to ensure that all members are paid their benefits in-full and on-time, both now and in the future. As needed, changes that preserve our plans' sustainability, while also maintaining fairness and affordability, will be brought to the legislature.

Despite the events of 2020, PERA's plans have demonstrated their resiliency. We still expect that within 20 years, if all assumptions are met, all of PERA's plans will be fully funded, and benefits will be financed on a completely prepaid basis.

Recently on a Leave of Absence?

Have you taken a leave of absence in the past year? If so, you may qualify to voluntarily purchase your missing contributions plus interest to restore your salary credit. Qualified leaves include authorized leaves, (medical, FMLA, parental, personal), worker's compensation, or military.

When you return from your leave, or terminate your position (whichever is earlier), PERA can provide you with purchase information. We're unable to provide this information during your leave as we cannot determine what total contributions will be missing during the entire leave period.

If you are interested in receiving purchase information, please complete the employee portion of the *Leave Verification Form*, available on our website, and submit it to your employer to complete. Once all sections are completed, you can submit the form to PERA for processing. There are specific forms for non-military leaves and military leaves.

There is a deadline to purchase missing contributions. For most situations, you have 12 months from the return date, or 30 days from termination of public service, whichever is earlier. Please see the *Leave Purchases* publication on our website for more information.

NEW On-Demand Access to Personal Benefit Statements

We are excited to announce that Personal Benefit Statements (PBS) are now available to download on-demand through your myPERA account!

The PBS provides individual details about your PERA benefits to help you plan your financial future for retirement. This retirement account statement contains the

most up to date numbers for service credit, account balance, and benefit estimates.

Currently, active PERA members can choose to have their PBS mailed to them around their birthday each year. With this enhancement to myPERA, most active and inactive members who need a statement quickly for loans or financial planning; can

log into their personal account and have immediate access to their PBS to be downloaded and printed.

While you are in your myPERA account, you can also update your mailing preferences and choose to no longer receive this statement through the mail—saving time and resources!

Spotlight on 2020 Legislation

On May 27, the Governor signed the 2020 Omnibus Retirement Bill, which included, among other PERA and State-wide Volunteer Firefighter (SVF) Plan administrative recommendations, adjustments for current and future privatized members, and changes to partial repayments.

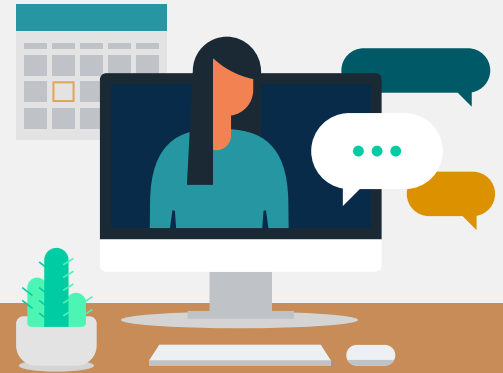
Augmentation is not available to current members of the PERA General Plan. The Omnibus Retirement bill adjusted augmentation rates for current privatized employees. Effective July 1, 2020, all privatized employees' augmentation rate will be two percent. Augmentation will cease for all privatized employees on December 31, 2023. Future privatized members will not receive augmentation.

Previously, members were allowed to make partial repayments of refunds. However, the Omnibus Retirement bill eliminated the partial payment of refunds. All refunds are now required to be paid in full. If you have already made a partial purchase, any future payments must be for the full remaining amount.

ATTEND AN EDUCATIONAL WEBINAR

PERA's educational programs are now being offered as live webinars. Whether you're new to public service, or are preparing to retire, our webinars are the perfect place to learn about your PERA plan and get your questions answered.

See mnpera.org/education for available programs



FROM HIRE TO RETIRE is the perfect place for members to begin and to continue education on PERA benefits. The program is designed for new PERA members, those who are close to retirement, and everyone in between. The PERA pension is discussed in detail, including how it fits into an overall retirement plan. PERA's pension benefit options, life changes that affect PERA, decisions members must make, and self-service tools are highlighted.

Recommended for all PERA members

READY TO RETIRE is an educational option for PERA members who plan to retire within one year. The program is designed to empower members and make them comfortable enough to make PERA pension decisions and self-serve the application process. The program also sets the stage for using PERA's online tools now and after retirement. You will also receive supplemental handouts that provide starting points for other retirement decisions.

Recommended for those within one year of retirement

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Two years have passed since those projections were issued, and we can now see each plan is trailing that expected progress in funding ratio by about 2%. However, we know that the primary reason is due to investment returns less than expectations. Specifically, last year's return of 4.2% being less than the assumed 7.5%. Aside from that, little else has impacted the expectations for progress.

We will receive new funding status projections in a few months. The projections will reflect the past two years of results, but will also reflect changes to the actuary's assumptions for the future. The forecast will likely tell us that, despite recent turmoil, all of the plans remain on a path to full funding within 20 years. Also, while we know not to count chickens before they hatch, we are approaching the halfway point of the fiscal year 2021, and the

investment returns are currently outpacing the assumption.

PERA's Board and staff monitor the plans continuously, measure and report on progress annually, and recommend changes to the plans' course only when the future path is not positive. Currently, the forecast remains positive, and the recent plan changes appear to be helping the mission of ensuring plan sustainability.



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BOARD DIRECTORY

The PERA Board of Trustees consists of 11 members. The State Auditor is a member of the Board by statute. 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. Board members serve four-year terms.



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