



PERA

NEWS

Assets Over \$30 Billion

Serving over 450,000 public employees in Minnesota

SPRING 2020

GENERAL

POLICE & FIRE

CORRECTIONAL

PERA Benefit Security

We know you may have concerns about the security of PERA's monthly benefit payments, and how COVID-19 impacts them. Pension funds are generally structured to withstand market fluctuations with minimal or no impact on a member's benefits. Only in the event of more permanent economic impacts, or changes to future assumptions, would adjustments be made through legislation. This article will provide you with information about PERA funds that may help address some of your uncertainty.

#1: State law protects retiree benefits from being reduced. In the event investment losses were to be sustained long-term, there could be a change to how future Cost of Living Adjustment (COLA) increases are granted.

Active members' accrued benefits cannot be decreased. Your accrued benefit is the amount of benefit you have earned to date based on past salaries and service. Depending on the impact of investment losses, future benefit accruals or COLAs could change for active members. However, these changes require legislation, which has historically taken years to develop, pass, and enact.

#2: Employee and employer contributions are expected to continue to flow into the fund without interruption.

#3: Since its inception in 1931, PERA has never deviated from regular monthly benefits to our retirees, nor has there

been a reduction to retiree benefits. The certainty of monthly benefit payments has endured other crises, including wars, major market adjustments, and economic recessions.

#4: The PERA funds have assets available to meet ongoing benefit obligations. As of July 1, 2019, our most recent valuation date, the General Employees Retirement Plan was 80% funded, the Police & Fire Plan was 89% funded, and the Correctional Plan was 98% funded.

#5: While current funding ratios have declined since July 1, 2019, due to asset losses in the fund, the returns since then reflect less in losses than what is often cited in news reports for market indexes. News reports often cite drops in market values from their recent highs. When the funds are measured from their last valuation date (July 1, 2019), the fund losses are about 10% less than index losses from more recent high points.

#6: PERA's funds are managed by the State Board of Investment using a diversified portfolio, which helps dampen volatility and can mitigate losses. As of the publication date of this newsletter, the fund's returns for the fiscal year to date were better than both the Dow Jones and S&P indexes.

#7: PERA's fund has rebounded before. In fiscal year 2009, the fund had a negative

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

Continued on page 2



Thomas Stanley
President
PERA Board of Trustees

PERA has distributed a newsletter to our members since 1939. As with any publication, the message has undoubtedly changed many times over the years in both form and content. The current issue reflects yet another change: a condensed hard copy newsletter designed to provide you with the essential facts you need.

In the past, forms of communication were limited. With the Internet, we can provide you with much greater information and detail about your plan, in a much timelier and cost-effective manner. We are working diligently to keep our website, mnpera.org, updated with relevant news and content.

Our current web highlights include: announcements of the 2020 Cost of Living Adjustments (COLAs); an introduction of our newest board member, Thomas Thornberg; details of the new minimum required distribution rules; and a schedule of upcoming member education opportunities. You can also view our annual Comprehensive Annual Financial Report (CAFR); at more than 150 pages long, it provides in depth financial, investment, actuarial, and statistical information about PERA and the plans we administer.

The website also contains Board of Trustees meeting materials. Access to these documents can provide you with a fuller picture of the status of PERA's plans and the issues the board considers at each meeting. For example, in December the board reviewed and adopted a set of Funding Values that we hope will facilitate communication with PERA stakeholders and provide a good foundation for potential future legislative initiatives.

We know that not all members have the ability to access our website easily, so we will continue to mail your newsletter with the news you need to know. However, if you have the ability to visit our website, we encourage you to do so regularly to keep current on all of our developments.

Continued from page 1

19% return. In the following ten years, the fund experienced nearly an 11% annualized rate of return.

While pension funds are built to withstand volatility, there are no guarantees about the long-term economic impact of the COVID-19 virus. Determining the future of the plan in the post-COVID-19 world will require expert analysis and time to evaluate. Any changes that come as a result of shared sacrifices among all stakeholders will require legislative action.

To stay informed, please watch for updates on our website.

RMD Age Changes

Beginning January 1, 2020, the age at which you need to start required minimum distributions (RMD) from qualified retirement accounts will change, in some instances, from 70 ½ to 72. This change was included in the new federal Setting Every Community Up for Retirement (SECURE) Act. As a qualified retirement plan, PERA must comply with these federal regulations.

If you are receiving a PERA retirement annuity the federal RMD requirements are automatically satisfied. If you are over 70 ½, not receiving a PERA retirement annuity and not actively working in PERA covered employment, contact a PERA representative to determine if you qualify to delay your RMD to age 72.

More account information for DCP members

If you are one of our almost 8,000 Defined Contribution Plan (DCP) members, you may have already received your 2020 DCP statements in the mail. Currently, PERA DCP members receive an annual statement each January.

Beginning in the Spring, we will send your DCP statement in your birthday month. Because of this change, some members will receive two statements in 2020. In 2021, DCP members will receive one statement in your birthday month.

We encourage you to register your MY PERA account online at mnpera.org to access your investment information year-round and make changes related to your DCP account.

New hire, mid-career, or ready to retire?

Knowledge of your retirement benefits has always been the main objective behind PERA's retirement education. Over the past year, PERA staff has focused on creating new group programs with valuable information about your pension plans. Whether you are newly hired, mid-career, or ready to retire, we have a program for you

We want you to feel prepared and comfortable with the benefits you will draw upon retirement, so we've created a one-hour 'Ready to Retire' program. This new program will address the decisions you need to make at retirement, and the steps you need to take to apply. We will go through the choices everyone should consider before finalizing your retirement and show you how to find and submit the materials to start your benefits. Ready to Retire is for members who plan to retire within one year. You will also receive supplemental handouts that provide starting points for other retirement decisions.

We are now offering a new program, 'From Hire to Retire,' for members at any stage in their PERA careers. This program will



touch on what PERA is and how your benefit works. Learn what work or life events might affect your pension, and how to keep up-to-date on your information using MY PERA as you get closer to retirement.

We are currently running all programs and outreach events via live webinars. These live engagement sessions allow members to ask questions and interact with our PERA educational speakers. Visit mnpera.org/education to find and register for an upcoming live webinar.

PERA is continually adding more programs to our events calendar. We hope to continue

doing in-person group conferences as soon and as safely as possible. The safety of our members and Minnesotans is our top priority. We will continue to provide updates and resources to help members reduce the risk in their homes and community.

You can view your PERA benefit estimate instantly on our member portal, MY PERA. If you haven't registered for your own My PERA account, go to the button at the top of our website and get started. You can call our Member Service Center at 651.296.7460 or 1.800.652.9026 to have estimates mailed to your home address on file.

2020 Postretirement Benefit Increases

Monthly benefit payments to retired members of the General Employees Retirement Plan increased by 1% in January. Police & Fire Plan retiree benefit payments also increased by 1% while Correctional Plan retirees will receive a 1.6% increase.

2020 benefit payment detail of gross benefit, taxes, and net payment are available for viewing in MY PERA accounts.

Annual retiree post-retirement increases for General and Correctional members are tied to the same Consumer Price Index used by the Social Security Administra-

tion (SSA) to determine the annual Social Security benefits increase. The 2020 Social Security benefits increase was 1.6%.

General retirees receive 50% of the Social Security increase, but not less than 1.0% or greater than 1.5%. The 1.0% minimum will apply in 2020. PERA Correctional retirees receive 100% of the Social Security increase, but not less than 1.0% or greater than 2.5%. Correctional retirees will receive the full Social Security adjustment of 1.6%. The annual increase for PERA Police & Fire retirees will be 1% because their increase is a fixed rate not

currently tied to an inflation index.

PERA moved to tie annual increases to a Consumer Price Index as part of the 2018 legislative package. The goal is to more closely connect increases to actual inflation during both lower and higher inflationary periods. This can help ensure more equitability from one generation to another. Past attempts to tie increases to investment returns, funding status, or use fixed rates have resulted in measurable intergenerational inequities. The use of minimums, maximums, and varying percentages were all a result of what each plan was considered able to afford.



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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.



Connect with PERA

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