Suggested Footnotes for Employers {GASB 27}

Suggested Footnotes for Employers, Cash Basis and Regulatory Financial Statements {GASB 27 and GASB 50) (Updated January 2023)

*By request, PERA has prepared suggested financial statement footnote disclosures related to PERA for inclusion in employer financial statements. The footnote disclosures below are for smaller entities that do not need to follow Government Accounting Standards Board (GASB) Statement No. 68 Statement, Accounting and Financial Reporting for* Pensions--an *amendment* of *GASB Statement No. 27. The content of the suggested disclosures is not intended to be a substitute for professional judgment by the preparers of your financial report. Annual pension expense is equal to the contractually required contributions to the plan,* as *set by state statute. Since PERA issues an annual Comprehensive Annual Financial Report (CAFR), the suggested footnote disclosures will be limited to (1)* a *description of the plan and (2) its funding policy. These suggested footnotes include GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures--an amendment* of *GASB Statements No. 25 and No. 27. The suggested footnotes do NOT include GASB 68 required disclosures. You can find templates for GASB 68 footnote disclosures at /www.mnpera.org/employers/financial-resource-center/.*

**Note X. Defined Benefit Pension Plans**

**A. Plan Description**

All full-time and certain part-time employees of the [entity name] are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), the Public Employees Police and Fire Retirement Plan (accounted for in the Police and Fire Fund), and the Local Government Correctional Service Retirement Plan, called the Public Employees Correctional Plan (accounted for in the Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes,* Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the Police and Fire Plan. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/ dispatcher, or as a supervisor of correctional guards, officers, or joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the Correctional Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. In the Correctional Plan, benefits vest on a prorated basis from 50 percent after 5 years up to 100 percent after 10 years. The defined benefit retirement plan benefits are based on a member's highest average salary for any 5 years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

Normal retirement age is 55 for Police and Fire and Correctional plan members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement with an actuarial reduction in the member’s benefit.

A full unreduced pension is earned when Police and Fire and Correctional plan members meet the following conditions: age 55 and vested or age plus years of service total at least 90 if first hired prior to July 1, 1989.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service before retirement benefits begin.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees, Police and Fire, and Correctional plans. That report may be obtained on the PERA's website at [www.mnpera.org/financial/](http://www.mnpera.org/financial/).

**B. Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state Legislature. In 2022, Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary, Police and Fire Plan members were required to contribute 11.8 percent of their annual covered salary, and Correctional Plan members were required to contribute 5.83 percent of their annual covered salary.

The [entity name] makes annual contributions to the pension plans equal to the amount required by state statutes. In 2022, the [entity name] was required to contribute the following percentages of annual covered payroll: 7.5 percent for Coordinated Plan members, 17.70 percent for Police and Fire Plan members, and 8.75 percent for members of the Correctional Plan.

The [entity's name]'s contributions to the General Employees Fund for the years ending December 31, 2022, 2021, and 2020 were $XXX, $XXX, and $XXX respectively. The [entity’s name]’s contributions to the Police and Fire Fund for the years ending December 31, 2022, 2021, and 2020 were $XXX, $XXX, and $XXX respectively. (For affected counties: The [entity's name]'s contributions to the Correctional Fund for the years ending December 31, 2022, 2021, and 2020 were $XXX, $XXX, and $XXX respectively.)

**Note XI. Defined Contribution Plan**

[Number and type of positions covered, e.g. two council members] of the [entity name] are covered by the Public Employees Defined Contribution Plan (Defined Contribution Plan accounted for in the Defined Contribution Fund), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share.

Employer and employee contributions are combined and used to purchase shares in one or more of the six accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the [entity's name] during fiscal year 2022 were:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Contribution Amount** | | **Percentage of Covered Payroll** | | **Required Rate** |
| Employee | Employer | Employee | Employer | 5.0% |
| $XXX | $XXX | 5.0% | 5.0% |