



## INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees  
Public Employees Retirement Association of Minnesota

### Report on the Audit of the Schedules

#### *Opinions*

We have audited:

- the accompanying schedules of employer allocations of the Public Employees Retirement Association of Minnesota's (PERA) General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, and Public Employees Correctional Fund Pension Plan as of and for the year ended June 30, 2023,
- the total for all entities of the columns titled ending net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedules of pension amounts by employer, current reporting period only, of the PERA's General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, and Public Employees Correctional Fund Pension Plan as of and for the year ended June 30, 2023,
- and the respective related notes

(collectively referred to herein as the "GASB (Governmental Accounting Standards Board) 68 Schedules").

In our opinion, the GASB 68 Schedules referred to above present fairly, in all material respects, the employer allocations and ending net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the PERA's General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, and Public Employees Correctional Fund Pension Plan as of and for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of PERA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Schedules***

Management is responsible for the preparation and fair presentation of the schedules in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of schedules that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibilities for the Audit of the Schedules***

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based the schedules of employer allocations and ending net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the PERA's General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, and Public Employees Correctional Fund Pension Plan included in the GASB 68 schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules of employer allocations and ending net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the PERA's General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, and Public Employees Correctional Fund Pension Plan included in the GASB 68 schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedules of employer allocations and ending net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the PERA's General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, and Public Employees Correctional Fund Pension Plan included in the GASB 68 schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PERA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule of employer allocations and ending net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the PERA's General Employees Retirement Fund Pension Plan, Public Employees Police and Fire Fund Pension Plan, and Public Employees Correctional Fund Pension Plan included in the GASB 68 schedules.

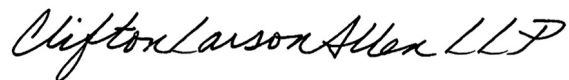
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Other Matter***

The Office of the Legislative Auditor audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of PERA as of and for the year ended June 30, 2023, and their report thereon, dated December 21, 2023, expressed an unmodified opinion on those statements.

***Restriction on Use***

Our report is intended solely for the information and use of PERA management, members of the Board of Trustees, PERA Plan employers and their auditors and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
March 7, 2024

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE  
OF PENSION AMOUNTS BY EMPLOYER, CURRENT REPORTING PERIOD ONLY  
JUNE 30, 2023**

**NOTE 1 PLAN DESCRIPTION**

**Organization**

The Public Employees Retirement Association (PERA) is the administrator of three cost-sharing multiple-employer retirement plans, the General Employees Retirement Plan (General Employees Plan), the Public Employees Police and Fire Retirement Plan (Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan, called the Public Employees Correctional Plan (Correctional Plan). The Minneapolis Employees Retirement Fund (MERF) merged with the General Employees Plan effective January 1, 2015. The cost-sharing plans, including benefit provisions and the obligation to make contributions, are established and administered in accordance with *Minnesota Statutes* Chapters 353, 353E and 356.

PERA functions as a separate statutory entity. PERA maintains the right to sue or be sued in its own name and to hold property in its own name. Responsibility for the organization is vested in PERA's Board of Trustees, which consists of eleven members—the state auditor (by statute); five trustees appointed by the governor to represent cities, counties, school boards, retired annuitants, and the general public; and five trustees elected by PERA's members (three from general active membership, one benefit recipient, and one Police and Fire Plan member).

**Participating Employers and the State of Minnesota Contributions**

PERA serves approximately 2,100 separate units of government in the General Employees Plan, 430 units of government in the Police and Fire Plan, and 80 counties in the Correctional Plan. These units of government are made up of counties, cities, townships, school districts, and other units of government whose revenues are derived from taxation, fees, or assessments.

The State of Minnesota contributed \$16 million to the General Employees Fund in the plan fiscal year ended June 30, 2023, with respect to the former MERF employers. The aid provided meets the definition of a special funding situation and therefore the State of Minnesota is included as a non-employer contributing entity in the *General Employees Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules)*. General Employees Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. General Employees Plan employers also need to disclose their proportionate share of the State of Minnesota's proportionate share of the collective net pension liability in their pension footnotes and also report that information on their required supplementary *Schedule of Employer Proportionate Share of the Net Pension Liability*.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE  
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JUNE 30, 2023**

**NOTE 1 PLAN DESCRIPTION (CONTINUED)**

**Participating Employers and the State of Minnesota Contributions (Continued)**

The State of Minnesota also contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in fire state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the *Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules)* for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. Police and Fire Employees Plan employers also need to disclose their proportionate share of the State of Minnesota's proportionate share of the collective net pension liability in their pension footnotes and also report that information on their required supplementary *Schedule of Employer Proportionate Share of the Net Pension Liability*.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Retirement Plan pension allocation schedules for the \$9 million in fire state aid. Plan employers contributing to the Police and Fire Fund need to recognize their proportionate share of the state's contribution as an increase in grant revenue (and reduction of net pension liability) in accordance with GASB accounting and financial reporting requirements for on-behalf payments.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

**Basis of Presentation and Basis of Accounting**

- A. Employers participating in PERA's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2015, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The pension allocation schedules provide employers with the required information for financial reporting.
- B. The underlying financial information used to prepare the pension allocation schedules is based on PERA's financial statements. PERA's financial statements for all plans are prepared using the economic resources and accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES  
(CONTINUED)**

**Basis of Presentation and Basis of Accounting (Continued)**

- C. Employer contributions received by August 31 with employer payroll paid dates that fall within PERA's fiscal year ended June 30, 2023, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the *Schedule of Employer Allocations*.
- D. The *Schedule of Pension Amounts by Employer, Current Reporting Period Only* presents deferred inflows of resources and deferred outflows of resources and pension expense for the current reporting period (measurement period) only. In addition to the current period amounts reported on this schedule, employers need to account for deferred inflows of resources and deferred outflows of resources related to pensions from prior reporting periods and amortize those amounts to pension expense over the average estimated remaining service lives of all plan members, except for investment gains and losses which should be amortized over five years, when reporting pension amounts in their financial statements in accordance with accounting principles generally accepted in the United States of America.
1. PERA calculated the deferred inflows of resources and deferred outflows of resources related to pensions for the change in proportion percentage from the end of the prior measurement period (June 30, 2022) to the end of the current measurement period (June 30, 2023) for the net pension liability only. Employers are responsible for accounting for the impact of the change in proportion from the prior measurement date to the current measurement date on deferred inflows of resources and deferred outflows of resources related to pensions and amortizing those amounts over the average estimated remaining service lives of all plan members.
  2. PERA determined that the difference between employer actual contributions and the contributions used in the proportionate share percentage calculation were not material in the aggregate or to individual employers, especially considering that those differences would be amortized to pension expense over the average estimated remaining service lives of all members of the respective cost-sharing plans. Therefore, PERA did not include these differences as deferred inflows or outflows of resources related to pensions in the *Schedule of Pension Amounts by Employer, Current Reporting Period Only*.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES  
(CONTINUED)**

**Basis of Presentation and Basis of Accounting (Continued)**

E. The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2023. The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 7.0 percent.

The components of the calculation of the net pension liability and related ratios of the defined benefit cost-sharing plans for participating employers, as of June 30, 2023, calculated in accordance with GASB Statement No. 67, are shown in the following table.

*Net Pension Liability Components (in thousands)*

	General Employees Fund	Police and Fire Fund	Correctional Fund
Total Pension Liability (A)	\$ 33,092,665	\$ 12,765,798	\$ 1,112,405
Fund Fiduciary Net Position (B)	27,500,777	11,038,928	1,067,200
Net Pension Liability/(Asset) (A-B)	<u>\$ 5,591,888</u>	<u>\$ 1,726,870</u>	<u>\$ 45,205</u>
Fund Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	83.1%	86.5%	95.9%

The total pension liability is calculated by PERA's actuary. Each plan's fiduciary net position is reported in PERA's financial statements and the net pension liability is disclosed in PERA's notes to the financial statements.

F. Amounts reported on the pension allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in allocating the collective pension amounts. Also, the number of decimal places used in the allocations varies by plan.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES  
(CONTINUED)**

**Reconciliation of Financial Statement Employer Contributions to Total Employer Contributions Reported on the Schedule of Employer Allocations**

The following table presents a reconciliation of the employer contributions reported in the plan *Statement of Changes in Fiduciary Net Position* to the employer contributions used in determining each employer's proportionate share of the collective pension amounts reported in the *Schedule of Employer Allocations*. Reconciling items in the General Employees Fund include eliminating contributions of employers that discontinued participation in the plan during the year, if applicable, and employer contributions made on behalf of PERA employees (since those are funded through investment earnings). PERA also annualizes contributions of employers whose effective membership date in PERA occurred during the measurement period (July 1, 2022 through June 30, 2023) as required by GASB 68 to ensure the basis of the proportionate share percentage reflects future contribution effort. Each PERA employer is responsible for ensuring that its proportionate share of the collective plan pension amounts is materially correct.

	General Employees Fund	Police and Fire Fund	Correctional Fund
	<u>          </u>	<u>          </u>	<u>          </u>
Employer Contributions Reported in PERA's Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2023	\$ 581,044	\$ 223,305	\$ 20,518
Add State of Minnesota Special Funding Situation Contribution	16,000	9,000	-
Deduct Contributions of Employers No Longer Participating in the Plan	-	-	-
Deduct Contributions Not Included in Allocation	(708)	(1)	-
Add Annualized Contributions for Employers Joining the Plan During the Year	-	24	-
Add/Subtract Miscellaneous Adjustments	<u>83</u>	<u>107</u>	<u>(1)</u>
Total Employer Contributions Used as the Basis for Allocating Employer's Proportionate Share of Collective Pension Amounts	<u>\$ 596,419</u>	<u>\$ 232,435</u>	<u>\$ 20,517</u>

(amounts in thousands)



**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
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**NOTE 3 ACTUARIAL METHODS AND ASSUMPTIONS**

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2023, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investment return assumptions from 12 national investment consulting firms. The review provided a range of return investment rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees, the Police and Fire, and the Correctional Plans. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. The Police and Fire Plan benefit increase is fixed at 1.00 percent per year and that increase was used in the valuation.

The discount rate used to measure the total pension liability in 2023 was 7 Percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees, Police & Fire, and Correctional plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correction Plan were completed in 2020 and were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

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**NOTE 3 ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

Sensitivity of Net Pension Liability at Current Single Discount Rate  
*(dollars in thousands)*

	General Employees Fund		Police and Fire Fund		Correctional Fund	
	Percent	Amount	Percent	Amount	Percent	Amount
1% Lower	6.00 %	\$ 9,892,499	6.00 %	\$ 3,426,316	6.00 %	\$ 238,281
Current Discount Rate	7.00 %	\$ 5,591,888	7.00 %	\$ 1,726,870	7.00 %	\$ 45,205
1% Higher	8.00 %	\$ 2,054,472	8.00 %	\$ 329,698	8.00 %	\$ (108,845)

PERA's actuary also determines the estimated remaining service lives of all plan members, including active members, inactive members, and retirees, which are presented by plan in the following table:

	General Employees Fund	Police and Fire Fund	Correctional Fund
Estimated Average Remaining Service Lives of All Members	Four Years	Six Years	Three Years

**NOTE 4 ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION**

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer, Current Reporting Period Only (including the disclosure of the net pension liability, net pension liability sensitivity analysis, and the unmodified audit opinion on the financial statements) is located in PERA's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. The supporting actuarial information is included in the June 30, 2023 GASB Statement No's. 67 and 68, Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. The additional financial and actuarial information is available at [www.mnpera.org](http://www.mnpera.org).