



Date: December 12, 2024
To: PERA Board of Trustees
From: Doug Anderson, ASA, MAAA, Executive Director
Subject: July 1, 2024 Actuarial Valuation Results

PERA's retained actuary, GRS Consulting, has issued the final July 1, 2024 actuarial valuation reports for the General Employees, Police & Fire, and Local Government Correctional Service plans. Each plan has one report for annual funding purposes and one report for GASB Statements No. 67 and 68 purposes (Accounting and Financial Reporting for Pensions).

The reports are available on PERA's website and provided to the Legislative Commission on Pensions and Retirement (LCPR).

All reports reflect the impact of a 12.3% investment return for FY24. The General Employees Plan actuarial valuation results also reflect the assumption changes recommended by GRS in 2023 and approved by the LCPR in early 2024.

The July 1, 2024 actuarial valuations for the Police & Fire Plan and the Correctional Plan do not yet reflect the assumptions recommended by GRS in June 2024 and accepted by the Board in August. The LCPR must approve the assumptions prior to their application. PERA staff has requested that the LCPR approve the assumptions for use in the July 1, 2025 actuarial valuations.

Because the newly recommended assumptions have a significant impact on both plans, GRS has provided results as if the assumptions were applicable effective with the July 1, 2024 actuarial valuations. The attached results show results before and after the recommended assumptions.

Also attached is how PERA staff communicates results to stakeholders. PERA staff consistently shows results using the latest available assumptions even if they are not yet approved by the LCPR.

Public Employees Police and Fire Plan Impact of Proposed Assumption Changes

\$ in Billions, Contribution as % of Pay	July 1, 2024 (Final Valuation)	Reflecting Experience Study Assumptions
Discount Rate	7.00%	7.00%
Amortization Period	24 years	24 years
Actuarial Accrued Liability	\$ 13.38	\$ 13.41
Actuarial Value of Assets	11.74	11.74
Unfunded Actuarial Accrued Liability	1.64	1.67
Funding Ratio	87.8%	87.6%
Normal Cost plus Expenses	23.49%	26.44%
Amortization of Unfunded Liability	<u>8.01%</u>	<u>8.17%</u>
Total Required Contribution	31.50%	34.61%
Employee plus Employer Contributions	29.50%	29.50%
Minneapolis Police/Fire Contributions	0.58%	0.58%
State Contribution	1.36%	1.37%
Contribution Sufficiency/(Deficiency)	(0.06)%	(3.16)%

\$ in Billions, Contribution as % of Pay	July 1, 2024 (Final Valuation)	Reflecting Experience Study Assumptions
Discount Rate	7.00%	7.00%
Amortization Period	24 years	24 years
Actuarial Accrued Liability	\$ 13.38	\$ 13.41
Market Value of Assets	12.07	12.07
Unfunded Actuarial Accrued Liability	1.31	1.34
Funding Ratio	90.2%	90.0%
Normal Cost plus Expenses	23.49%	26.44%
Amortization of Unfunded Liability	<u>6.44%</u>	<u>6.59%</u>
Total Required Contribution	29.93%	33.03%
Employee plus Employer Contributions	29.50%	29.50%
Minneapolis Police/Fire Contributions	0.58%	0.58%
State Contribution	1.36%	1.37%
Contribution Sufficiency/(Deficiency)	1.51%	(1.58)%

Final Valuation: Please see the July 1, 2024 valuation report, dated November 22, 2024, for a complete description of the data, assumptions, methods and plan provisions.

Reflecting Experience Study Assumptions: Please see the experience study report, dated July 31, 2024, for a complete description of the recommended assumption changes.

Local Government Correctional Service Retirement Plan Impact of Proposed Assumption Changes

\$ in Millions, Contribution as % of Pay	July 1, 2024 (Final Valuation)	Reflecting Experience Study Assumptions
Discount Rate	7.00%	7.00%
Amortization Period	24 years	24 years
Actuarial Accrued Liability	\$ 1,238.89	\$ 1,232.25
Actuarial Value of Assets	1,176.11	1,176.11
Unfunded Actuarial Accrued Liability	62.78	56.14
Funding Ratio	94.9%	95.4%
Normal Cost plus Expenses	15.81%	14.57%
Amortization of Unfunded Liability	<u>1.44%</u>	<u>1.29%</u>
Total Required Contribution	17.25%	15.86%
Employee plus Employer Contributions*	14.58%	14.58%
Contribution Sufficiency/(Deficiency)*	(2.67)%	(1.28)%

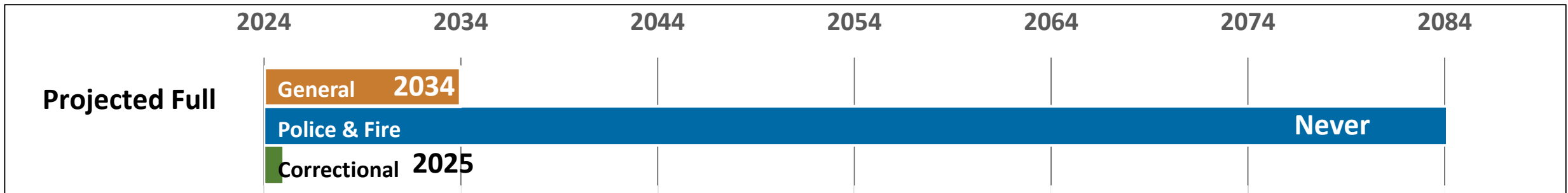
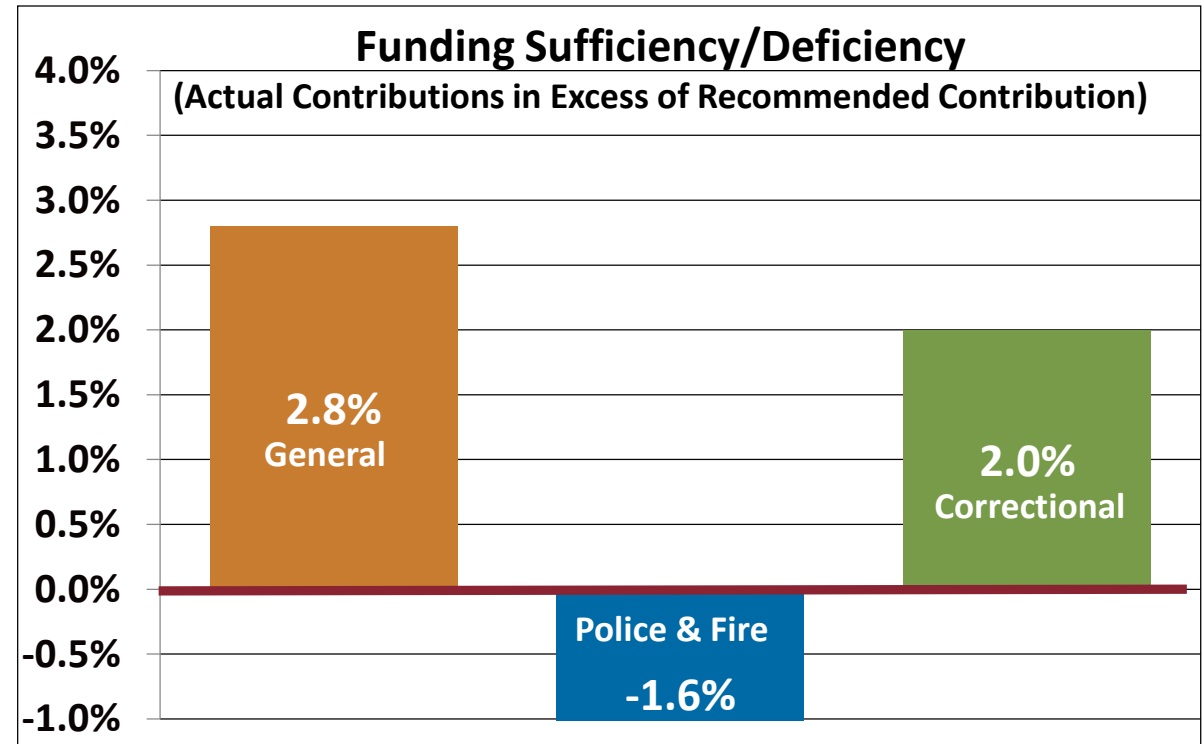
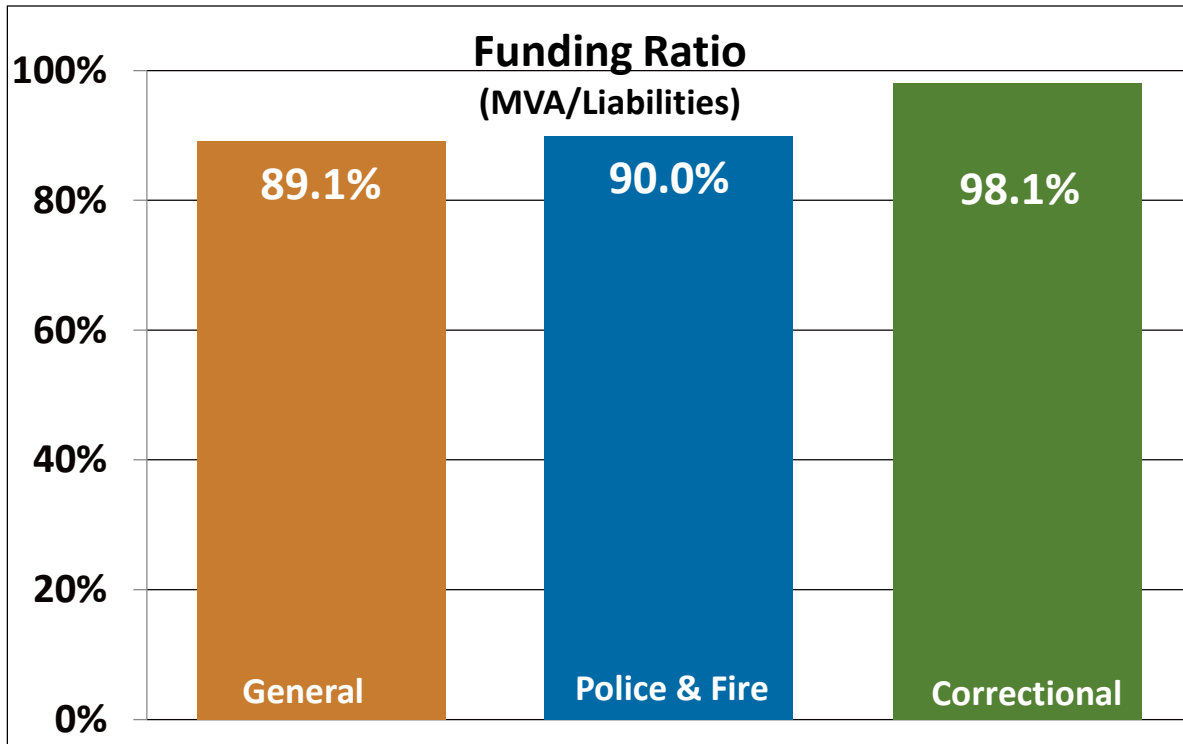
\$ in Millions, Contribution as % of Pay	July 1, 2024 (Final Valuation)	Reflecting Experience Study Assumptions
Discount Rate	7.00%	7.00%
Amortization Period	24 years	24 years
Actuarial Accrued Liability	\$ 1,238.89	\$ 1,232.25
Market Value of Assets	1,208.41	1,208.41
Unfunded Actuarial Accrued Liability	30.48	23.84
Funding Ratio	97.5%	98.1%
Normal Cost plus Expenses	15.81%	14.57%
Amortization of Unfunded Liability	<u>0.70%</u>	<u>0.55%</u>
Total Required Contribution	16.51%	15.12%
Employee plus Employer Contributions*	14.58%	14.58%
Contribution Sufficiency/(Deficiency)*	(1.93)%	(0.54)%

* Does not include 2.5% in future statutory contribution increases

Final Valuation: Please see the July 1, 2024 valuation report, dated November 22, 2024, for a complete description of the data, assumptions, methods and plan provisions.

Reflecting Experience Study Assumptions: Please see the experience study report, dated July 31, 2024, for a complete description of the recommended assumption changes.

PERA Plan Estimated Funded Status as of June 30, 2024



PERA's Scorecard – December 2024

Metrics	Questions to Consider	General	Police & Fire	Correctional
Assumptions	Are the economic & demographic assumptions appropriate?	7.0% is reasonable	7.0% is reasonable	7.0% is reasonable
Funding Status	Is the Plan expected to achieve and maintain fully funded status?	89% now, 100% by 2034	90% now, will not improve	98% now, 100% by 2025
Contributions	Do employees & employers contribute the appropriate amount?	Contributions 158% of Normal Cost	Contributions 112% of Normal Cost	Contributions 117% of Normal Cost
Benefits	Do retirees have sufficient inflation protection?	50% CPI, 1.0% Min 1.5% Max	1% fixed (No SS)	100% CPI, 1.0% Min 2.5% Max

