

PERA Update for SLEA

Doug Anderson, ASA, MAAA, Executive Director

March 20, 2024



11 Member Board of Trustees

5 Elected

5 Appointed by the Governor

1 Constitutional Officer—State Auditor



Set policies and
advise the
executive director

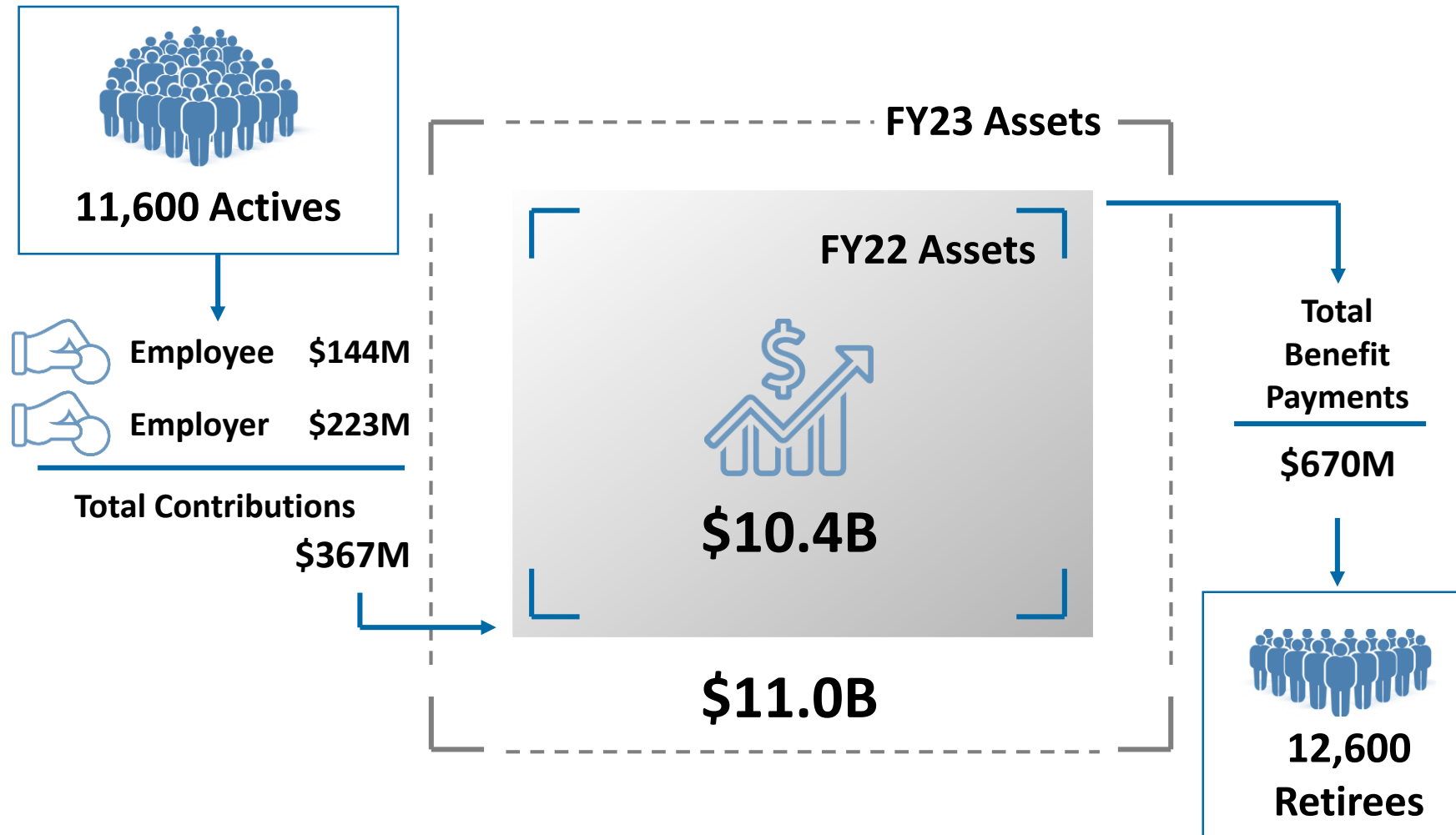


Consider disability
and other benefit
appeals



Oversee
administration of
all plans offered
by the system

Police & Fire Plan Membership and Cash Flow



Police & Fire Plan Funding Ratio & Sufficiency

Funded Status as of July 1, 2023

Actuarial Accrued Liability	\$12.8 B
Market Value of Assets	<u>\$11.0 B</u>
Unfunded Liability	\$ 1.8 B
Funded Ratio (assets ÷ liabilities)	86.5%

Projected Full Funding Date **2061**

FY24 Funding Sufficiency/Deficiency

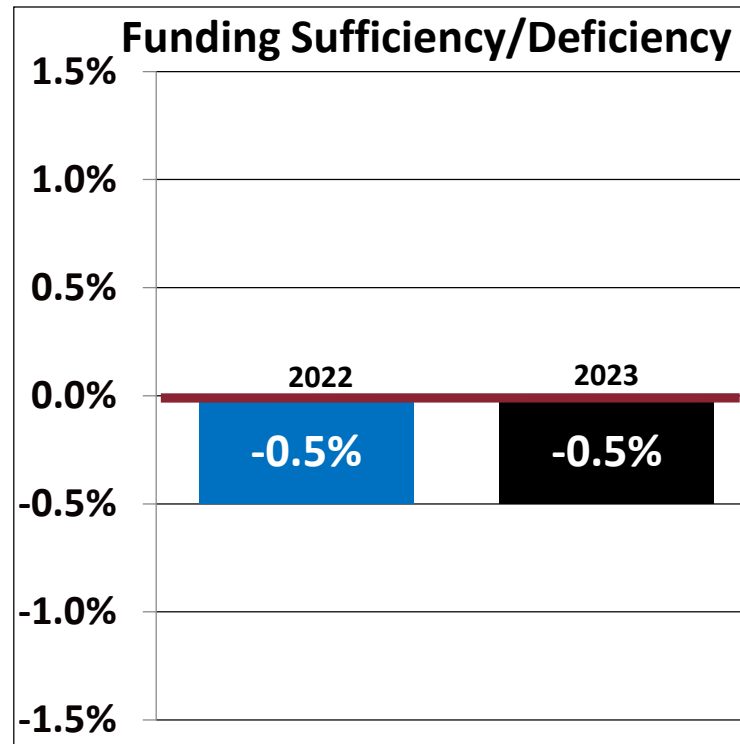
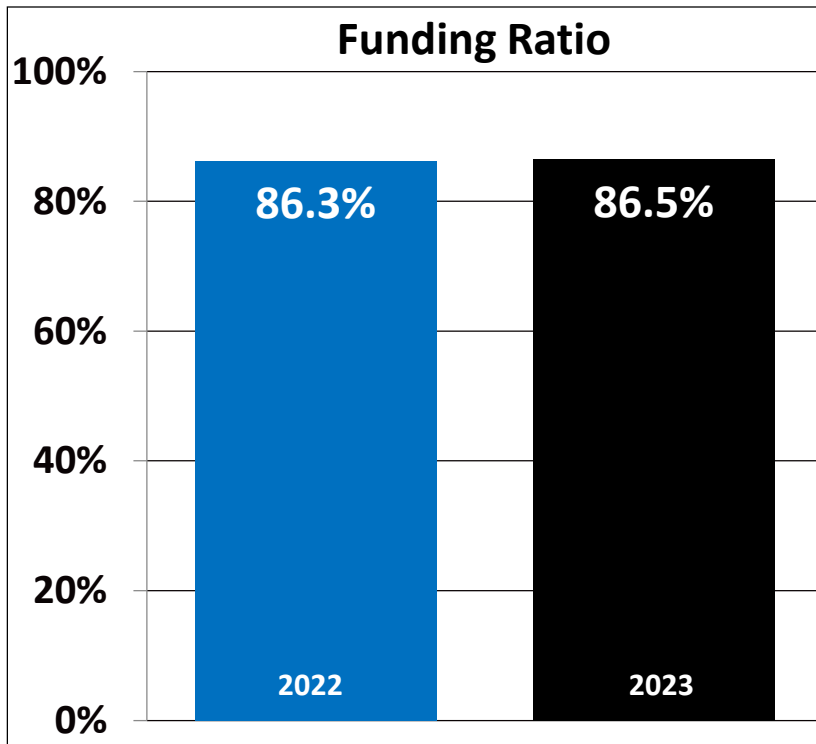
Employee Contribution	11.8%
Employer Contribution	17.7%
Minneapolis P&F Contributions*	0.6%
State Contributions**	<u>1.5%</u>
Total Statutory Contributions	31.6%
Normal Cost & Administrative Expense	23.4%
Amortization of Unfunded Liability	<u>8.7%</u>
Total Required Contributions	32.1%
Funding Sufficiency/Deficiency	(0.5%)

*Minneapolis contributions continue until 2031

**State contributions are two separate \$9M amounts expiring 2048 or upon meeting funding ratio thresholds if earlier

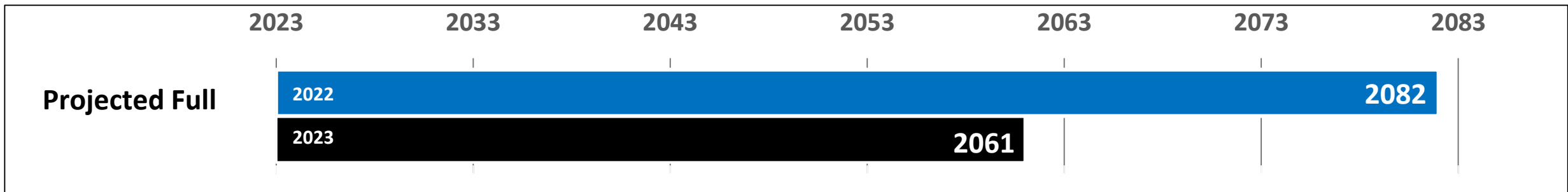


Police & Fire Plan Funding 2022 vs. 2023



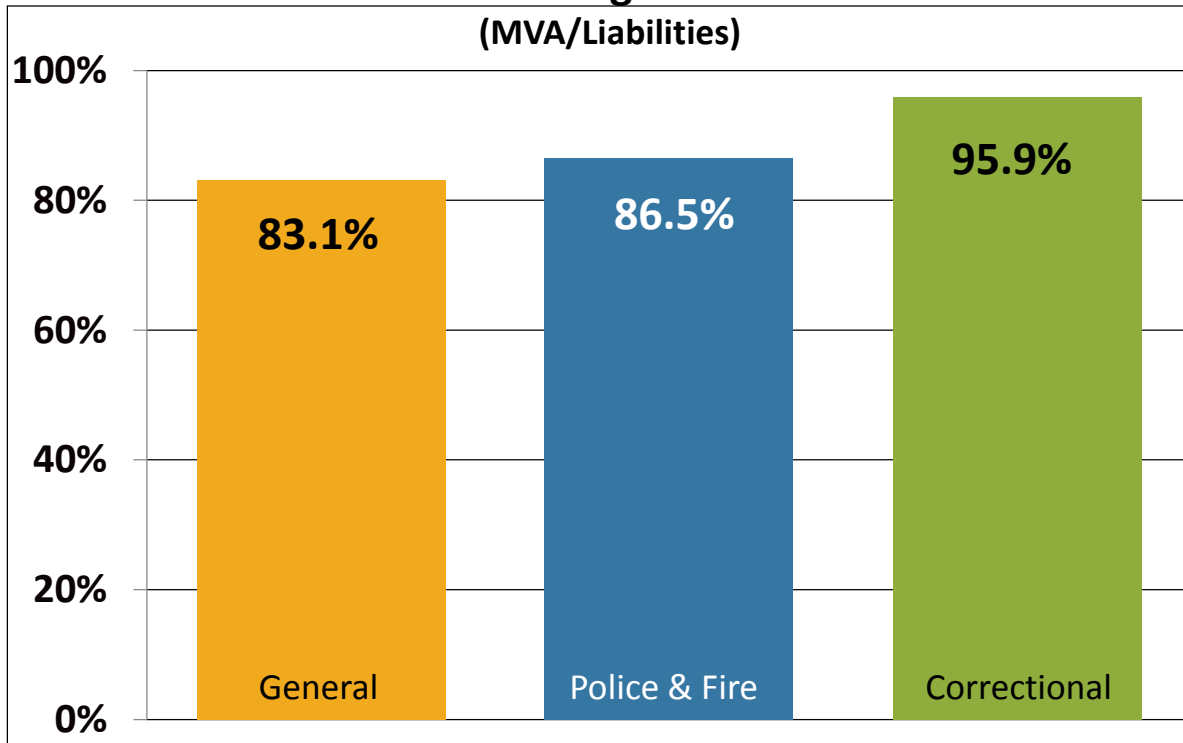
Key Differences:

1. 8.9% actual return > 7.5% assumed return (+)
2. \$70M actuarial loss due to high disability rates (-)
3. UAAL remains at \$1.7B (-)
4. 6.4% total payroll increase (+)

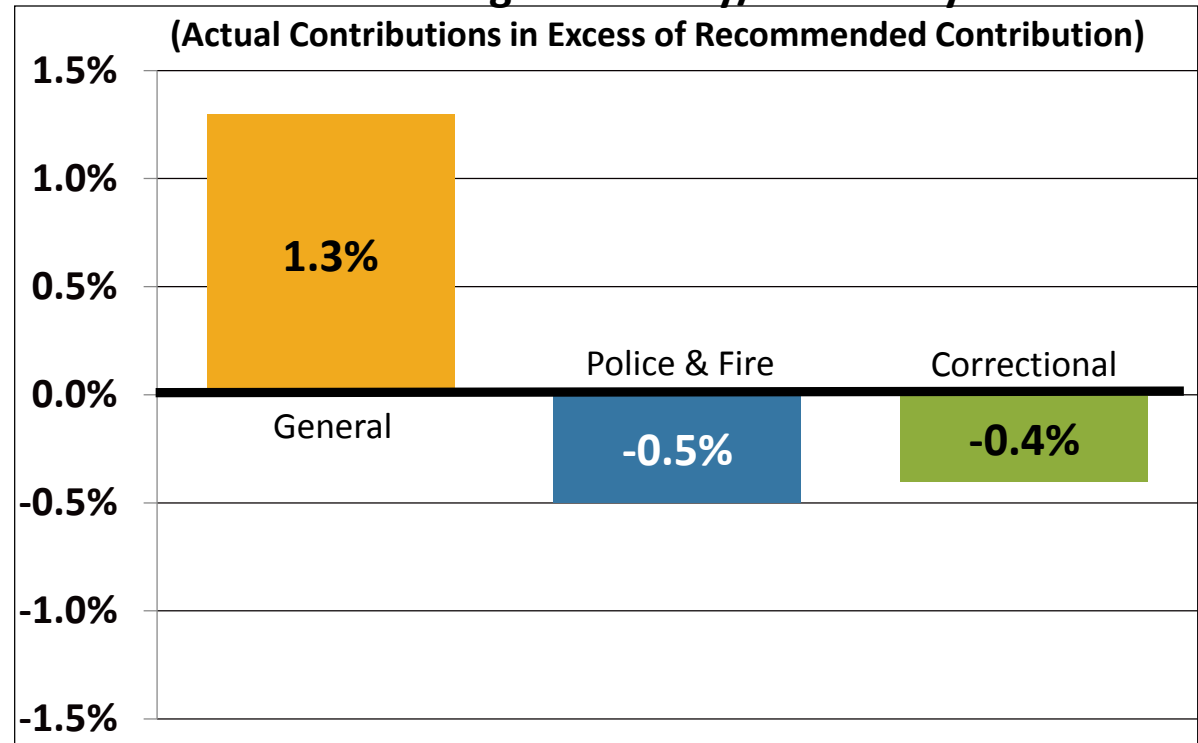


PERA Plan Funding Status as of July 1, 2023

Funding Ratio (MVA/Liabilities)

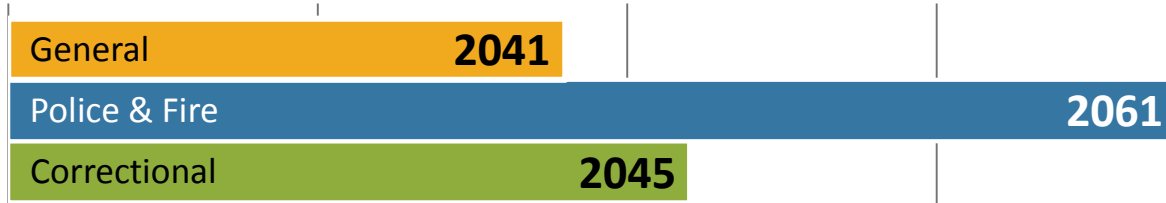


Funding Sufficiency/Deficiency



2023 2033 2043 2053 2063 2073 2083

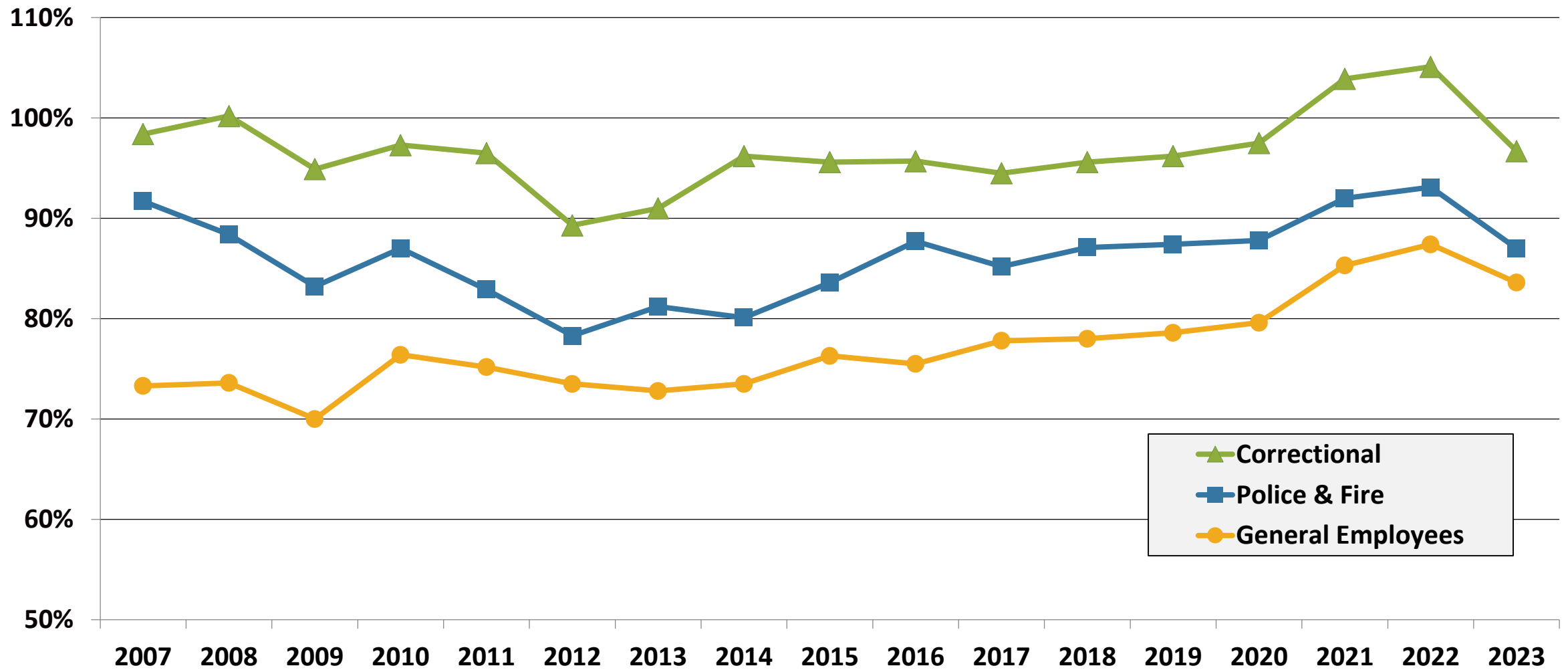
**Projected Full
Funding Date**



*P&F results are based on a questionable disability rate assumption.



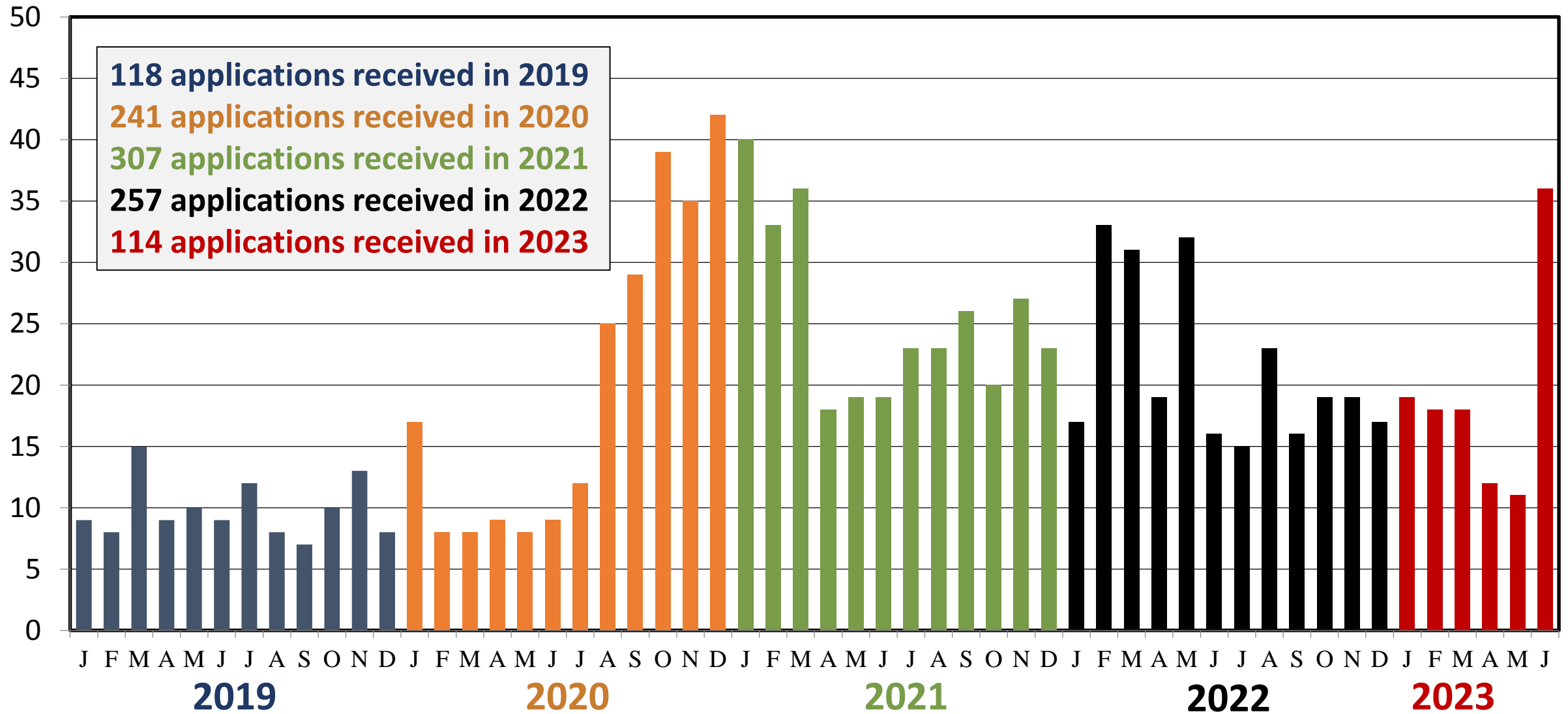
PERA Funding Ratios (AVA / AAL)



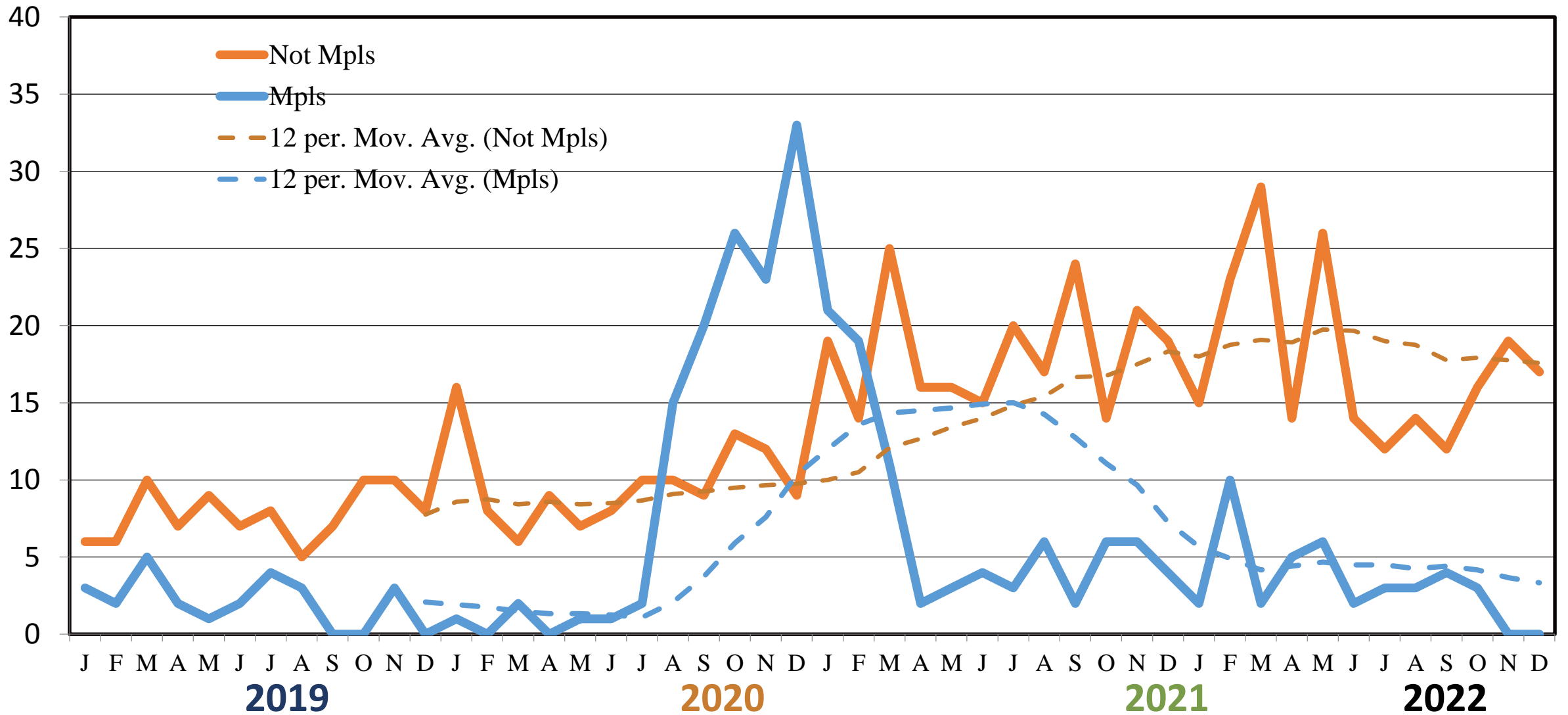
PERA Scorecard – What are our priority issues?

Metrics	Questions to Consider	General	Police & Fire	Correctional
Assumptions	Are the economic & demographic assumptions appropriate?	7.0% is reasonable	7.0% is reasonable, but disability rates are not	7.0% is reasonable
Funding Status	Is the plan expected to achieve and maintain fully funded status?	83% now, 100% by 2041	87% now, 100% by 2061	96% now, 100% by 2045
Contributions	Do employees and employers contribute the appropriate amount?	Contributions 164% of Normal Cost	Contributions 127% of Normal Cost	Contributions 105% 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

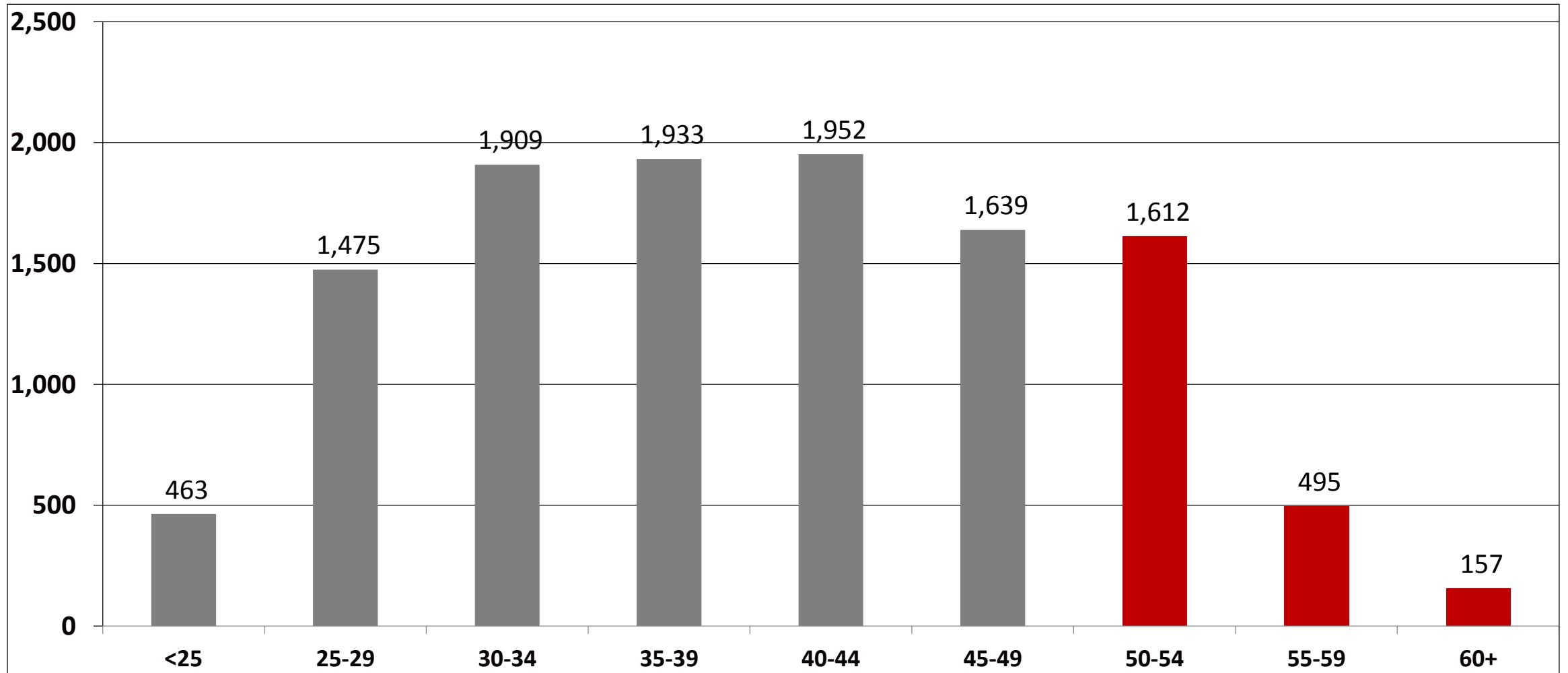
Police & Fire Plan Disability Applications 2019-2023



Police & Fire Plan Disability Applications 2019-2023



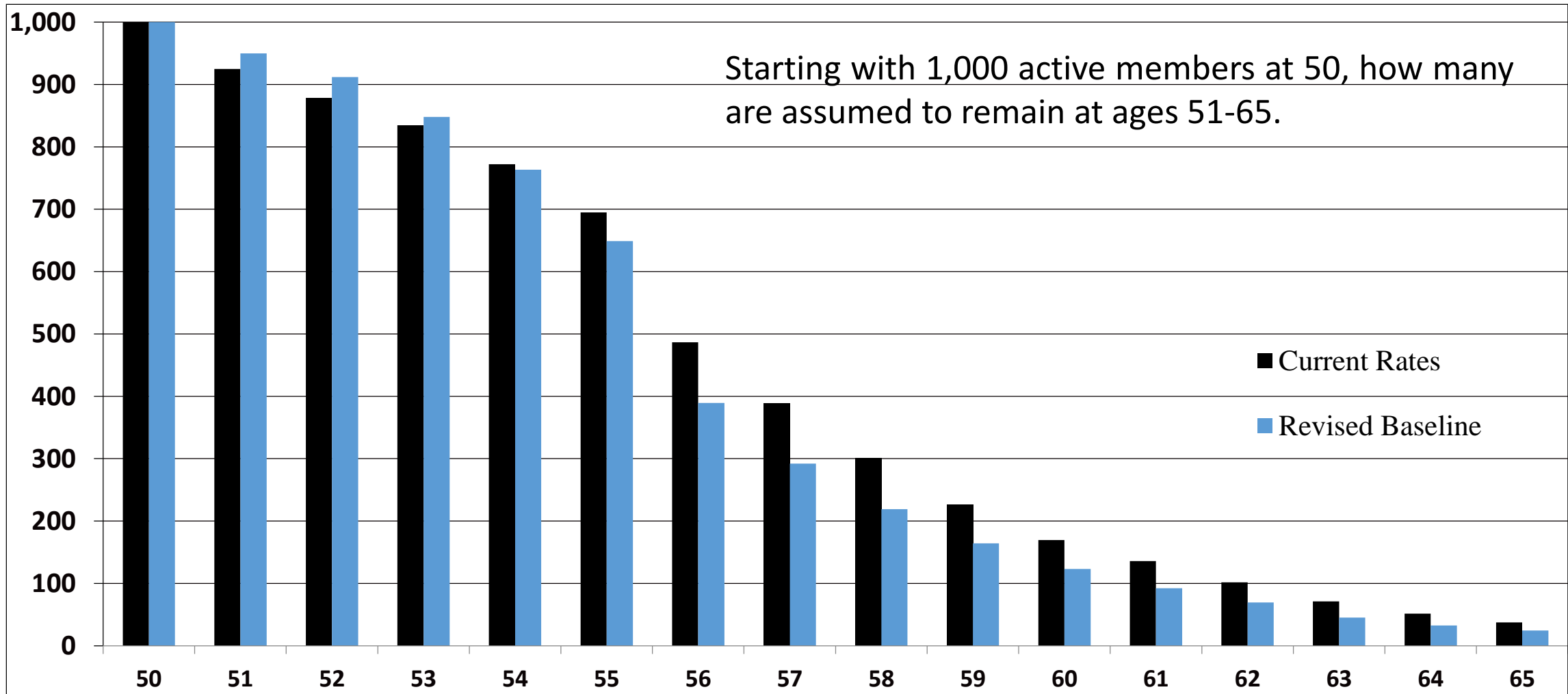
Police & Fire Plan Active Age Distribution



Source: July 1, 2023 Actuarial Valuation prepared by GRS Consulting



Police & Fire Plan Active Cohort Change After 50



Police & Fire Plan Postretirement Priorities

If funds were provided to PERA's Board for the purpose of increasing benefits, PERA staff would recommend increasing the postretirement annual increase formulas. A change in the postretirement annual increase formula provides value to current and future retirees.

	Current Formula	
General Plan	50% of CPI 1.0% Min 1.5% Max	
Police & Fire Plan	Fixed 1%	
Correctional Plan	100% of CPI 1.0% Min 2.5% Max (Max drops to 1.5% if funding levels drop)	
		Our Long Term Goal 100% of CPI 0% Min 5% Max How We Get There 2018 – Change to formula with dials 2023 – Turn the dials with funding Future – Turn the dials further when it is affordable to do so



PERA Stakeholder 2024 Legislative Initiatives

Initiatives	Cost
Police Member Organizations (MPPOA, LELS, MPCA) Modify work after retirement rules	\$17M/Year
Fire Member Organization (MPFF) Various postretirement increases and employee contribution reduction	\$40M/Year
Fire Member Organization (MPFF) Eliminate sunset provisions on two \$9M State contributions	No cost, helps the plan
Correctional Organization (MNCORA) Add dedicated Correctional Plan member to the PERA Board	None
Correctional Plan Increase multiplier from 1.9% to 2.2%, funded by 1.0% employee and 1.5% employer increases	Cost neutral, if funded
Probations Officers and 911 Tele-communicators Earlier retirement provisions	Significant

