



# Public Employees Retirement Association 2018 Proposed Legislation

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**Executive Director**  
**March 7, 2018**

**PERA Membership as of June 30, 2017**

	General Employees Retirement Plan	Police & Fire Retirement Plan	Local Government Correctional Plan
Receiving Benefits	98,201	10,579	1,085
Deferred Payment Status	190,609	2,640	5,557
Active Members	<u>152,867</u>	<u>11,522</u>	<u>3,842</u>
<b>Total Members</b>	<b>441,677</b>	<b>24,741</b>	<b>10,484</b>
Active to Retiree Ratio	1.6 to 1	1.1 to 1	3.5 to 1
Active Average Age	46	40	39
Active Average Service	10	12	8
Active Average Pay	\$40,600	\$83,400	\$54,300
Retiree Average Age	73	68	66
Retiree Average Benefit	\$14,500	\$53,700	\$9,000

PERA also administers a \$54M lump-sum defined benefit plan for 2,600 volunteer firefighters and a \$58M defined contribution plan for 7,700 current and former local elected officials.



## PERA Plans FY16 Cash Flow & Investment Returns

	General Employees Retirement Plan	Police & Fire Retirement Plan	Local Government Correctional Plan
Employee Contribution Rate	6.5%	10.8%	5.8%
Employer Contribution Rate	7.5%	16.2%	8.8%
State Contribution Rate	<u>0.6%</u>	<u>2.5%</u>	<u>0.0%</u>
Total Contribution Rate	14.6%	29.5%	14.6%
Total Active Payroll	\$5.9B	\$913M	\$198M
Total Contributions	\$0.9B	\$277M	\$29M
Total Benefit Payments	\$1.5B	\$514M	\$13M
Total Assets	\$20.1B	\$7.9B	\$602M
Actual Investment Earnings	\$2.7B	\$1.1B	\$78M
Investment Rate of Return	15.1%	15.2%	15.1%

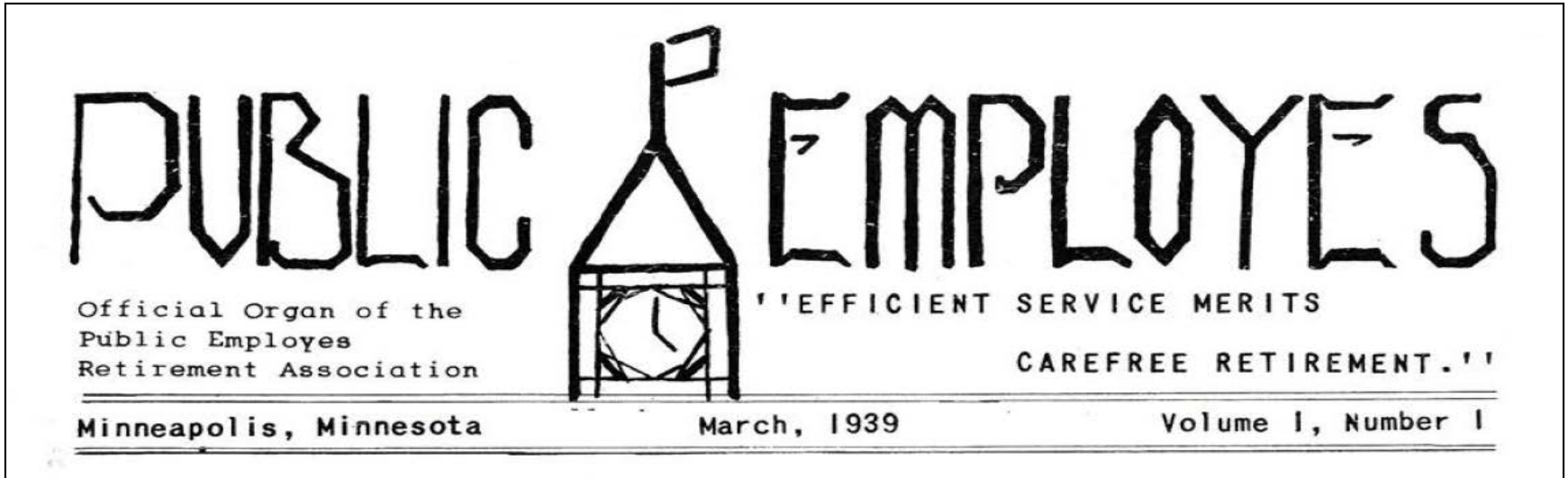
Police & Fire Members do not participate in Social Security.



# History



# PERA's First Newsletter



*“The interest earnings upon our investments have dropped. The average annual rate of interest we earned in the beginning amounted to over 5%...and last year about 3.3%. 4% was the rate on which we based our estimate. So in this respect we were too liberal.”*

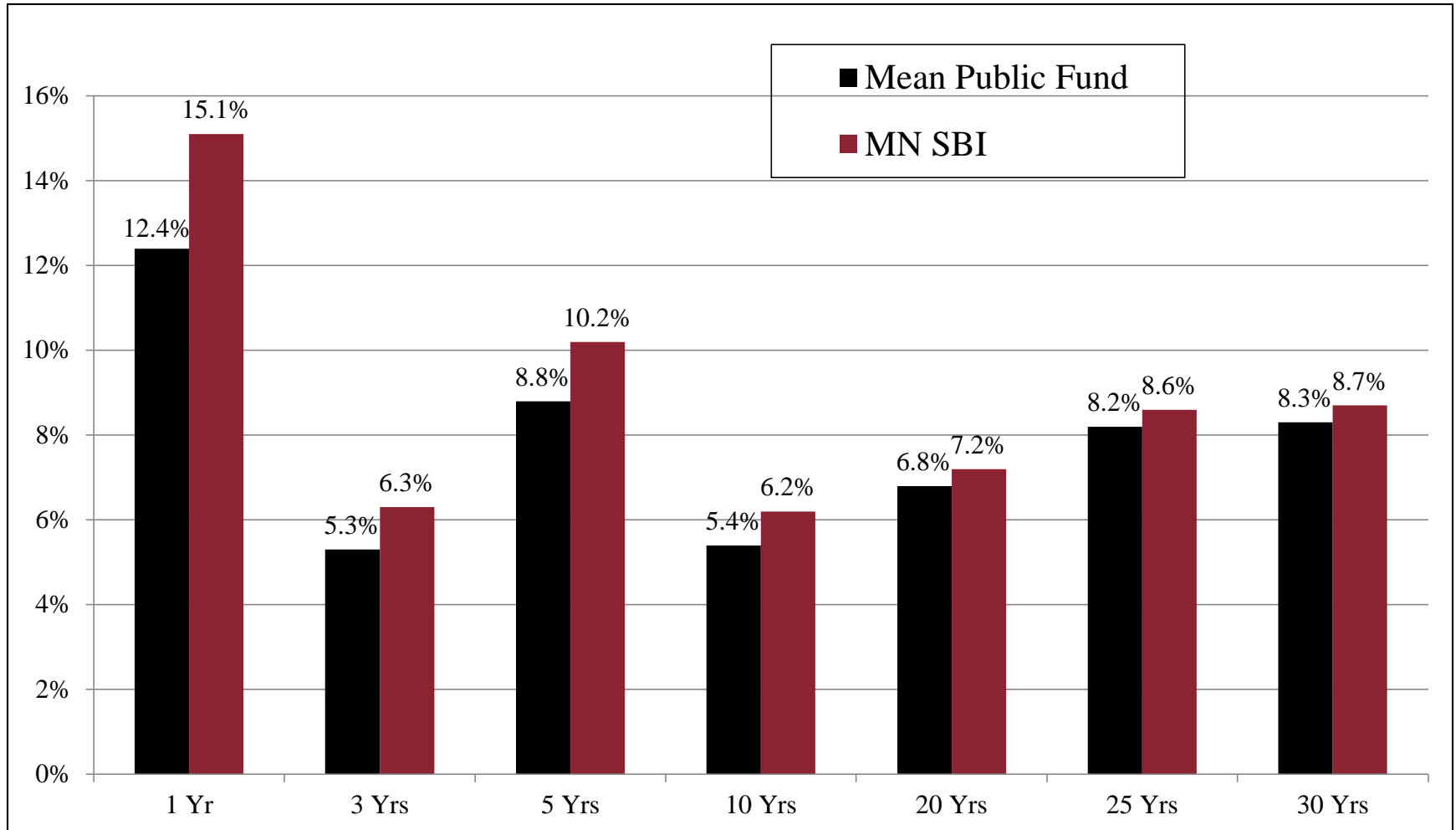
*“That those who are receiving annuities from our fund are living longer than the American Table of Mortality says they would...16 of them should have died, but only 7 of them did die.”*

*“The adoption by this Association of the ½ of 1% additional contribution...would have resulted in a growth of our surplus”*





## Historical Investment Returns



Actual Returns for Periods Ending June 30, 2017

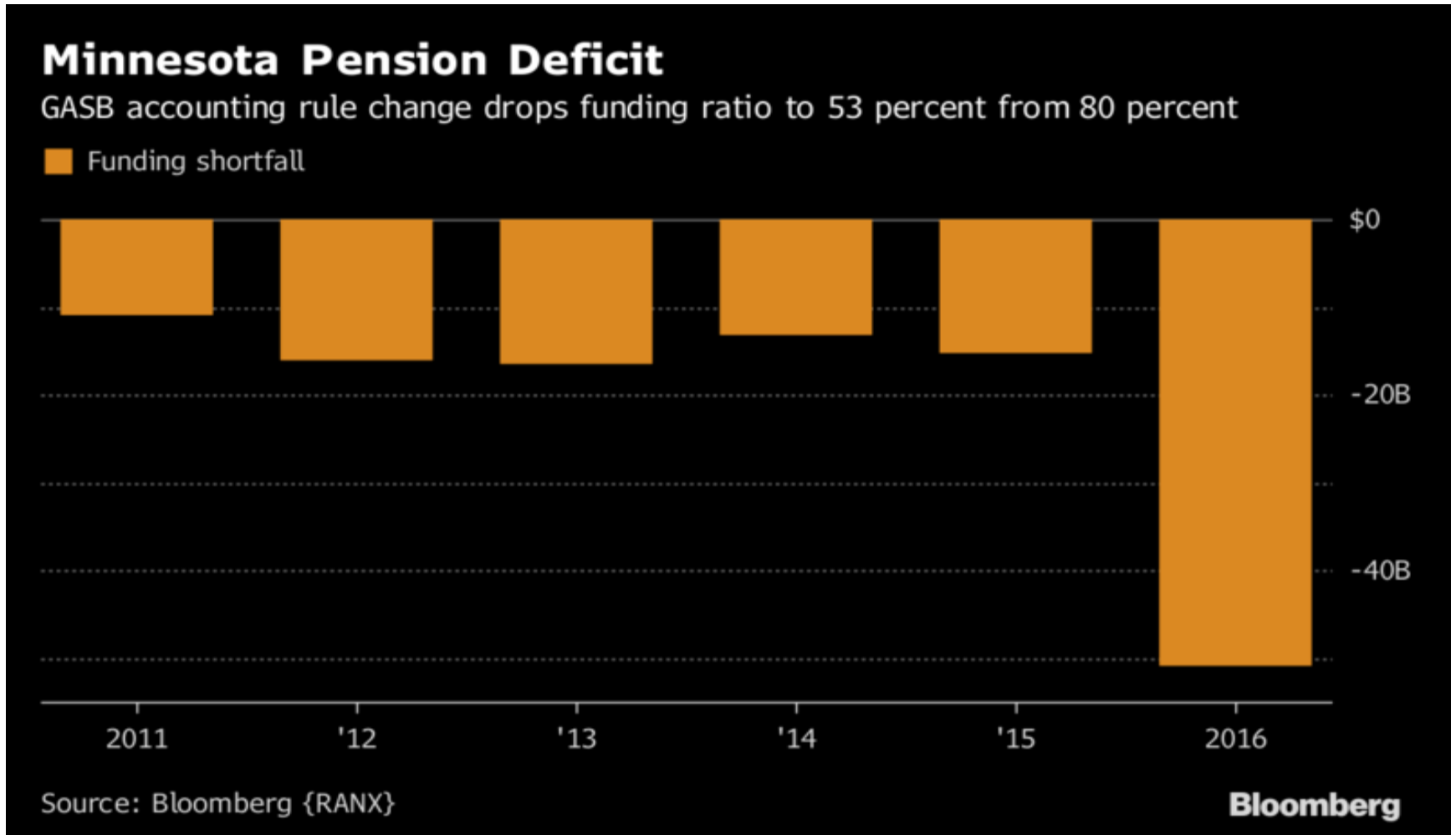


## Summary of Historical Events

1. Investment returns have been less than assumed over the past 20 years, negatively impacting asset growth.
2. Mortality improvements are expected to occur at a greater rate than ever before, increasing liability estimates.
3. Members have been retiring at later ages.
4. The plan structure prior to the year 2000 allowed for excess earnings to be used for postretirement increases that were in excess of inflation.
5. Employee contributions have been steadily increasing.
6. Employer contribution rates have also increased.
7. The expected period needed to reach full funding has been extended.



## GASB Reporting for Pension Plans





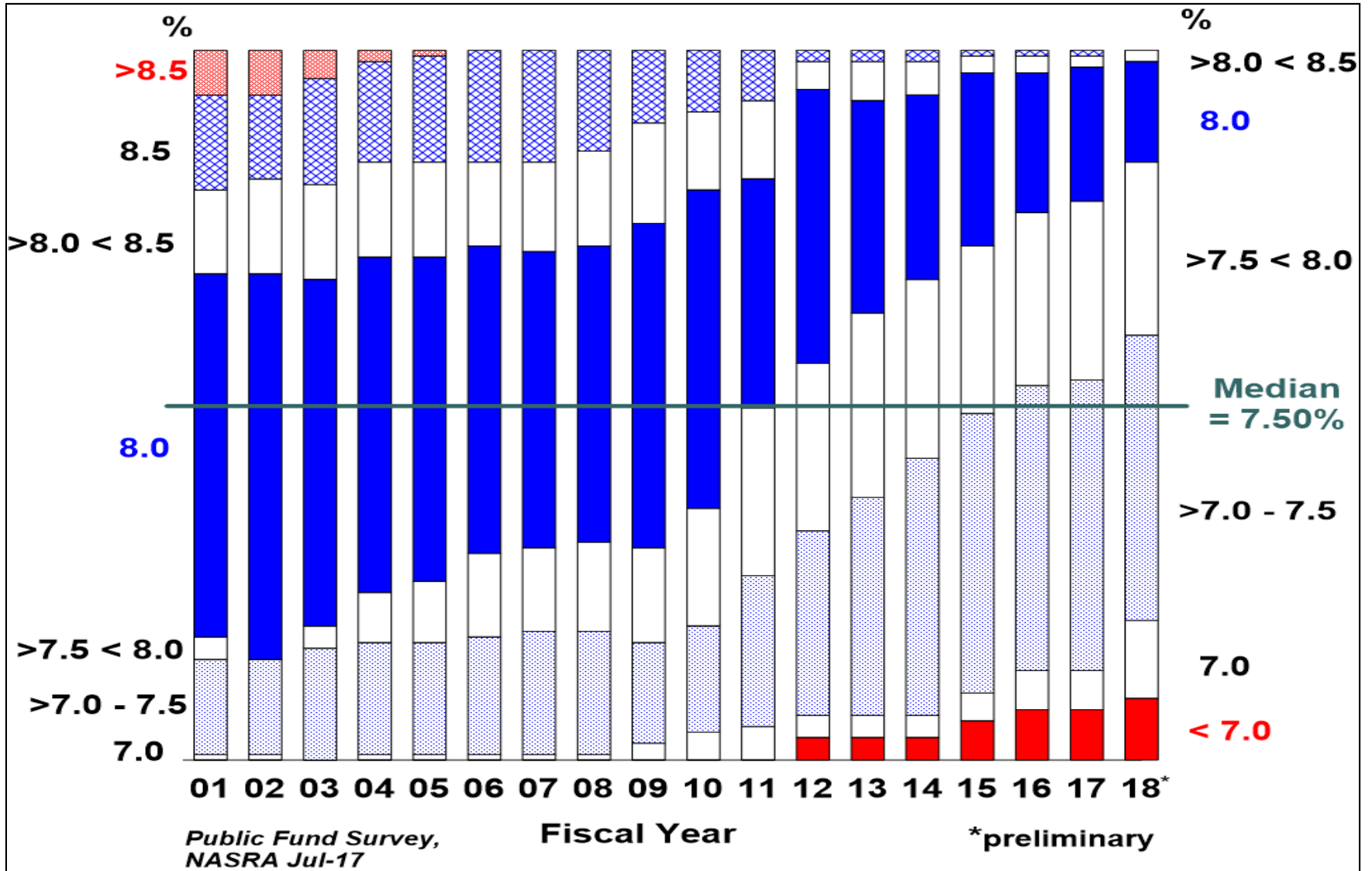


# PERA 2018 Legislative Proposals





## Public Pension Fund Investment Return Assumption Trend





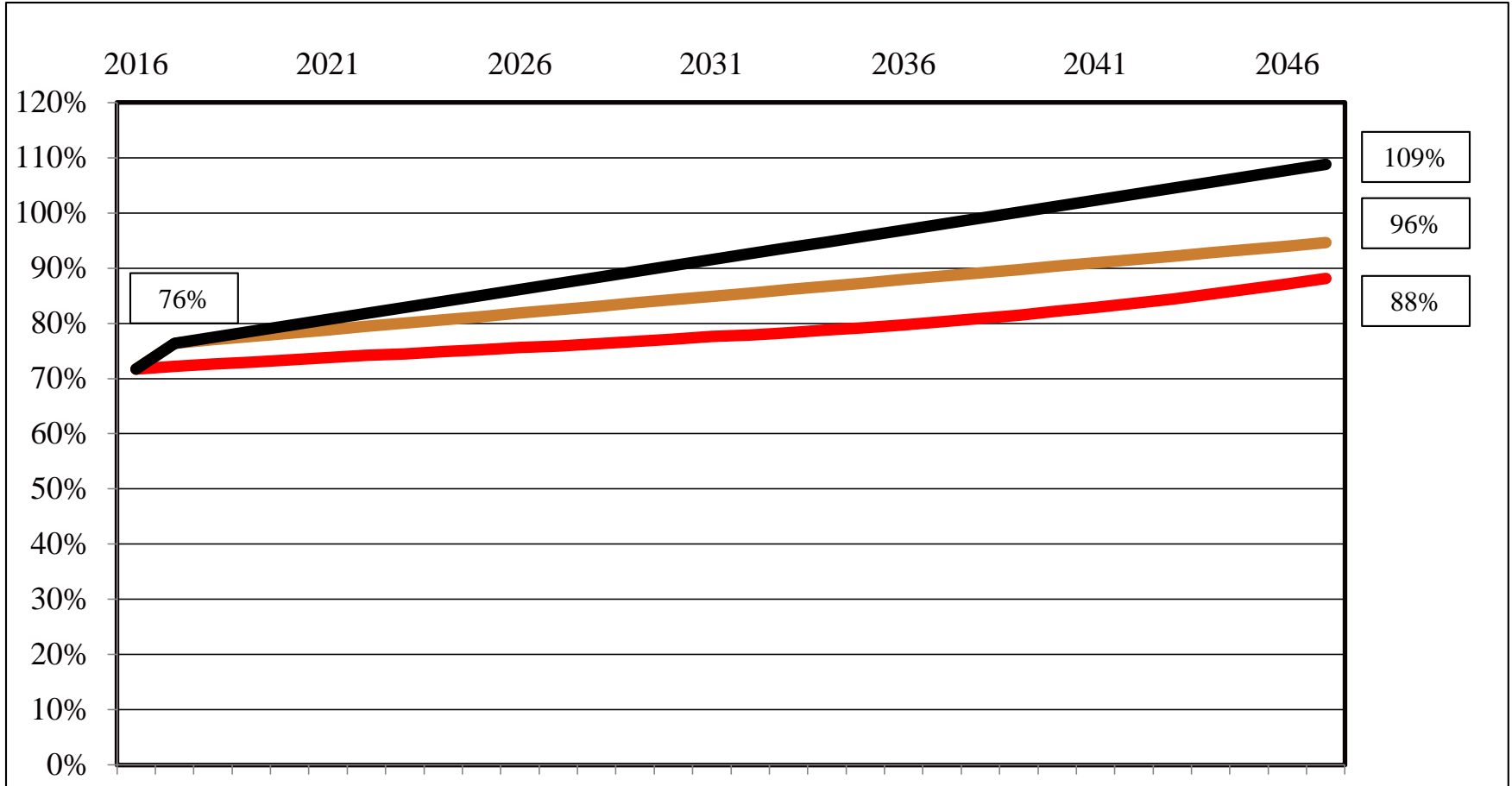
## PERA 2018 Legislative Proposals

	Police & Fire	General	Correctional
Full Funding Within 25 Years?	Yes	Yes	Yes
Increased Funding Required?	Yes	No	No
Broad Stakeholder Support?	Yes	Yes	Yes
Member Groups	MPPOA MPFF	AFSCME 5 AFSCME 65 Teamsters 320 PEPSA MMRA SEIU*	AFSCME 5 Teamsters 320 LELS MNPEA
Employer Groups	LMC AMC MICA	LMC AMC MICA	AMC MICA

\*SEIU was supportive of most changes, including the COLA change, but was not ready to support the early retirement augmentation change.





## General Employees Plan – Projected Funding Ratios



**Black line:** PERA Proposal  
**Orange line:** Projection based on 2017 Valuation – No Changes (2045 Trigger Date)  
**Red line:** Projection based on 2016 Valuation – No Changes (2053 Trigger Date)

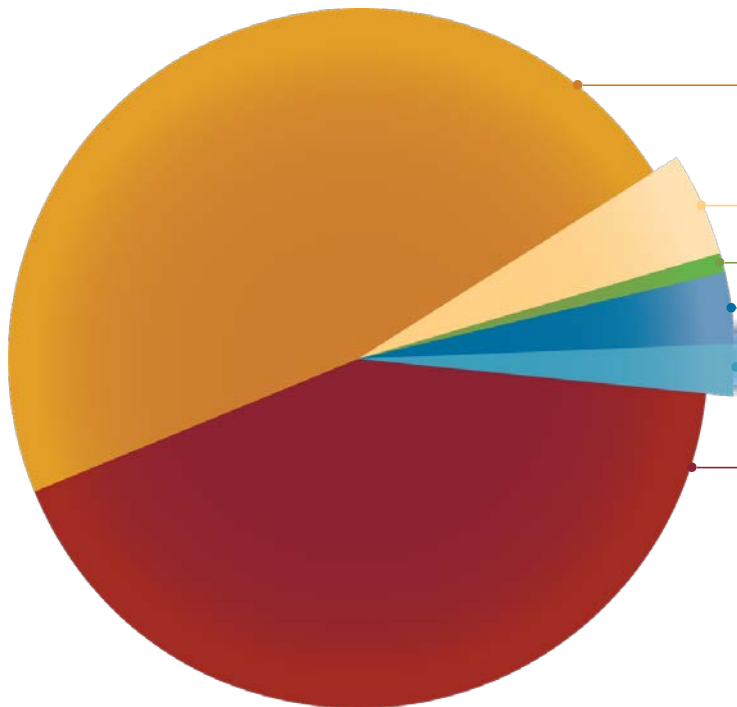


## General Employees Plan – Current Contribution Allocation

**6.5%**  +  **7.5%**

**Employee Contributions**

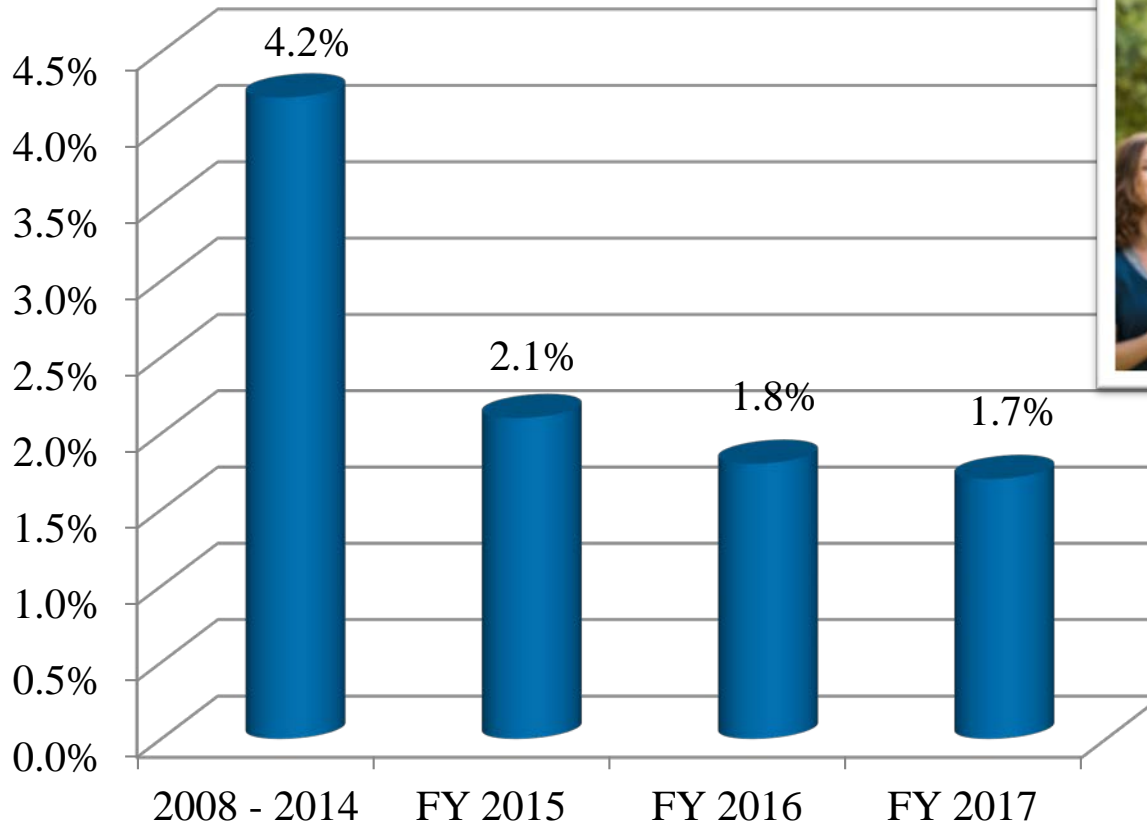
**Employer Contributions**



- **6.2%** for full or fairly reduced early retirement benefits with 1% annual increases after age 66
- **0.7%** for a future 2.5% COLA
- **0.1%** for 1% annual increases before age 66
- **0.4%** for augmented early retirement benefits
- **1.0%** for disability, death, refunds, and operating expenses
- **5.6%** for improved future benefit security and progress towards full funding





## Average Annual Retirement Rates for 55 to 60 Year Olds



The above rates represent the percentage of eligible early retirees each year that retire with reduced early retirement benefits. Actual retirement rates are slightly higher due to inclusion of members retiring under Rule of 90 with unreduced benefits.

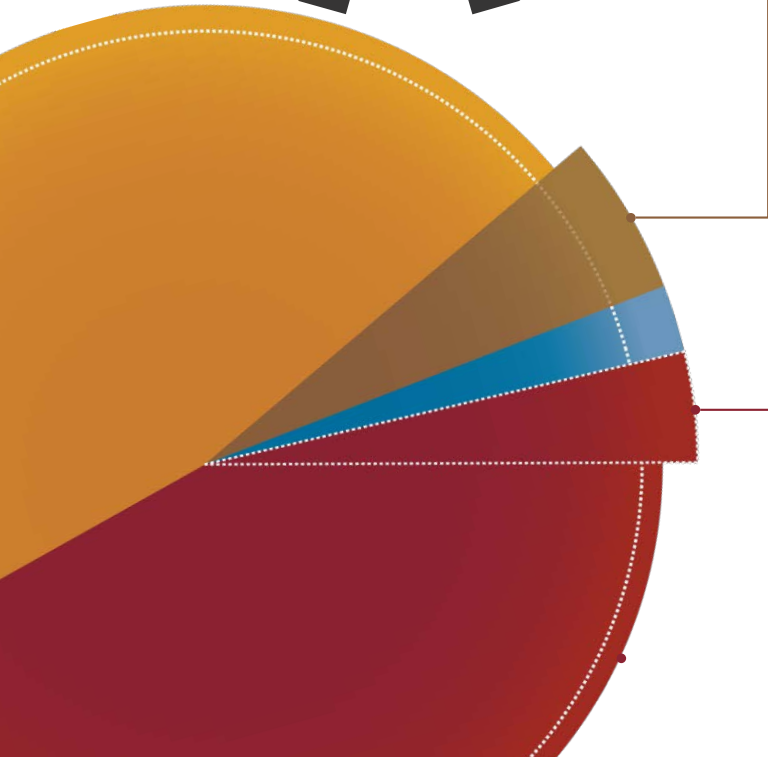


## General Employees Plan – 2018 Legislative Proposal

6.5%  +  7.5%

Employee Contributions

Employer Contributions



### Change 1:

Eliminate 2.5% trigger and replace with 50% of CPI increase with 1.0% floor and 1.5 cap (0.1% of pay net savings)

### Change 2:

Redirect 0.5% of contributions primarily used for augmented early retirement benefits and 1% pre-66 increases towards improved future benefit security and progress towards full funding