PUBLIC EMPLOYEES
RETIREMENT ASSOCIATION

Date: August 13, 2026
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Subject: PERA Fund Status Update

The unaudited combined funds investment return for FY26 is estimated to be 15.6%. This is the fourth consecutive year that the investment return exceeds the 7.0% assumption. As a result, both the General Plan and Police & Fire Plan are approaching full funding, and the Correctional Plan funding ratio will likely exceed 110%. All three plans will have large funding sufficiency.

Stakeholder expectations for benefit and/or contribution changes are likely to be higher than for past years. A proactive review and update of the PERA Scorecard can help send clear messages to stakeholders and legislators about PERA's plan priorities. A PERA led initiative for any plan with all stakeholders on board is preferable to stakeholders individually competing for their own best interests.

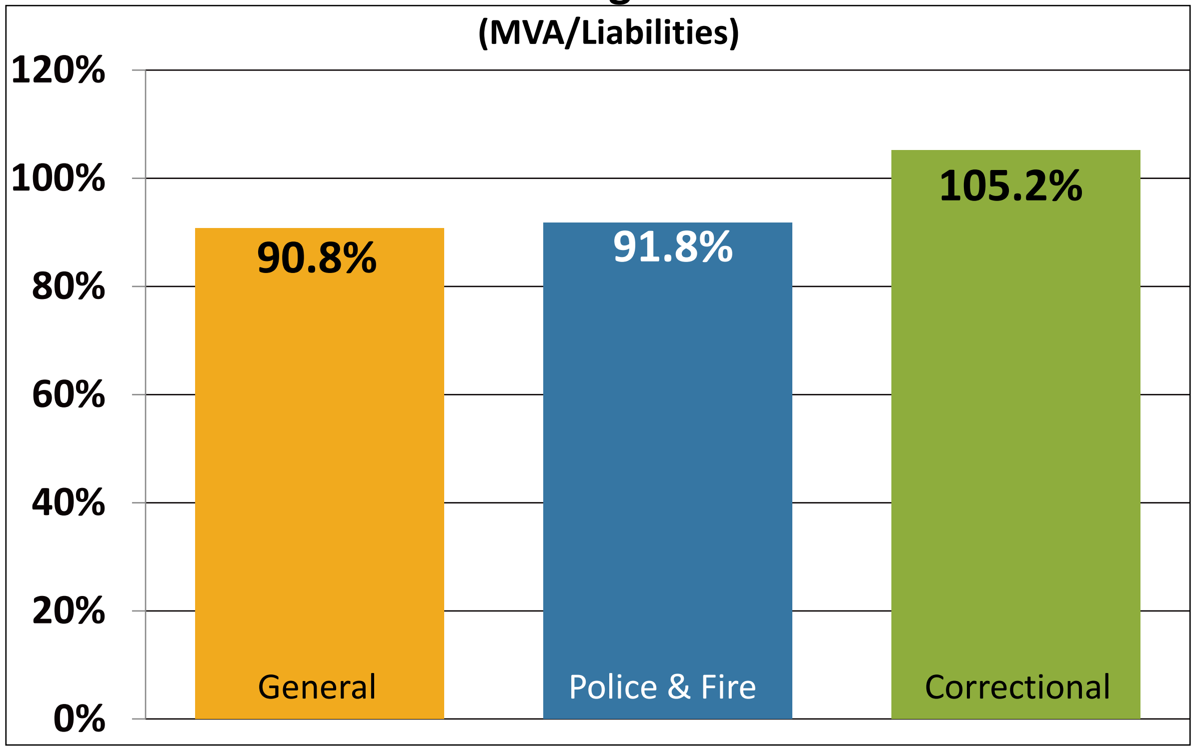
Preliminary July 1, 2026, actuarial valuation results will be presented at the board meeting. Staff is recommending a more in-depth analysis and board discussion at the October workshop.

PERA Fund Status Update

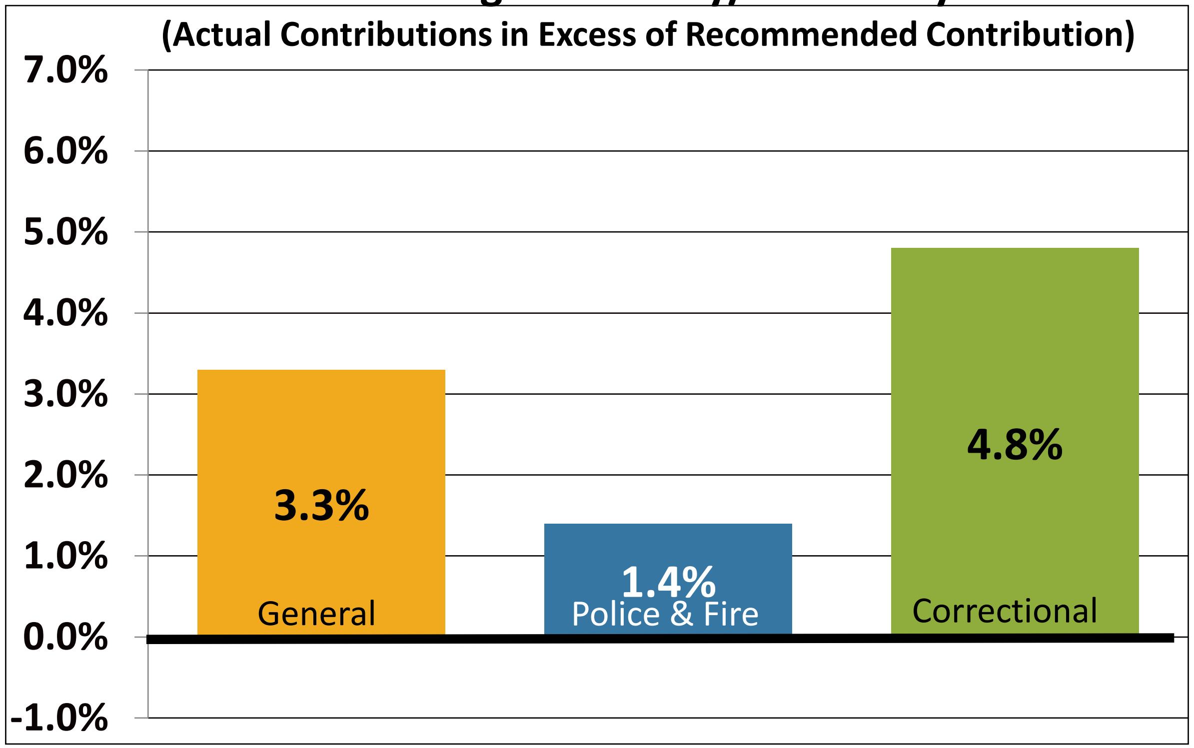
August 13, 2026

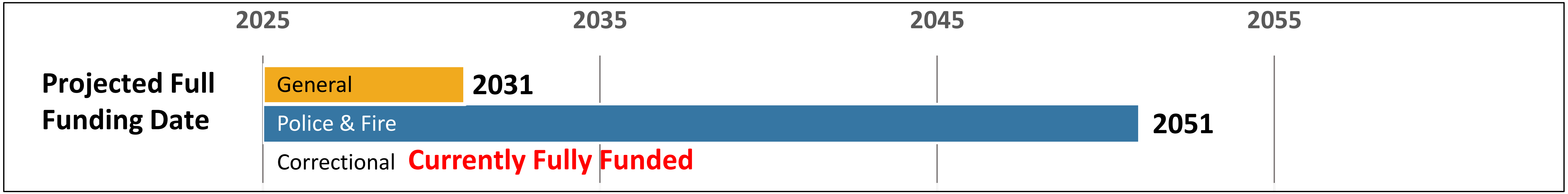
PERA Plans Financial Health - July 1, 2025

Funding Ratio



Funding Sufficiency/Deficiency





PERA Scorecard – Spring 2026

Success | Caution | Concern

Metrics Provided in 2025 Actuarial Valuation Reports

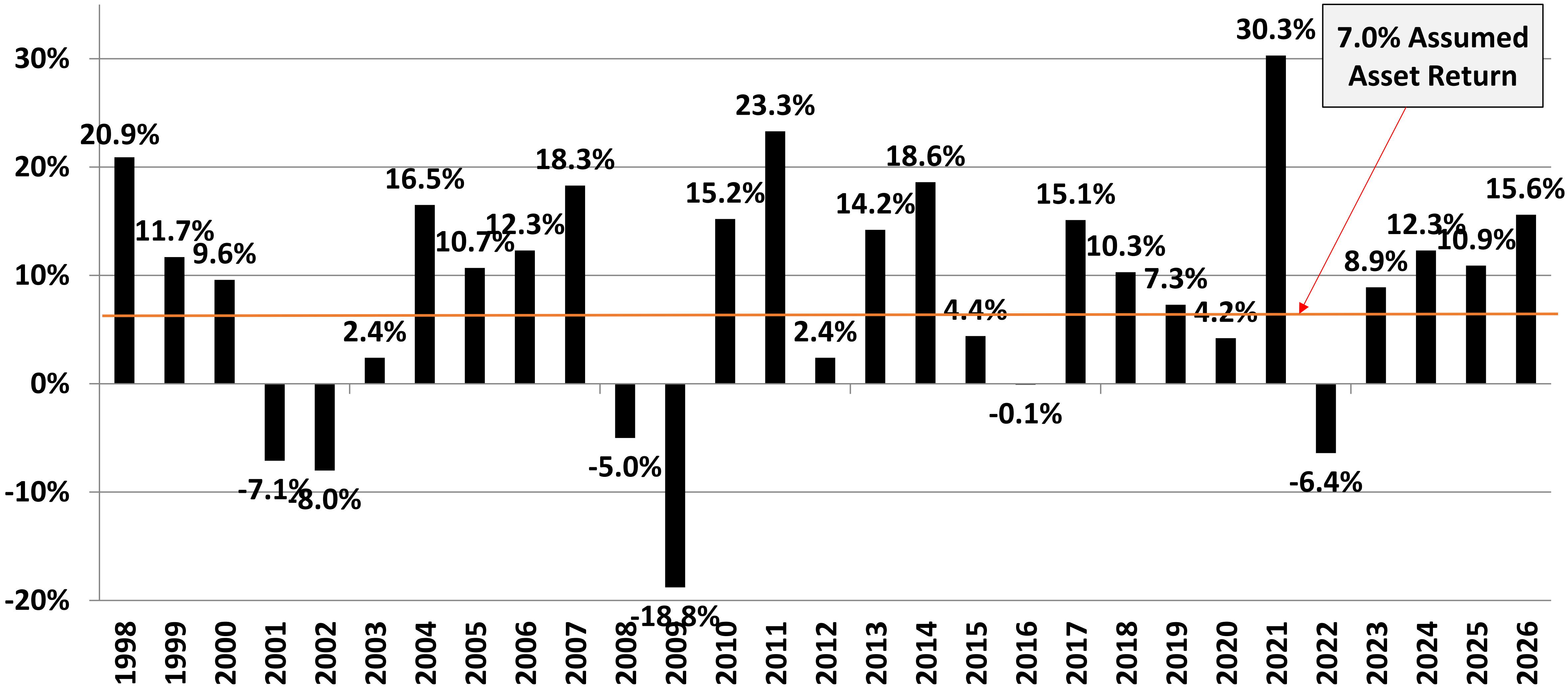
Metrics	Questions to Consider	General	Police & Fire	Correctional
Assumptions	Are the economic & demographic assumptions appropriate?	**Yes**	**Yes**	**Yes**
Financial Health	Is the plan expected to achieve and maintain fully funded status?	**91% now, 100% by 2031**	**92% now, 100% by 2051**	**105% now, expected to improve**
Benefit Amount & Retirement Age	Does the Plan provide a reasonable benefit at a reasonable retirement age for a career member?	**68% of FAS @ 66 + SS**	**90% of FAS @ 55**	**66% of FAS @ 55 + SS**
Contributions	Do employees and employers contribute the appropriate amount?	**Contributions 157% of Normal Cost**	**Contributions 110% of Normal Cost**	**Contributions 119% of Normal Cost**
Benefits	Do retirees have sufficient inflation protection?	**100% CPI 1.0% Min 1.75% Max**	**1% fixed**	**100% CPI, 1.0% Min 2.5% Max**

Metrics do not reflect 2026 legislative changes.

PERA Scorecard – Goals to Achieve Success

Metrics	Questions to Consider	Goals to Achieve Success
Assumptions	Are the economic & demographic assumptions appropriate?	Economic assumptions should be reviewed annually and deemed reasonable by our consulting actuary. Demographic assumptions should be based on assumptions from an experience study completed with the past 4 years.
Financial Health	Is the plan expected to achieve and maintain fully funded status?	Either over 100% funded and not expected to decline below 100% within 10 years or if less than 100%, expected to improve to 100% funded within 5 years.
Benefit Amount & Retirement Age	Does the Plan provide a reasonable benefit at a reasonable retirement age for a career member?	Each Plan should provide a replacement ratio of at least 80% when combined with Social Security at the full retirement age to members participating for a full career. Full retirement ages and full career service are age 66 and 40 years (General) and age 55 and 30 years (Police & Fire and Correctional).
Contributions	Do employees and employers contribute the appropriate amount?	The ratio of actual member plus employer contributions (excluding State or other contributions) divided by normal cost plus expenses should be in the range of 95% to 105%.
Benefits	Do retirees have sufficient inflation protection?	The postretirement increase should be tied to inflation (100% of CPI) with a cap of no less than 2.5%.

Combined Funds Historical Investment Returns



MN SBI Combined Fund Actual Returns for Periods Ending June 30

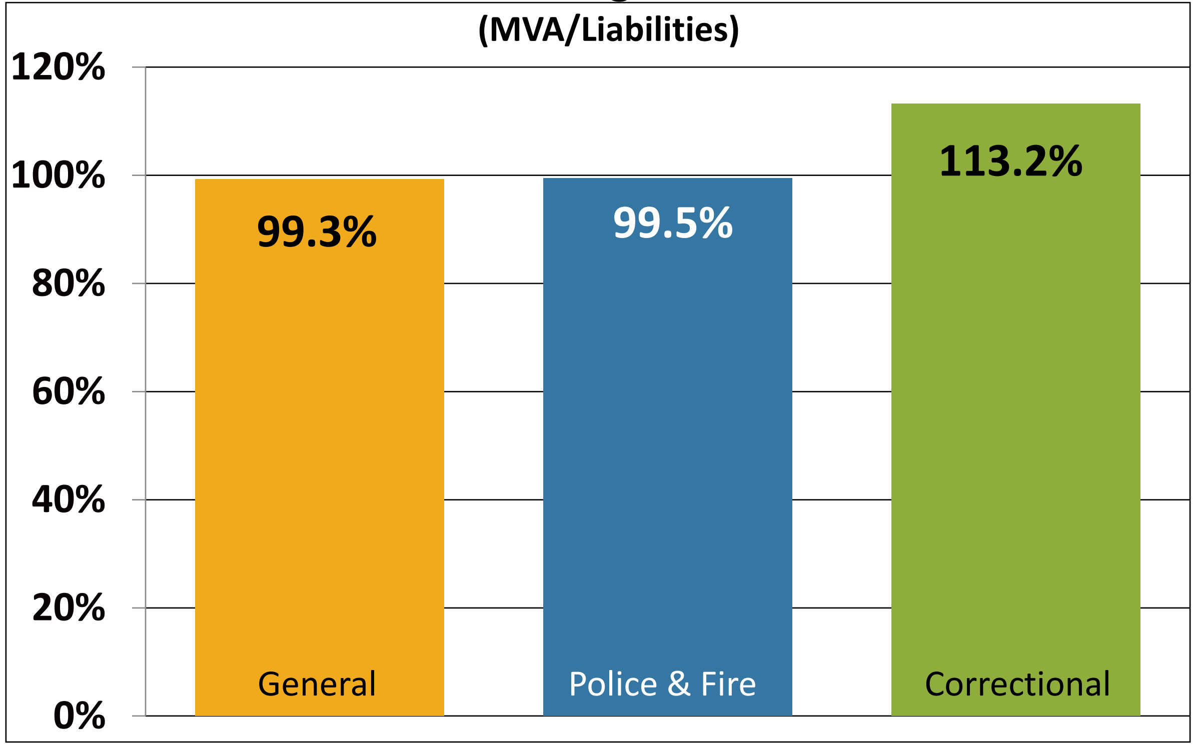
Projection Assumptions & Methods

Assumptions & Methods to Obtain July 1, 2026 estimates:

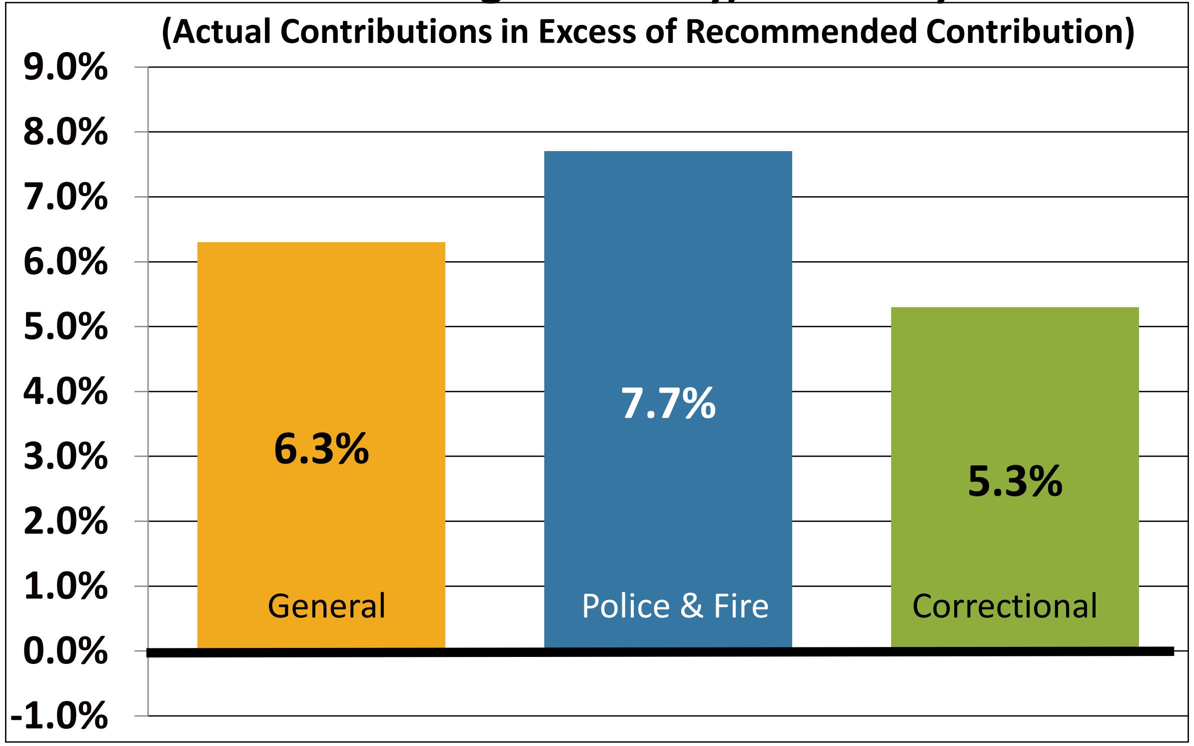
1. Investment return is assumed to be 15.6%.
2. All other current economic assumptions are met
3. All current demographic assumptions are met
4. The General Plan forecast is obtained using the GRS Projection Tool
5. Police & Fire Plan and Correctional Plan estimates determined by PERA staff
6. P&F Plan forecast adjusted to include elimination of the postretirement increase waiting period
7. Correctional Plan forecast adjusted to include post-retirement formula cap increase and contribution reduction

PERA Plans Financial Health - July 1, 2026 (Estimated)

Funding Ratio



Funding Sufficiency/Deficiency



Plan	Current Annual Increase	Cost to Improve the Postretirement Annual Increase Formula (% of payroll / Annual Initial $ Amount / Change in Present Value of Benefits (PVB)					
		Formula:	50% CPI 1% Min 1.5% Max	*(General Plan)* 100% CPI 1% Min 1.75% Max	100% CPI 1% Min 2.25% Max	100% CPI 1% Min 2.5% Max	*(Correctional)* 100% CPI 0% Min 3% Max
		Fixed Rate = Assumed Increase:	**1.25%**	**1.50%**	**1.75%**	**2.0%**	**2.25%**
Police & Fire	**1%**		**2.9% $42M/Year $0.4B PVB**	**5.9% $85M/Year $0.9B PVB**	**9.1% $130M/Year $1.4B PVB**	**12.4% $178M/Year $1.9B PVB**	**15.9% $228M/Year $2.4B PVB**
General Employees	**100% CPI 1% Min 1.75% Max**				**0.8% $76M/Year $1.0B PVB**	**1.7% $152M/Year $2.0B PVB**	**2.5% $228M/Year $3.0B PVB**
Correctional Officers	**100% CPI 1% Min 2.5% Max**						

Cost increases are amortized over 20 years. Dollar amounts are first year amounts based on expected FY26 payroll. The amounts would increase annually at the rate of total payroll growth (assumed 3%/year). Police & Fire costs do not include the cost to remove the one year delay in postretirement increases.

Questions to Consider

Questions to Consider:

1. Are we comfortable with the investment return assumption?
2. How does the contribution sufficiency change over time?
3. What margin of funding sufficiency should be maintained?
4. What benefit changes should be considered?
   - Improve postretirement inflation protection (General and P&F)
   - Raise the multiplier (General)
   - Reduce the retirement age (General)
   - Reduce member and employer contributions (All plans)
   - Other stakeholder requests