

# The PERA Benefit

February 2016



Retiree Newsletter of the Public Employees Retirement Association of Minnesota

Assets Over \$25 billion

Over 100,000 Benefit Recipients



## Meet PERA's new Executive Director Doug Anderson



**Doug Anderson**  
PERA Executive Director

The PERA Board of Trustees has hired Doug Anderson as the new executive director of the organization. Anderson began full time in his new role in January.

Anderson brings 28 years of experience working as an actuary to the Association. He was the national practice leader of the retirement actuarial group for Arthur J. Gallagher & Co. In that role, Anderson led a team of consultants who worked with defined

benefit plan sponsors across the country. Anderson has worked with all types of entities, but specialized in working with public sector defined benefit plans.

### PERA opportunity

Anderson said that one of the reasons he accepted the PERA executive director position is that he sees an opportunity to help sustain an important benefit for Minnesota public employees—the defined benefit retirement plan.

“I am a huge believer in defined benefit plans,” he said, “particularly for certain groups of employees, including the public sector,” he added. “I believe that defined benefit plans provide more benefit at less cost because you can get a larger investment return over a longer time period,” Anderson said.

*(Continued on page 4)*

## Most retirees see a 1 percent increase in 2016

While there will be no increase in Social Security benefits this year, most PERA retirees and other benefit recipients received a 1 percent increase in their pensions in January. That's the percentage increase for the 100,000 benefit recipients of the Association's General and Police and Fire plans. The Correctional Plan's 850 retirees will see benefits rise 2.5 percent.

Under legislation passed in 2012, plans must achieve at least 90 percent funding, based on market value, for two consecutive years before increases revert to the previous 2.5 percent level. The Correctional Plan has achieved that mark.

### Earnings limits unchanged for 2016

If you are a PERA retiree reemployed in a PERA-covered position and will not reach your full Social Security retirement age in 2016, you may earn up to \$15,720 before your Association benefit is affected. The limit if you will reach full retirement age this year is \$41,880 between January and the month you reach age 66. These figures remain unchanged from 2015.

Should these limits be exceeded, the benefit will be reduced \$1 for every \$2 over the thresholds. There are no earnings limits once an individual reaches full Social Security retirement age.

# Financial Edition

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### Funding Ratios (Market Value)

Fiscal Year 2015

General Fund	78.9%
Police & Fire	86.9%
Correctional	98.5%

It is the funding ratio, based on market value, that triggers a change in post-retirement benefit increases.



# PERA: 85 years young

## President's Message



*Don Rambow*

**Don Rambow**  
President  
PERA Board of Trustees

The year was 1931. The nation was in the midst of the Great Depression, and Social Security was still four years in the future. On April 24th, the Minnesota Legislature “established a public employees’ retirement association, the membership of which shall consist only of public employees.” PERA was born.

At the time, PERA was at the leading edge of a societal trend sweeping the nation. America’s industries were creating pension plans in exchange for salary concessions from their workers just to keep the doors open. They were tough, but simpler times.

Today, critics argue that pension plans like PERA should be retired. While they may have served their purpose 85 years ago, they are now hopelessly out of date. They point to private industry where traditional pension plans have been traded in for today’s 401(k) type plans. While these plans may limit the tax-payers’ future liability, it is often at the expense of the overall benefits provided

for the money invested—“bang for the buck” as the National Institute on Retirement Security puts it.

Back in 1931, average life expectancies in the U.S. were about 59 years for men and 63 for women. Today, it’s over 76 years for men and 81 for women. Adjusted for current age, for men and women in their 60s, we’re looking at average life expectancies in the mid- to late-80s. That’s a huge advancement, and one our Association’s creators probably never anticipated.

PERA has always provided life-time annuities for our retirees—benefits that cannot be outlived. By the way, we’re currently paying benefits to over 60 members who are 100 years of age or older.

PERA and your Board of Trustees have been and will continue to carry out its fiduciary duty to our retirees, active, deferred and future members. So, happy birthday, PERA. You look pretty young at 85 years.

## Board Directory

PERA’s trustees invite you to notify them personally of any concerns you have regarding the policies or operations of the Association.

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The *Benefit* is published as a service to retirees of the Public Employees Retirement Association of Minnesota.

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# SBI shows 4.4 percent gain for FY15

After two years of double-digit gains, the State Board of Investment (SBI) posted a 4.4 percent return for Fiscal Year 2015—0.4 percent above its composite market index. That compares to an 18.6 percent showing in FY 2014 and 14.2 percent in FY 2013. Our fiscal year ends June 30.

Over the past 10 years, SBI has averaged a 7.8 percent return on its investments and nearly 10 percent over the past 30 years.

In addition to its responsibility for the investment of PERA's assets, SBI also handles investment duties for the Minnesota State Retirement System and the Teachers Retirement Association.

"We were poised to earn our targeted 8 percent long-term return at the end of the third quarter when the market began to slide in April," noted David DeJonge, PERA's assistant executive director and manager of finance. "Still, the overall market rebound since the 'Great Recession' has done much to stabilize the funding ratios of our retirement funds. Our annualized rate of investment return over the past five years was an impressive 12.3 percent." The General Fund, which covers over 90 percent of the Association's membership, saw its assets grow by 6 percent during the year, ending Fiscal Year 2015 at \$18.6 billion, compared to \$17.4 billion a year earlier. (The gain includes \$891 million with the merger of the Minneapolis Employees Retirement Fund in January 2015.)

The Police & Fire Fund grew approximately 1 percent during the fiscal year, ending with a balance of \$7.35 billion in assets. Assets of the

Below is the financial status of the various funds administered by PERA.

(Figures used are in \$ millions.)

### General Retirement Fund

(Coordinated, Basic & MERF Members)

Fiscal Year	2014	2015
Revenues	\$ 3,478	\$ 1,567
Expenses	<u>(1,158)</u>	<u>(1,281)</u>
Change in Fund Balance	\$ 2,320	\$ 286
<b>Total Assets Held</b>	<b>\$17,405</b>	<b>\$18,582</b>

### Public Employees Police and Fire Fund

Fiscal Year	2014	2015
Revenues	\$ 1,381	\$ 560
Expenses	<u>(455)</u>	<u>(484)</u>
Change in Fund Balance	\$ 926	\$ 76
<b>Total Assets Held</b>	<b>\$ 7,273</b>	<b>\$ 7,349</b>

### Public Employees Correctional Fund

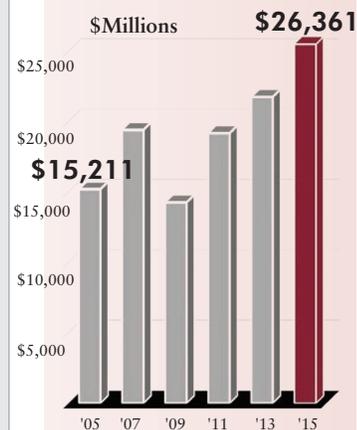
Fiscal Year	2014	2015
Revenues	\$ 94	\$ 47
Expenses	<u>(8)</u>	<u>(9)</u>
Change in Fund Balance	\$ 86	\$ 38
<b>Total Assets Held</b>	<b>\$ 453</b>	<b>\$ 491</b>

Correctional Plan grew by 8 percent in Fiscal Year 2015. The 16-year-old fund ended the year valued at \$491 million.

## The Combined Funds

Approximately 45 percent of PERA's assets are invested in domestic stocks, 15 percent in international stocks, 18 percent in bonds and 20 percent in alternative assets. A small amount of cash reserves are maintained for the payment of benefits as they come due. This portfolio mix is geared toward long-term returns equal to or better than the assumed earnings of 8 percent for the statewide retirement funds.

### Combined Funds Investments



Despite losses in 2008 and 2009, the fair market value of PERA's three defined benefit funds now stands at \$26.4 billion.

## PERA Strong for 85 Years

This year marks the 85th anniversary of PERA. In 1931 PERA was formed by the state's Legislature. Today, PERA is Minnesota's largest public pension plan with 160,000 active members, 100,000 retirees, and assets of over \$26.5 billion.

To help celebrate PERA's anniversary, we are looking for your stories. Stories about how PERA and the retirement benefit it provides has made a difference in your life. We're also looking to share your work history. Tell us about your job or share photos of your workplace. How has your job or work changed?

We will publish photos and articles on our website to celebrate you—the members—and PERA.

Watch our website at [www.mnpera.org](http://www.mnpera.org) for more information. Visit our **Contact Us** page for information on where to send photos and stories. We appreciate your input.



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The *Benefit*

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### Your Benefit Payment



PERA deposits payments in the accounts of benefit recipients who have signed up for direct deposit the first business day of each month. Here are the deposit dates for 2016:

- January 4
- February 1
- March 1
- April 1
- May 2
- June 1
- July 1
- August 1
- September 1
- October 3
- November 1
- December 1

## Anderson \_\_\_\_\_ (Continued from page 1)

“I am looking forward to being involved in a proactive way to keep defined benefit plans sustainable for the long-term,” he said. “I see so many benefits of defined benefit plans,” he added.

Anderson said he believes that there are three elements to a successful retirement plan: participant appreciation of the plan, responsible financial sponsorship, and effective and efficient administration. He believes that PERA has all three elements already in place.

“On all three fronts PERA is moving in the right direction,” Anderson said. “In the pension world, PERA is an example of something that is working very well,” he added.

On the plan appreciation element, Anderson wants to encourage retirees to continue to be advocates of their defined benefit plan to their children and grandchildren. “The retirees are good examples of the benefits that a strong pension plan provides to participants,” he added.

As for sponsorship and administration, Anderson said the state has been thoughtful about how PERA is set up and it has been effective. The state has established high standards for plan funding, how changes are made and how work is reviewed.

To learn more about PERA's new executive director, visit our website at [www.mnpera.org](http://www.mnpera.org).