

The **PERA** Benefit

March 2015

Retiree Newsletter of the Public Employees Retirement Association of Minnesota

Assets Over \$25 billion

Over 90,000 Benefit Recipients

Three past trustees return to PERA Board

Ross Arneson returns to PERA's Board, but this time as the retiree, survivor and disabilitant representative, having received 12,953 votes in the election. Recently retired from the Blue Earth County Attorney's Office, Arneson was previously a General Fund representative, having served four terms in that position. He defeated Marion Conwell, Rogers, and Gene VanOverbeke, Eagan, for the post.

Running unopposed, David Metusalem will represent PERA's Police and Fire Fund on the Association's Board of Trustees for the next four years. Metusalem is a 28-year veteran of the Ramsey County Sheriff's Department.
(Continued on page 4.)

2015 PERA Election Results

General/Correctional Fund

<i>Lori Volz</i>	<i>13,954</i>	<i>Elected</i>
<i>Paul Bourgeois</i>	<i>13,100</i>	<i>Elected</i>
<i>Thomas Stanley</i>	<i>11,324</i>	<i>Elected</i>
<i>Thomas Rupp</i>	<i>10,561</i>	
<i>Clinton Schumacher</i>	<i>10,377</i>	
<i>John Carlson</i>	<i>9,997</i>	

Retirees/Survivors/Disabilitants

<i>Ross Arneson</i>	<i>12,953</i>	<i>Elected</i>
<i>Gene VanOverbeke</i>	<i>6,681</i>	
<i>Marion Conwell</i>	<i>6,563</i>	

Police & Fire Fund

<i>David Metusalem</i>	<i>22,837</i>	<i>Elected</i>
------------------------	---------------	----------------

Mary Most Vanek retires as director of PERA

After 40 years of service, and 18 years as its executive director, Mary Most Vanek retired from PERA January 27. David DeJonge, PERA's assistant executive director and director of finance, will guide the Association for the next few months as the Board of Trustees searches for a new agency head.

Vanek was appointed to lead PERA in 1997 following a nationwide search. Prior to assuming the director's position, she was manager of the Association's Member and Legislative

Services Division. During her 40-year career she worked in nearly every department of the Association.

Hired in 1975 by O. M. "Mike" Ousdigian, the Association's first director, Vanek would assume the reins at PERA 22 years later, the sixth director in the agency's 84-year history.

State Auditor Rebecca Otto said Vanek was leaving the Association "in a great position" to meet the challenges facing it in the future. Board Chair Don

(Continued on page 4.)

Financial Edition

(Page 3)

PERA's Board has retained the services of EFL Associates, an executive search firm, to assist in the search for a new executive director. It is hoped a replacement can assume the position in April or May.



Market Value/Actuarial Value What Are They? What Do They Refer To?

President's Message



Don Rambow

Don Rambow
President
PERA Board of Trustees

Financial reporting is getting more complicated and confusing. PERA would like to publish one set of valuation numbers so that you, the members, could track and easily follow your plans funding status.

The Governmental Accounting Standard Board (GASB) has issued reporting requirements which conflicts with state statutes. These reporting requirements result in PERA discussing two different funding ratios for your retirement plans.

Market Value reports the current value of PERA's assets to PERA's benefit obligation on a particular date. This valuation results in significant fluctuation in funding due to market changes. Over a five-year period (2009-2014) the General plan has reported a 28% change in Market Value reporting from a low of 53.81% in 2009 to 81.8% in 2014.

Actuarial Value smoothes out the volatile nature of investment markets by averaging the value of asset changes over a five-year period rather than immediately. Actuarial valuation recognizes 20% of a year's market

growth or decline over a five-year period. The entire valuation change will be recognized over a five-year period (20% annually). This has what is defined as "smoothing" in regards to asset reporting.

Actuarial valuation method has been the preferred reporting measurement for both private and public pension plans including PERA. Under GASB reporting requirements, you will now have two sets of numbers to refer to.

Below is a table of our current funding as of June 30, 2014, using both measurement basis:

Plan	Market Value	Actuarial Value
General Plan	81.8%	73.5%
Police & Fire Plan	89.2%	80.1%
Correctional Plan	106.3%	96.2%

Hopefully you will be able to distinguish the differences between the two benefit reporting numbers.

Board Directory

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

Don Rambow
Board President
Cities Representative
City of White Bear Lake
4701 Highway 61
White Bear Lake, MN 55110
651-429-8517

Kathryn A. Green
Board Vice President
School Board Representative
401 3rd Ave. NW
Austin, MN 55912
507-437-8667

Rebecca Otto
State Auditor
525 Park Street, Suite 500
St. Paul, MN 55103
651-296-2551

Ross Arneson
Retiree/Disabilitant
Membership Representative
112 Ellis Ave.
Mankato, MN 56001
507-327-5551

Paul Bourgeois
General Membership Representative
Minnetonka ISD 276
5621 County Road 101
Minnetonka, MN 55345
952-401-5024

Leigh Lenzmeier
Counties Representative
919 West St. Germain St.
St. Cloud, MN 56301
320-251-0653

David Metusalem
Police & Fire Representative
Ramsey Co. Sheriff's Department
425 Grove Street
St. Paul, MN 55101
651-266-9311

Thomas Stanley
General Membership Representative
St. Louis Co. Attorney's Office
100 N. Fifth Ave. W.
Duluth, MN 55802
218-726-2323

Lori Volz
General Membership Representative
Albert Lea Area Schools
211 W. Richway Drive
Albert Lea, MN 56007
507-379-4809

Lawrence J. Ward
Annuitant Representative
3221 Old Highway 8
Minneapolis, MN 55418
651-354-2006

**PERA is an
Equal Opportunity
Employer**

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

Toll Free—**1-800-652-9026**, or **651-296-7460**,
Between 8:00 a.m. and 4:30 p.m.

Fax Number—651-297-2547 • Internet—www.mnpera.org
Dave DeJonge—Interim Executive Director 651-201-2641

*This document is available in alternative formats to individuals with disabilities by
calling 1-800-652-9026 or through the Minnesota Relay Service at 1-800-627-3529.*

SBI posts 18.6 percent return for FY14

For the second year in a row, the State Board of investment (SBI) posted double-digit returns for the state's pension funds. Last year's 14.2 percent showing was followed by an 18.6 percent return for Fiscal Year 2014. Over the past 10 years, the SBI has averaged an 8.4 percent return on its investments—approximately 10 percent over the past 30 years.

Responsibility for the Association's investments resides with the SBI, which also handles investment duties for the Minnesota State Retirement System and the Teachers Retirement Association.

"This year's outstanding showing by SBI was led by a nearly 26 percent return for domestic stock investments," noted David DeJonge, PERA's interim executive director and manager of finance. "The investment returns of the last two years have gone far to stabilize the funding ratios of our retirement funds." PERA, like many retirement systems, smooths investment returns over five years to compensate for the short-term volatility of the markets.

The General Fund, which covers 90 percent of the Association's membership, ended the year at \$17.4 billion, up 15 percent from FY2013. The fund represents 67 percent of the Association's \$26.2 billion total assets. While the Minneapolis Employees Retirement Fund is a division of the General Fund, it is accounted for separately in PERA's annual financial report.

Assets of the Police and Fire Plan ended the year at \$7.3 billion, up from \$6.3 billion the previous year. The Correctional Plan finished FY2014 with \$453 million in assets. The \$86 million gain was due to both investment returns and the balance of active members to

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

(Figures used are in \$ millions.)

General Retirement Fund

(Coordinated and Basic Members)		
Fiscal Year	2013	2014
Revenues	\$2,604	\$3,478
Expenses	(1,097)	(1,158)
Change in Fund Balance	\$1,507	\$2,320
Total Assets Held	\$15,085	\$17,405

Public Employees Police and Fire Fund

Fiscal Year	2013	2014
Revenues	\$1,009	\$1,381
Expenses	(434)	(455)
Change in Fund Balance	\$575	\$926
Total Assets Held	\$6,347	\$7,273

Public Employees Correctional Fund

Fiscal Year	2013	2014
Revenues	\$68	\$94
Expenses	(7)	(8)
Change in Fund Balance	\$61	\$86
Total Assets Held	\$367	\$453

Minneapolis Employees Retirement Fund

Fiscal Year	2013	2014
Revenues	\$164	\$202
Expenses	(138)	(135)
Change in Fund Balance	\$26	\$67
Total Assets Held	\$869	\$936

benefit recipients for the relatively new plan.

The Combined Funds

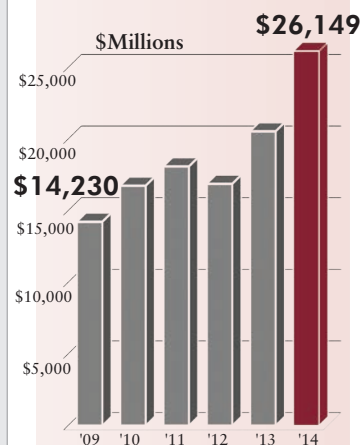
Approximately 45 percent of PERA's assets are invested in domestic stocks, 15 percent in international stocks, 18 percent in bonds and 20 percent in alternative assets. A small amount of cash reserves are maintained for the payment of benefits as they come due. This portfolio mix is geared toward long-term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

Funding Ratios (Actuarial)

Fiscal Year 2014

General Fund	73.5%
Police & Fire	80.1%
Correctional	96.2%

Combined Funds Investments



Despite losses in Fiscal Year 2008 and 2009, the fair market value of investments for PERA's pension funds now stands at over \$26 billion.

PERA expenses

Fiscal Year 1995-2014

Benefits
95.5%

Admin.
1.2%

Refunds
3.3%

Member benefits are responsible for approximately 95¢ of every dollar of PERA's expenses each year.

You can view PERA's annual financial report on line at our website, www.mnpera.org.



ADDRESS SERVICE REQUESTED

PRESORTED STANDARD U.S. POSTAGE PAID TWIN CITIES MN PERMIT NO. 171



March 2015

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. Deposit dates for 2015 are listed below:

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

The Benefit

Election (Continued from page 1)

The P&F spot was vacant at the time of the election, following the May retirement of Bruce Jensen.

Lori Volz, executive director of finance and operations for the Albert Lea School District, joins returning trustees Paul Bourgeois and Thomas Stanley as General/Correctional Fund representatives on PERA's Board.

Volz, in her first run for a PERA board seat, was the top

General/Correctional vote-getter in this January's election with 13,954 votes cast, while Bourgeois received 13,100 votes and there were 11,324 votes for Stanley.

Bourgeois is executive director of finance and operations for the Minnetonka School District, while Stanley is senior attorney in the Civil Division in the St. Louis County Attorney's Office. Both are in their second terms on the Board.

Vanek (Continued from page 1)

Rambow said, "Mary's intangible and personal qualities have helped evolve and define what PERA represents today."

The PERA Board has retained

the services of EFL Associates, an executive search firm, to assist in seeking a new director. It is hoped a replacement can assume the position in April or May.