



The

July 2015

PERA *graph*

Newsletter of the General Plan of the Public Employees Retirement Association of Minnesota

Assets over \$17 billion

Offices in St. Paul, Duluth & Mankato

Active membership of 140,000

Pension bill lowers earnings assumption, interest on repayments

For the past two years, PERA has used a temporary assumed long-term rate of investment earnings of 8 percent in our actuarial calculations. That assumption was made permanent under this year's Omnibus Pension Bill.

Passed in the last days of the legislative session and signed into law May 22, the bill adopts the more conservative earnings assumption for PERA, MSRS and the St. Paul Teachers Retirement Fund. While long-term investment earnings by the State Board of Investment have matched or exceeded the old earnings

assumption of 8.5 percent, the measure was seen as a prudent move given the reevaluation of earning assumptions being made by public pensions plans nationwide.

A compilation of 19 individual pension-related bills, the Omnibus Bill included several other provisions impacting PERA. Among those actions are:

- The interest charged for the repayment of a refund or the purchase of service will be 8 percent after June 30, 2015. Any interest accrued prior to that date

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Rule of 90: A reality check for PERA members

The Rule of 90 disappeared back in 1989. Members hired into public service after that date are not eligible for that treasured calculation benefit. But, is it really that treasured?

For some, yes. But many more members hit that milestone today and continue to work in public service, earning a larger final pension in the process.

Created in 1982, the Rule of 90 allows members to retire with unreduced benefits when their age plus service history equal 90 years. While it was suspended for members hired after June 30, 1989, it was replaced by a benefit calculation giving larger benefits to those who retire closer to full retirement age—age 65 to 66. The cross-over point between the two methods of calculating benefits is approximately age 63. In other words, even if a member is eligible for Rule of 90, it becomes irrelevant at that age since our second benefit calculation results in a larger pension. Coincidentally, age 63 happens to be the average retirement age for Coordinated members today.

Actually, it's no coincidence. By that age members qualify for Social Security in addition to their PERA pensions. Also, coverage under Medicare (age 65) is much closer.

The realities of living in today's economy, coupled with extended life expectancies and mounting health insurance costs, make retirement between ages 55 and 61 less feasible for many than it was 20 years ago. There are far fewer opportunities for a member to retire from public service at age 56 or 57, only to move to a private sector job with similar salary and benefits, than there were two decades ago. If such a position reveals itself, retirement at an early age under the Rule of 90 may make economic sense. If not, and you don't have adequate savings for those extra years of retirement, a few more years in the public sector, increasing your final pension along the way, may make more economic sense.

Thousands of Coordinated members have done just that—hitting their Rule of 90 and continuing to serve their communities for a few more years.



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President's Message



Don Rambow

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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A word to our younger members

I know what you are thinking. I'm so young I can't even imagine, let alone think about, retirement. I have so many financial obligations to deal with, retirement is just too far away (if ever) to begin to plan for it now. Then all of a sudden you experience your 50th birthday, and then your 60th, and you are no longer one of PERA's younger members.

Imagine yourself sitting across from a fortune teller who claims she can tell you exactly what your pension is going to be 25 or 30 years from now. Skeptical? If your retirement plan was a 401(k), you'd have good reason to be skeptical.

With that type of plan your eventual retirement nest egg depends on how good you are at saving, how good you are at choosing your investments, how those investments perform over time, and how good you are at watching your investments change (positive and negative) as the markets change. A host of variables can have a huge influence on your personal retirement fund by the time you reach retirement age.

With your PERA pension, the Association takes all those variables into consideration to determine our overall funding needs. Your investments are managed by professional investors at the State Board of Investment and have returned an average of 8.8 percent over the last 20 years.

However, because your retirement plan is a defined benefit plan, your pension will be based on a formula incorporating your age at retirement, length of public service and your average salary over your five highest-paid consecutive years of public employment. This means that PERA can tell you what your pension will be at any given retirement age. So, if retirement is years in the future, ignore the dollar amounts in your Personal Benefit Statement today. Instead, concentrate on the percentage of your income at retirement that will be replaced by your PERA pension. That's a

powerful piece of information when you're planning financially for retirement.

Now, what if that fortune teller predicts that you will be guaranteed that monthly pension for your lifetime—a benefit you will never outlive? And, if you choose, upon your death that pension will continue for the lifetime of someone you name as your survivor. Dubious? Well, PERA's been doing exactly that for over 80 years. All our retirement benefits are lifetime pensions. So, when you've passed your 100th birthday, there will still be a PERA check deposited in your bank account each month.

What if that fortune teller said all this is free? Well, it's time to find a new fortune teller. In order to make this all happen we need your plan contribution every pay period. We also need your employer's regular contributions. However, the real magic happens when those contributions are invested over time. Over the last 20 years, approximately 70 percent of PERA's income has come from returns on our investments. In fact, once your PERA benefits begin, you will recoup all of your contributions after only two or three years. Not bad when you consider our average retiree collects benefits for over 20 years.

What if that fortune teller says your PERA pension will not be enough? She's probably right. PERA was never meant to be your only income source in retirement. There is also Social Security and your individual savings. If you're not contributing to your employer's 457 or 403(b) plan, start. If you are contributing, is it enough? Check out the Ballpark E\$timate® on our website under RESOURCES. It's a quick check to see if you are in the rough ballpark of achieving your retirement savings goal, and incorporates both your PERA benefits and Social Security in the calculation.

Finally, stop wasting your money on fortune tellers. Instead, put it in your deferred comp.

Don Rambow
 President, PERA Board of Trustees

PERA is
 an Equal
 Opportunity
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The PERAgraph is published as a service to members
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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.

The phone is convenient and fast, but we offer more with our online services

Why do PERA's counselors always encourage members who have access to the internet to take advantage of PERA's online features? It's quite simple: there are a lot more services and information available online than we can possibly provide over the phone. One of the main features we encourage members to take advantage of is MY PERA. Registration is convenient and fast.

Don't have a MY PERA account? Well, let's get started.

Creating a MY PERA account is simple. Typically, members can complete registration in a matter of minutes. Visit the homepage at www.mnpera.org by typing this directly into your internet browser. Select MY PERA on the left side of the webpage.

In the Member Log On window, select Register as New User on the left or at the bottom of the webpage. Enter the requested information, create your own password and security questions, and submit. Once you accept the Access Terms and Conditions, you will see a Welcome screen with your PERA account information.

I am Registered, now what?

Once you are logged on, select from the different options on the left side of the webpage. You can view or update many of the details of your account. Looking to update your address? Need a retirement estimate? Registering for a workshop or conference? It can all be done instantly from your MY PERA account.

But I Forgot my Password.

Resetting the password is easy. From the Member Log On window, select Forgot Password on the left of the webpage. Enter the requested information and submit. Once you answer your security questions or receive a reset password email, you'll be able to reset your password.

Is this secure?

MY PERA is our secure member portal. The servers PERA uses for MY PERA are protected by industry standard technologies, including password protection and firewalls. Personal information submitted by users and information provided by us through MY PERA are both secured with encryption. We are constantly evaluating and improving our security, including using outside firms to periodically test our security measures.

Oh no, I got an error message.

Error messages are not a cause for alarm. They typically indicate a field needs to be changed. If you get an error message, read it carefully and follow the instructions to change that field. We understand some members get an error message when they initially register after accepting the Access Terms and Conditions. If this happens, please close the window and attempt to log in again using the password you just created.

I'm still having trouble.

Please call a PERA representative for assistance. We answer calls regarding the use of our MY PERA online account feature daily and are able to troubleshoot a variety of issues. Some members have limited or restricted MY PERA access. Sometimes the website is unavailable when we are performing web updates. Before you become frustrated with the website please reach out to us for help.

Of course, you can still call and request information over the phone or contact us by mail, but we encourage you to make the most of our online features, even if you need a bit of help from time to time.

So, what else you got?

While MY PERA is your member portal online, our website has a wealth of information about your PERA benefits, from specific plan information to assistance in applying for Association benefits. It's all at www.mnpera.org.



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PRERETIREMENT WORKSHOPS

Willmar, Brainerd, Duluth, New Ulm, and St. Cloud are the locations of our outstate Preretirement Workshops for the second half of 2015. Of course, we also have half a dozen workshops scheduled for our office in St. Paul between August and December.

Registered members of MY PERA can register online for any of our workshops, as well as our group and individual conferences. Simply log in and click on Workshop or Conference.



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Are you in the rough ballpark when it comes to retirement?

Ever wonder if you are setting aside enough to fund the retirement you want?

The Employee Benefit Research Institute (EBRI) has created a short exercise to help you determine if you are in the rough "ballpark" of saving sufficiently for your future retirement. It is available as a worksheet or interactive calculator.

We have a link to EBRI's Ballpark E\$timate® on our website under RESOURCES. It is also linked in our Do It Yourself Retirement Tool Kit. They're both online at www.mnpera.org.



Pension Legislation (Continued from page 1)

will remain at the previous 8.5 percent.

➤ PERA's board now has greater discretion in determining when a contribution increase or decrease is warranted based on a number of factors before making a recommendation to the Legislature. In the past, contribution rates increased automatically based only on a specific contribution deficiency.

➤ The Statewide Volunteer Firefighter Retirement Plan will provide for benefit levels ranging from \$500 to \$7,500 in \$100 increments for each year of public service. The plan previously had 20 benefit levels between the two limits. The bill also provides for a monthly benefit division of the volunteer firefighter plan. Upon application, PERA would assume administration of plans for vol-

unteer departments that currently maintain a plan paying monthly retirement benefits.

MERF

The Omnibus Bill also provides for continued annual appropriations of \$37 million from the state and MERF employers to cover the cost of MERF's future benefit obligations. This ensures the cost of those benefits have no adverse impact on the funding of PERA's General Plan.

An amendment to the Omnibus Bill that would have expanded PERA's Board of Trustees to 12 members with the addition of a trustee representing Minneapolis Employees Retirement Fund (MERF) retirees was removed early in the legislative session. The measure had been added to the bill just before it advanced out of the Legislative Commission on Pensions and Retirement in early April.