



TO: Members of the Legislative Commission on Pensions and Retirement
 FROM: Ed Burek, Deputy Director
 RE: S.F. xxxx; H.F. xxxx (Emmer), LCPR06-122: PERA; Extension of the "Rule of 90" to a Certain PERA-General Member with Pre-1989 Military Service
 DATE: March 22, 2006

Summary of S.F. xxxx; H.F. xxxx (Emmer)

S.F. xxxx; H.F. xxxx (Emmer), LCPR06-122, would allow Mr. Eric Hamilton, identified by birth date and other identifying information, to receive access to General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) early retirement provisions, including the "Rule of 90," as though he began plan coverage prior to July 1, 1989, despite not commencing PERA-covered employment until 1990, because he purchased service credit in the plan for a period of military service that occurred in 1983-1985. To receive this treatment the eligible individual would be required to make an additional payment to fully compensate PERA for the additional liability that this treatment would create.

Background Information on PERA-General

PERA-General is governed by Minnesota Statutes, Chapter 353, and various other provisions of law. It is a defined benefit retirement plan that provides disability coverage, survivor benefits, and retirement coverage to over 142,000 public employees throughout the state, other than public safety employees. PERA-General provides coverage to public employees who work for the counties, cities, and in non-teaching positions in school districts. PERA currently has over 56,000 retirees and 35,000 deferred retirees. PERA-General assets exceed \$11.8 billion, but liabilities exceed \$15.8 billion, creating a funding ratio of 79.7 percent. To deal with plan contribution deficiencies, the 2005 Legislature passed provisions which will phase in contribution rate increases. The current employee contribution rate is 5.10 percent, and will increase in several steps to 6.0 percent of pay in 2009. The current employer contribution rate is 5.53 percent of pay, increasing to 7.0 percent in 2010. There is also an employer additional contribution, currently .43 percent of pay, increasing gradually to 1.0 percent of pay in 2010.

The standard presentation of the plan's actuarial condition follows. At the current time PERA has over \$4 billion in unfunded liability and a contribution deficiency of 1.67 percent of payroll, although the Legislature has taken steps, through mandated contribution increases that will phase in over the next few years, to address PERA-General's actuarial condition.

| 2005 | | |
|-------------------------------|--------------|-------------------------|
| <u>Membership</u> | | |
| Active Members | | 142,303 |
| Service Retirees | | 48,147 |
| Disabilitants | | 1,853 |
| Survivors | | 6,650 |
| Deferred Retirees | | 35,768 |
| Nonvested Former Members | | <u>100,369</u> |
| Total Membership | | 335,090 |
| <u>Funded Status</u> | | |
| Accrued Liability | | \$15,892,554,615 |
| Current Assets | | <u>\$11,843,935,692</u> |
| Unfunded Accrued Liability | | \$4,048,618,923 |
| Funding Ratio | 74.53% | |
| <u>Financing Requirements</u> | | |
| Covered Payroll | | \$4,530,882,628 |
| Benefits Payable | | \$715,043,179 |
| Normal Cost | 7.79% | \$352,964,350 |
| Administrative Expenses | <u>0.22%</u> | <u>\$9,967,942</u> |
| Normal Cost & Expense | 8.01% | \$362,932,292 |
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| Amortization | <u>4.73%</u> | <u>\$214,310,748</u> |
| Total Requirements | 12.74% | \$577,243,040 |

