



S.F. 914
(Betzold)

H.F. 1100
(Thissen)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): MERF, PERA-General
Relevant Provisions of Law: Minnesota Statutes, Chapters 353 and 422A
General Nature of Proposal: Consolidates MERF into PERA-General on July 1, 2010
Date of Summary: March 10, 2009

Specific Proposed Change(s)

Provides for the consolidation of MERF into PERA-General on July 1, 2010.

Policy Issues Raised by the Proposed Legislation

1. Actuarial condition of MERF and PERA-General.
2. Potential for MERF benefit default.
3. Urgency for consolidation legislation.
4. Precedent for consolidation.
5. Actuarial impact of a MERF consolidation on PERA-General.
6. Benefit impact on MERF members.
7. Unclear contribution by MERF members.
8. Financial impact of MERF/PERA-General consolidation on MERF-covered employing units.
9. Financial impact of MERF/PERA-General consolidation on the State of Minnesota.
10. Need for local approval for local legislation or general legislation.
11. Transitional provision; handling MERF employees in subsequent employment.

Potential Amendments

Technical Amendment

S0914-2A corrects an incorrect word.

Substantive Amendments

- S0914-3A** reduces the MERF accrued liability by totally eliminating the special adjustment for differences between the MERF post-retirement adjustment mechanism and the PERA-General post-retirement adjustment mechanism, referred to as "Uniformity Swap."
- S0914-4A** reduces the MERF accrued liability by partially eliminating the "Uniformity Swap."
- S0914-5A** extends the MERF state aid beyond 2020 to a to-be-determined future date.
- S0914-6A** adds a local approval effective date, to be implemented by the City of Minneapolis
- S0914-7A** revises the provision relating to the future employment of the current MERF employees.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *Law M*
RE: S.F. 914 (Betzold); H.F. 1100 (Thissen): PERA-General; MERF Consolidation
DATE: March 9, 2009

General Summary of S.F. 914 (Betzold); H.F. 1100 (Thissen)

S.F. 914 (Betzold); H.F. 1100 (Thissen) amends portions of Minnesota Statutes, Chapters 6, 13D, 43A, 69, 126C, 256D, 352, 353, 354A, 356, 422A, 473, and 480, and provides for the consolidation of the Minneapolis Employees Retirement Fund (MERF) into the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) on July 1, 2010.

Specifically, the proposed legislation provides for the following:

- A. Consolidation Initiation. The MERF/PERA-General consolidation would be initiated by legislation, without any formal initiation action required of MERF, the City of Minneapolis, the MERF Association, or PERA. (Section 35)
- B. Consolidation Approval Procedures. The consolidation would be implemented on July 1, 2010. (Section 35, Subdivision 7)
- C. Funding Upon and Following the Consolidation. Legal title to all current assets of MERF would transfer to PERA/State Board of Investment on the effective date of the consolidation, with the beneficial title to the assets remaining in the MERF members. The City of Minneapolis would continue annually to make its contributions for MERF members to PERA set at the Fiscal Year 2008 dollar amount level until 2020. Additionally, the City of Minneapolis and other MERF-covered employing units would make an additional one-time contribution sufficient to bring the MERF funding ratio, determined at the market value of assets, up to the June 30, 2009, PERA-General funding ratio, determined at the market value of assets and payable either in a lump sum or in annual installments, with interest at 8.5 percent, for ten years. State aids currently payable to MERF would become payable to PERA-General until 2020, the PERA-General amortization target date. If PERA-General becomes fully funded before June 30, 2031, the state aids related to the former MERF and the Minneapolis ongoing annual regular contribution end as of the January 1 next following the full funded date. (Sections 21; 35, Subdivisions 4 and 5; and 57)
- D. Disposition of MERF Tangible Assets and Personnel. The MERF office lease should be converted to a month-to-month lease in anticipation of the consolidation and would end on or shortly after the effective date of the consolidation. Any MERF office equipment should be transferred to PERA-General or surplus in the ordinary manner either through the State of Minnesota, the City of Minneapolis, or the Minneapolis Public School District. MERF employees hired before June 30, 2008, would be transferred to subsequent employment by either the City of Minneapolis or Special School District No 1 without loss of salary or benefits for a yet-to-be specified period, then would be given a civil service employment preference comparable to a veteran's preference for municipal or school district employment in a position determined appropriate based on the employee's education and experience by the normal Human Resources process of the governmental entity. (Sections 35, Subdivision 3; and 63)
- E. Consolidation Transfers. MERF assets have already been shifted to the Minnesota Supplemental Investment Fund, operated by the State Board of Investment. As of June 30, 2009, the MERF Board would no longer have any investment authority over the MERF assets with the State Board of Investment and the State Board of Investment would then either continue the investment of former MERF assets in the Minnesota Supplemental Investment Fund or would transfer the former MERF assets to PERA's participation in the Minnesota Combined Investment Funds. MERF's membership and business records would be transferred to PERA as of July 1, 2010. After consolidation, retirement benefit payments to benefit recipients of the former MERF would become the responsibility of PERA. A successor-in-interest provision substitutes PERA for MERF in all legal obligations or for potential causes of action other than instances where MERF fiduciaries were not acting in good faith. (Section 35, Subdivision 4)
- F. Benefit Plan Conversion. Current MERF active members would be covered by the current benefit provisions of Minnesota Statutes 2008, Chapter 422A, administered by PERA, except for post-retirement adjustments, which would be an automatic 2.5 percent increase annually, and upon retirement, the initial annuity would be adjusted to that amount which, with a 2.5 percent post-retirement adjustment, would have the same actuarial present value as the pre-adjustment MERF annuity with the MERF Retirement Benefit Fund adjustment (i.e., Consumer Price Index-based

increases up to 3.5 percent annually). Service credited by MERF for current actives before consolidation would be credited by PERA-General as reported by MERF. The current benefit and related provisions of Minnesota Statutes, Chapter 422A, would be repealed effective upon the consolidation. MERF retirees initially would receive their current benefit amounts adjusted for an additional annuity amount that has the same actuarial present value as the difference between an automatic 2.5 percent annual post-retirement adjustment and an automatic post-retirement adjustment based on CPI increases up to 3.5 percent and then would receive annual automatic 2.5 percent post-retirement adjustments. (Sections 22 to 34; and 35, Subdivision 5)

G. Conforming Changes. Crossreferences to MERF and statutory citations to MERF or MERF-related provisions are eliminated and most current MERF provisions are repealed. (Sections 1 to 20; 36 to 56; 58 to 62; and 64 to 66)

Section-By-Section Summary

A section-by-section summary of S.F. 914 (Betzold); H.F. 1100 (Thissen) is attached.

Relevant Background Information

Background information relating to the Minneapolis Employees Retirement Fund (MERF) is set forth in several attachments, as follows:

- Attachment A, background information on MERF, generally.
- Attachment B, funding problems of MERF.
- Attachment C, actuarial valuation data for MERF, 1943-2008.
- Attachment D, state aid to MERF.
- Attachment E, MERF post-retirement adjustments.

Technical Amendment

Amendment S0914-2A is a technical amendment, substituting “employer” for “employee” in a PERA-General law provision relating to employer contributions.

Analysis and Discussion

S.F. 914 (Betzold); H.F. 1100 (Thissen) provides for the consolidation of the Minneapolis Employees Retirement Fund (MERF) into the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), fully effective July 1, 2010.

S.F. 914 (Betzold); H.F. 1100 (Thissen) raises a number of pension and related public policy issues for Commission consideration and potential discussion, as follows:

1. Actuarial Condition of MERF and PERA-General. The policy issue is the actuarial condition of the two retirement plans involved in the proposed pension plan consolidation. As of July 1, 2008, the actuarial valuation results of the two retirement plans as calculated by their respective actuaries, Gabriel Roeder Smith & Company for MERF and Mercer for PERA-General, were as follows:

	MERF 2008		PERA-General 2008	
<u>Membership</u>				
Active Members		211		145,238
Service Retirees		3,577		54,855
Disabilitants		154		2,046
Survivors		915		6,979
Deferred Retirees		134		42,308
Nonvested Former Members		0		<u>116,805</u>
Total Membership		4,991		368,231
<u>Funded Status</u>				
Accrued Liability		\$1,576,854,841		\$17,729,847,000
Current Assets		<u>\$1,214,305,152</u>		<u>\$13,048,970,000</u>
Unfunded Accrued Liability		\$362,549,689		\$4,680,877,000
Funding Ratio	77.01%		73.60%	
<u>Financing Requirements</u>				
Covered Payroll		\$12,697,639		\$4,952,751,000
Benefits Payable		\$148,221,483		\$824,372,000
Normal Cost	12.18%	\$1,546,554	7.74%	\$383,111,000
Administrative Expenses	<u>5.66%</u>	<u>\$718,074</u>	<u>0.19%</u>	<u>\$9,410,000</u>
Normal Cost & Expense	17.84%	\$2,264,628	7.93%	\$392,521,000
Normal Cost & Expense	17.84%	\$2,264,628	7.93%	\$392,521,000
Amortization	<u>356.47%</u>	<u>\$45,263,846</u>	<u>6.29%</u>	<u>\$311,528,000</u>
Total Requirements	374.32%	\$47,528,474	14.22%	\$704,049,000

Employee Contributions	9.75%	\$1,238,020	6.00%	\$297,220,000
Employer Contributions	47.99%	\$6,093,597	6.63%	\$328,211,000
Employer Add'l Cont.	2.72%	\$345,011	0.00%	\$0
Direct State Funding	70.88%	\$9,000,000	0.00%	\$0
Other Govt. Funding	0.00%	\$0	0.00%	\$0
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	131.34%	\$16,676,628	12.63%	\$625,431,000
Total Requirements	374.32%	\$47,528,474	14.22%	\$704,049,000
Total Contributions	<u>131.34%</u>	<u>\$16,676,628</u>	<u>12.63%</u>	<u>\$625,431,000</u>
Deficiency (Surplus)	242.98%	\$30,851,846	1.59%	\$78,618,000
Amortization Target Date	2020		2031	

Actuarial Assumptions

	MERF	PERA-General
Mortality Rates:	<p><u>Pre-Retirement</u> Average of male and female rates of 1986 Projected Experience Table with a 1-year age setback.</p> <p><u>Post-Retirement</u> Average of male and female rates of 1986 Projected Experience Table with a 1-year age setback.</p> <p><u>Disabled</u> Average of male and female rates of 1986 Projected Experience Table with a 1-year age setback.</p>	<p><u>Pre-Retirement</u> • 1983 Group Annuity Mortality for males set back eight years. • 1983 Group Annuity Mortality for females set back seven years.</p> <p><u>Post-Retirement</u> • 1983 Group Annuity Mortality for males set back one year. • 1983 Group Annuity Mortality for females set back one year.</p> <p><u>Disabled</u> 1965 RRB rates through age 54. For ages 55 to 64, graded rates between 1965 RRB rates and the Healthy Post-Retirement Mortality. For ages 65 and later, the Healthy Post-Retirement Mortality.</p>
Interest:	<p><u>Pre-Retirement</u> 6.0% per annum.</p> <p><u>Post-Retirement</u> 5.0% per annum.</p>	<p><u>Pre-Retirement</u> 8.5% compounded annually.</p> <p><u>Post-Retirement</u> 6.0% compounded annually.</p>
Salary Increases:	Total reported pay for prior calendar year increased 1.98% (half year of 4.00%, compounded) to prior fiscal year and 4.00% annually for each future year.	Reported salary for prior fiscal year, with new hires annualized, increased to current fiscal year and annually for each future year according to the ultimate rates in the rate table. During a 5-year select period, 0.60% x (5-T) where T is completed years of service is added to the ultimate rate.
Retirement Rates:	100% at age 61.	Graded rates beginning at age 55 as shown in rate table. Members who have attained the highest assumed retirement age are assumed to retire in one year.

Retirement		
Age	Rule of 90 Eligible	Other
55	30%	7%
56	25%	7%
57	25%	7%
58	25%	7%
59	25%	9%
60	25%	9%
61	30%	15%
62	40%	22%
63	30%	20%
64	30%	20%
65	40%	40%
66	25%	25%
67	25%	25%
68	25%	25%
69	25%	25%
70	25%	25%
71	100%	100%

Withdrawal Rates:	Age	Rate (%)	Rate (%)	
			Male	Female
	20	21.00	8.40	8.40
	25	11.00	6.90	6.90
	30	5.00	5.40	5.40
	35	1.50	3.90	4.20
	40	1.00	3.00	3.50
	45	1.00	2.50	3.00
	50	1.00	2.00	2.50
	55	1.00	0.00	0.00
	60	1.00	0.00	0.00
	65	0	0.00	0.00
	70	0	0.00	0.00

Disability Rates:	Age	Rate (%)	Rate (%)	
			Male	Female
	20	0.21	0.01	0.01
	25	0.21	0.01	0.01
	30	0.23	0.02	0.02
	35	0.30	0.05	0.04
	40	0.41	0.09	0.06
	45	0.61	0.14	0.09
	50	0.93	0.23	0.16
	55	1.60	0.49	0.26
	60	0	0.82	0.46
	65	0	0.00	0.00
	70	0	0.00	0.00

Administrative Expenses:	Prior year administrative expenses (excluding investment expenses) increased by 4.00% expressed as a percentage of projected annual payroll.	Prior year administrative expenses expressed as a percentage of prior year payroll.
Allowance for Combined Service Annuity:	Liability for active members are increased by 0.2% and liabilities for former members (not in payment status) are increased by 30.0% to account for the effect of some participants having eligibility for a Combined Service Annuity.	Liabilities for active members are increased by 0.80% and liabilities for former members are increased by 60.00% to account for the effect of some participants having eligibility for a Combined Service Annuity.
Return of Contributions:	All members withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.	All employees withdrawing after becoming eligible for a deferred benefit are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.
Percent Married:	67% of active members are assumed to be married.	85% of male members and 65% of female members are assumed to be married.
Age of Spouse:	Females are assumed to be three years younger than males.	Females are assumed to be four years younger than males.

2. Potential for MERF Benefit Default. The policy issue is how imminent might a default in the payment of benefits to MERF retirees and other benefit recipients be. Although a consolidation of a retirement plan into another retirement plan can occur for a variety of reasons, avoidance of a default in the payment of retirement annuities and benefit is a very high priority potential rationale that could underlie a consolidation. If MERF is likely to default in the payment of retirement annuities and benefits, the likelihood of a default would be pertinent. As the Commission staff assesses the financial condition of MERF, following recent investment market declines, with an active membership that either is entitled to retire this year or next year in its entirety, and with a post-retirement adjustment mechanism that converts all investment gains into benefit increases when the retiree reserves are less than the present value of future benefits for retirees, the retirement plan will suffer a default within a decade, probably in seven or eight years. In an undated assessment prepared for MERF by a consultant, Ennis Knupp, probably made shortly after June 30, 2008, the probability that all MERF assets are depleted and the retirement plan suffers a default grows to more than 50 percent in 2017 and to 100 percent after 2022.
3. Urgency for Consolidation Legislation. The policy issue is why proposed legislation providing for a consolidation of MERF into PERA-General is urgent for enactment in 2009 when the actual

consolidation under the legislation will not occur in 2009. Section 66 of S.F. 914 (Betzold); H.F. 1100 (Thissen) makes the section setting forth the consolidation timeline (Section 35) effective July 1, 2009, and makes the balance of the proposed legislation effective July 1, 2010, the designated date for the consolidation. It would be appropriate to ask the proponents of the proposed legislation to address the issue of the urgency for proposed legislation that delays the actual consolidation for one year and explain why the proposed legislation could not be processed in 2010 instead.

4. Precedent for Consolidation. The policy issue is whether or not there is a precedent for the consolidation of MERF into PERA-General and whether or not a MERF/PERA-General consolidation would become an inappropriate precedent for the future. The consolidation proposed in S.F. 914 (Betzold); H.F. 1100 (Thissen) would be a total retirement fund consolidation, involving the administration, investment functions, retirement fund, and most of the benefit plan, and resulting in the smaller retirement plan becoming part of the cost-sharing larger retirement plan. In this regard, the MERF/PERA-General consolidation has ten prior precedents, which were:

Consolidating Plan(s)	Successor Plan	Year
1. State Police Retirement Plan	State Patrol Retirement Plan	1969
2. Various Judicial Retirement Plans	Uniform Judges Retirement Plan	1973/1978
3. St. Paul Bureau of Health	PERA-General	1973
4. Fridley Paid Firefighters Plan	Public Employees Police and Fire Plan (PERA-P&F)	1973
5. Cloquet Firefighters Relief Association	PERA-P&F	1973
6. Metro Council Transit Plan	General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General)	1978
7. University of Minnesota Police Plan	PERA-P&F	1978
8. Moorhead Police & Fire Relief Association	PERA-P&F	1985
9. 44 Local Police & Fire Consolidation Accounts in PERA	PERA-P&F	1999
10. Minneapolis Teachers Retirement Fund Association (MTRFA)	Teachers Retirement Association (TRA)	2006

In consolidations that have occurred since 1978, other than the Minneapolis Teachers Retirement Fund Association consolidation, the consolidation has required additional contributions or assets be contributed by the affected employer or employers if the retirement plan was more underfunded than the recipient retirement plan. If the consolidation to be recommended by the Commission follows the usual post-1978 consolidation model, as the proposed legislation does, the MERF/PERA-General consolidation would not constitute an inappropriate precedent for future consolidation proposed legislation.

5. Actuarial Impact of a MERF Consolidation on PERA-General. The policy issue is the nature and magnitude of the actuarial impact of the consolidation of MERF into PERA-General. To ascertain the impact, the consulting actuary retained by MERF, Gabriel Roeder Smith & Company, has valued the MERF membership under the PERA-General assumptions, assuming eligibility for the current MERF post-retirement adjustment mechanism (3.5 percent maximum on the Consumer Price Index-related portion), assuming all current MERF active members retire immediately, and assuming the actuarial value of MERF assets of \$850,000,000. Based on that estimate (Exhibit A: Scenario 3, in attached actuarial work), the effect of the MERF consolidation into PERA-General would be as follows:

	PERA-General 7/1/2008	MERF Liabilities and Assets 7/1/2008	PERA-General Resulting Condition 7/1/2008
<u>Membership</u>			
Active Members	145,238	211	145,449
Service Retirees	54,855	3,577	58,432
Disabilitants	2,046	154	2,200
Survivors	6,979	915	10,094
Deferred Retirees	42,308	134	42,442
Nonvested Former Members	<u>116,805</u>	<u>0</u>	<u>116,805</u>
Total Membership	368,231	4,991	373,222
<u>Funded Status</u>			
Accrued Liability	\$17,729,847,000	\$1,665,526,213	\$19,395,373,213
Current Assets	<u>\$13,048,970,000</u>	<u>\$850,000,000</u>	<u>\$13,898,970,000</u>
Unfunded Accrued Liability	\$4,680,877,000	\$815,526,213	\$5,496,403,213
Funding Ratio	73.60%	51.03%	71.66%

<u>Financing Requirements</u>					
Covered Payroll		\$4,952,751,000	\$12,697,639		\$4,965,448,639
Benefits Payable		\$824,372,000	\$148,221,483		\$972,593,483
Normal Cost	7.74%	\$383,111,000	\$0	7.72%	\$383,111,000
Administrative Expenses	<u>0.19%</u>	<u>\$9,410,000</u>	<u>\$925,074</u>	<u>0.21%</u>	<u>\$10,335,074</u>
Normal Cost & Expense	7.93%	\$392,521,000	\$925,074	7.93%	\$393,446,074
Normal Cost & Expense	7.93%	\$392,521,000	\$925,074	7.93%	\$393,446,074
Amortization	<u>6.29%</u>	<u>\$311,528,000</u>	<u>\$82,236,300</u>	<u>7.93%</u>	<u>\$393,764,300</u>
Total Requirements	14.22%	\$704,049,000	\$83,161,374	15.86%	\$787,210,374
Employee Contributions	6.00%	\$297,220,000	\$1,218,973		
Employer Contributions	6.63%	\$328,211,000	\$1,218,973		
Employer Add'l Cont.	0.00%	\$0	*		
Direct State Funding	0.00%	\$0	\$9,000,000		
Other Govt. Funding	0.00%	\$0	*		
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>--</u>		
Total Contributions	12.63%	\$625,431,000	*		
Total Requirements	14.22%	\$704,049,000			
Total Contributions	<u>12.63%</u>	<u>\$625,431,000</u>			
Deficiency (Surplus)	1.59%	\$78,618,000			
Amortization Target Date	2031				
Actuary	Mercer				

* The employer additional contribution amount and the special employer contribution for MERF-covered employers remain to be specified under S.F. 914 (Betzold); H.F. 1100 (Thissen).

6. Benefit Impact on MERF Members. The policy issue is the impact of the proposed consolidation of MERF into PERA-General will have on MERF active and retired members. As drafted, S.F. 914 (Betzold); H.F. 1100 (Thissen) replicates the MERF retirement annuity, disability benefit, and survivor benefit provision as alternative benefits for former MERF active members transferred to PERA-General coverage, and provides an annuity or benefit adjustment for all former MERF active and retired members to account, on an actuarial present value basis, for the change between the MERF post-retirement adjustment mechanism (Consumer Price Index-based adjustment with 3.5 percent maximum plus investment-based adjustment if the MERF Retirement Benefit Fund is more than fully funded) and the PERA-General post-retirement adjustment mechanism (flat 2.5 percent adjustment as of January 2010). Thus, under the proposed legislation, MERF active and retired members would have no benefit decrease as a result of the proposed consolidation and would gain security of those benefits by its incorporation into PERA-General.
7. Unclear Contribution by MERF Members. The policy issue is the extent to which MERF active and retired members are making any financial contribution in salvaging the financial condition of MERF by consolidating it into PERA-General and whether the MERF membership has any legal or policy obligation to make such a financial contribution. Under the proposed legislation, the MERF membership will have their current benefit levels remain intact after consolidation, including a special adjustment for the actuarial value of a greater post-retirement adjustment maximum under MERF compared to the limit applicable to them under PERA-General, and will gain benefit security through the consolidation, without participating in making any benefit change to reduce the current MERF liabilities or providing any amount to increase the current MERF assets. If the MERF membership were to be asked to provide some financial contribution to the consolidation, the most logical vehicle to do so would be to reduce the amount of or to eliminate the special post-retirement mechanism-related adjustment provided in S.F. 914 (Betzold); H.F. 1100 (Thissen) (see sections 24, 26, 30, and 35, subdivision 5). Employees and retirees covered by MERF have no obligation to participate in the financing of a consolidation into PERA under any legal theory that the Commission staff can identify. MERF members have a legal entitlement to their current levels of benefits and to future post-retirement adjustments from the MERF Retirement Benefit Fund. Although no Minnesota court has clearly adopted the legal theory or principal, in some other states with no latitude or limited latitude to modify public employee pension benefit levels, pension plans facing financial or actuarial distress or calamity are permitted to make necessary benefit adjustments to bolster the financial condition of the retirement plan. If Minnesota courts do not adopt a similar theory or principle, if MERF continues as a freestanding retirement plan, and if MERF defaults in the next decade or so, because MERF is a self-insured vehicle for covered employers to provide retirement coverage, MERF retirees would become unsecured, but priority, creditors of the various employers covered by MERF, with any creditor remedies available at that time, including attaching employer assets and garnishing employer financial accounts. If MERF members wish to avoid that insecurity through a consolidation with

PERA-General and are willing to provide financial assistance in the consolidation, **Amendment S0914-3A** would eliminate the special benefit adjustment accounting for the difference between the MERF post-retirement adjustment mechanism and the PERA-General post-retirement adjustment mechanism. Based on the Gabriel Roeder Smith & Company actuarial impact estimates (Exhibit A: Scenario 3, compared to Exhibit A: Scenario 4, attached), the total elimination of the special post-retirement-related benefit adjustment would reduce MERF liabilities by \$129.4 million. If a smaller MERF membership contribution than \$129.4 million was desired, **Amendment S0914-4A** would limit the special post-retirement-related benefit adjustment to a yet-to-be-designated percentage of the full adjustment. The financial contribution by MERF members would be that proportion of the elimination liability reduction amount equal to the designated percentage.

8. Financial Impact of MERF/PERA-General Consolidation on MERF-Covered Employing Units. The policy issue is the financial impact of a consolidation of MERF into PERA-General on the various employing units which employ employees covered by MERF. MERF is a multiple employer cost-sharing retirement plan, with two large covered employers and various other employers:

- the City of Minneapolis;
- Special School District No. 1;
- the Minnesota State Colleges and Universities System (MnSCU), due to employees at the Minneapolis Technical and Community College;
- the Metropolitan Airports Commission, due to employees inherited from before the creation of the MAC;
- Hennepin County, due to some transferred general relief and library employees;
- the Minnesota Courts, due to some transferred court employees; and
- the Metropolitan Council, due to some transferred sewer employees.

S.F. 914 (Betzold); H.F. 1100 (Thissen) was drafted by the Commission staff, as directed by the MERF executive director, to require MERF-covered employers to continue to make their current level of annual financial effort and to also provide additional payments equal to the assets needed to make MERF's funded condition, at market, comparable or identical to PERA-General's funded condition, at market, over ten years if not provided in a lump sum. In doing so, MERF-covered employers are funding again liabilities that previously were funded, but that have eroded in the current fiscal crisis. The amount of additional assets needed to bring MERF into PERA-General, which is also a multiple employer cost-sharing plan, on an equal partnership basis is important to avoid shifting a financial burden from MERF-covered employers to all local governments in the state, but may need to be funded by MERF-covered employers over a time period and in a manner that functions for them.

9. Financial Impact of MERF/PERA-General Consolidation on the State of Minnesota. The policy issue is the financial impact of a consolidation of MERF into PERA-General on the State of Minnesota. The proposed consolidation will have a positive impact on the State of Minnesota in the sense that the state, as an employer covered by MERF at least to the extent of some Minnesota State Colleges and Universities System (MnSCU) employees, will not be subject to creditors' remedies if MERF defaulted. The proposed consolidation would, however, negatively impact the State of Minnesota if the MERF state aid of \$9 million per year was extended from 2020 until 2031 or 2040 as some of the attached actuarial work prepared for MERF includes. **Amendment S0914-5A** would extend the state's MERF state aid from 2020 until a different (yet-to-be specified) date, constituting an additional fiscal tail for the state.

10. Need for Local Approval for Local legislation or General Legislation. The policy issue is whether or not the consolidation of MERF into PERA-General should be subject to local approval as local legislation or subject to a specified effective date as general legislation. Article XII of the Minnesota Constitution require local legislation be approved by the affected governmental unit. MERF, created in 1919, was enacted as general legislation, was not subject to local approval, and has been governed by law coded in Minnesota Statutes (first as Minnesota Statutes, Chapter 422, before 1973, and as Minnesota Statutes, Chapter 422A, thereafter). Most, but not all, MERF legislation has been enacted as general legislation. The proposed consolidation has significant financial impact on the City of Minneapolis and on Special School District No. 1, which could argue for adding a local approval provision, but it also has a significant statewide impact, which could argue for treating it as general legislation with an unconditional effective date. If the Commission believes that it would be more appropriate to subject the proposed legislation to local approval, **Amendment S0914-6A** would add a local approval effective date provision.

11. Transitional Provision; Handling MERF Employees in Subsequent Employment. The policy issue is the governmental structure and employment issue of how to handle the three current full-time employees of MERF and their future employment and compensation. The consolidation of the Minneapolis Teachers Retirement Fund Association (MTRFA) with the Teachers Retirement Association (TRA) in 2006 was the first retirement plan consolidation in the state that involved full-time retirement plan employees and, in that consolidation, the full-time MTRFA employees were absorbed into TRA, in large measure because it was not an economically difficult time and because

the limited digitization of MTRFA records required more hand labor by knowledgeable staff. With the proposed MERF consolidation into PERA, the economic context for consolidation is worse, fewer active retirement plan members are involved, and the need for extensive familiarity with the MERF records is reduced. The proposed legislation would require either the City of Minneapolis or Special School District No. 1 to absorb the three full-time MERF employees, but both employing units are likely to be reducing employment and absorbing additional staff would work a hardship on them. PERA reportedly could utilize two of the current MERF employees and the City of Minneapolis reportedly could utilize one of the current MERF employees. **Amendment S0914-7A** would replace the current MERF employee employment continuation provision with a reworked provision that would allocate the three full-time MERF employees between PERA and Minneapolis unless the employee elected to take a severance payment instead.

Section-By-Section Summary of S.F. 914 (Betzold); H.F. 1100 (Thissen)

Section	Pg.Ln	Statutory Section	Retirement Plan or Program	Summary
1	1.31	6.67	Local Government Auditing	Eliminates statutory citation to MERF law from requirement for public accountants to report misconduct.
2	2.9	13D.01, Subd. 1	Open Meeting Law	Eliminates statutory citation to MERF law from open meeting requirement.
3	3.1	43A.17, Subd. 9	Political Subdivision Compensation Limit	Eliminates statutory crossreferences to MERF law from an exemption from a compensation limit.
4	4.13	43A.316, Subd. 8	Public Employees Insurance Program	Eliminates statutory citation to MERF law from continuation of insurance coverage provision.
5	5.7	69.011, Subd. 1	Police State Aid	Eliminates statutory citation to MERF and to MERF law from Metropolitan Airports Commission eligibility for police state aid.
6	7.4	69.021, Subd. 10	Police State Aid	Eliminates obsolete references to MERF employer contributions for certain Metropolitan Airports Commission police officers and corrects reference to Rosemount, Minnesota.
7	10.4	69.031, Subd. 5	Police State Aid	Eliminates obsolete references to MERF employer contributions for certain Metropolitan Airports Commission police officers.
8	12.3	126C.41, Subd. 3	School District Tax Levies for Benefits	Replaces references to MERF employer contributions with references to PERA-General employer for the additional Minneapolis contributions required with respect to MERF under Minnesota Statutes, Section 422A.101, Subdivision 3.
9	13.1	256D.21	Certain Hennepin County General Assistance Employees	Replaces MERF retirement coverage references with PERA-General retirement coverage references for former Minneapolis General Assistance employees transferred to Hennepin County in 1973.
10	13.29	352.01, Subd. 2b	MSRS-General Membership Exclusions	Clarifies reference to the former MERF for non-teaching MnSCU employees who elected coverage other than MSRS-General.
11	16.24	353.01, Subd. 2a	PERA-General Membership Inclusions	Includes PERA-General retirement coverage local government employees who were members of MERF on July 1, 2008, and on June 30, 2010.
12	17.19	353.01, Subd. 2b	PERA-General Membership Exclusions	Removes statutory reference to MERF from other retirement plan membership exclusion.
13	20.25	353.01, Subd. 10	PERA Definition of Salary	Includes salary credit as contained in MERF records for MERF members transferred to PERA-General membership.
14	22.13	353.01, Subd. 16	PERA Definition of Allowable Service	Includes allowable service credit as contained in MERF records for MERF members transferred to PERA-General membership.
15	25.11	353.0161	PERA Leave of Absence Purchase	Corrects crossreference to PERA allowable service credit change.
16	25.17	353.026	PERA 1978-1979 Minneapolis Employee Membership	Clarifies statutory reference for definitions otherwise repealed in Section 65.
17	25.28	353.27, Subd. 2	PERA-General Employee Contribution Rates	Specifies a 9.60 percent of salary member contribution rate for former MERF members of the PERA-Basic Program.
18	26.15	353.27, Subd. 3	PERA-General Employer Contribution Rates	Specifies a 9.60 percent of salary member contribution rate for the employers of former MERF members of the PERA-Basic Program.
19	26.35	353.27, Subd. 3a	PERA-General Additional Employer Contribution	Specifies that the current 2.68 PERA-Basic Program additional employer contribution rate is applicable to all PERA-Basic covered employers.
20	27.22	353.27, Subd. 3b	PERA-General Contribution Change	Includes special MERF-related contributions into the calculation of contribution rate deficiency/sufficiency triggering potential rate change.
21	29.8	353.27, New Subd. 3c	PERA-General Contributions	Establishes an ongoing annual special contribution to PERA-General for the various employing units covered by the former MERF, to be specified in amount and to be allocated based on relative former MERF active member covered salaries.

<u>Section</u>	<u>Pg.Ln</u>	<u>Statutory Section</u>	<u>Retirement Plan or Program</u>	<u>Summary</u>
22	29.20	353.29, Subd. 1	PERA-General Retirement Annuity Eligibility	Retains age 60 with ten years of allowable service or any age with 30 years of allowable service for MERF members consolidated into PERA-Basic and eligible for an alternative retirement annuity.
23	29.32	353.29, Subd. 3	PERA-General Retirement Annuity Amount	Retains current PERA-Basic Program retirement annuity for members other than former MERF members.
24	30.26	353.29, Subd. 3a	PERA-General Alternative Annuity	Creates alternative annuity for former MERF members, equal to the current MERF retirement annuity.
25	31.6	353.30, Subd. 5	PERA-General Early Retirement Reduction	Specifies that the former MERF member alternative retirement annuity is not subject to any early retirement reduction.
26	31.26	353.31, Subd. 1	PERA-General Survivor Benefit Eligibility and Amount	Creates a former MERF member survivor benefit equal to the current MERF survivor benefit.
27	32.37	353.31, Subd. 1a	PERA-General Surviving Family Maximum	Specifies that the current PERA-Basic Program surviving family maximum is not applicable to former MERF members.
28	33.9	353.32, Subd. 1a	PERA-General Surviving Spouse Optional Annuities	Retains the current PERA-General surviving spouse optional annuities for members other than former MERF members.
29	34.29	353.33, Subd. 1	PERA-General Disability Benefit Eligibility	Specifies eligibility for former MERF member disability benefit coverage at duty-related occupational disability or with five years of service for non-duty disability.
30	35.10	353.33, Subd. 3	PERA-General Disability Benefit Computation	Specifies a former MERF member disability benefit equal to the current MERF disability benefit.
31	35.32	353.33, Subd. 12	PERA-General Disabling Survivor Benefits	Restricts the current disabilitant survivor benefit coverage to members other than former MERF members.
32	36.16	353.34, Subd. 4	PERA-General Deferred Annuity	Includes former MERF member alternative retirement annuity in deferred annuity eligibility, compensation, and augmentation.
33	36.30	353.37, Subd. 6	PERA-General Reemployed Annuitant Limits	Excludes MERF retirees who retire before June 30, 2010, from reemployed annuitant earnings limit, but includes subsequent retirees.
34	37.7	353.46, Subd. 6	Former MERF Coordinated Program Benefits	Revises 1979 provision consolidating the former MERF coordinated program into PERA to accommodate the MERF-Basic Program consolidation.
35	38.7	New 353.47	MERF Consolidation	Provides for June 30, 2010, transfer of MERF members to PERA-General, transfers past service credit and liabilities, transfers records and asset title, adjusts existing MERF retirement annuities and benefits for differential in post-retirement adjustments, and requires additional asset transfer or ten-year series of payments to equalize MERF/PERA-General funding position.
36	40.24	353.64, Subd. 7	PERA-P&F Membership	Revises PERA-P&F membership eligibility provision to reflect elimination of MERF public safety employer coverage for Metropolitan Airports Commission police and fire.
37	41.5	354.71	TRA	Updates potential reduction of current MERF state aid to reflect MERF consolidation with PERA-General.
38	41.20	354A.011, Subd. 27	First Class City Teacher Retirement Plan Membership	Eliminates obsolete reference to 1955 MERF membership retention.
39	42.23	354A.39	First Class City Teacher Retirement Plan Portability	Eliminates MERF reference from service in more than one fund portability provision.
40	43.10	356.20, Subd. 2	Annual Retirement Plan Financial Reporting	Eliminates a reference to MERF.
41	44.1	356.214, Subd. 1	Retirement Plan Consulting Actuary Selection	Eliminates a reference to MERF and corrects statutory crossreferences.

<u>Section</u>	<u>Pg.Ln</u>	<u>Statutory Section</u>	<u>Retirement Plan or Program</u>	<u>Summary</u>
42	45.23	356.215, Subd. 8	Actuarial Reporting Interest and Salary Assumptions	Eliminates references to MERF.
43	50.2	356.215, Subd. 11	Actuarial Reporting Periods and Contributions	Eliminates references to MERF.
44	52.32	356.30, Subd. 3	Combined Service Annuity Portability	Eliminates references to MERF.
45	53.20	356.302, Subd. 1	Combined Service Disability Portability	Corrects statutory references related to MERF.
46	54.9	356.302, Subd. 7	Combined Service Disability Portability	Eliminates a reference to MERF.
47	54.30	356.303, Subd. 4	Combined Service Portability	Eliminates a reference to MERF.
48	55.21	356.32, Subd. 2	Age 65 Proportionate Annuity	Eliminates a reference to MERF.
49	56.7	356.401, Subd. 3	Exemption From Process	Eliminates a reference to MERF and to the Minneapolis Teachers Retirement Fund Association.
50	57.5	356.407, Subd. 2	Survivor Benefit Restoration	Eliminates a reference to MERF.
51	57.17	356.431, Subd. 1	Post-Retirement Adjustment Conversion	Corrects statutory crossreferences related to MERF.
52	57.25	356.465, Subd. 3	Supplemental Needs Trust Optional Annuity	Eliminates a reference to MERF.
53	58.18	356.64	Real Estate Investments	Eliminates an exception related to MERF.
54	58.28	356.65, Subd. 2	Abandoned Pension Property	Eliminates a statutory crossreference related to MERF.
55	59.5	356.91	Retired Member Union Dues Deduction	Eliminates a reference to MERF.
56	59.23	356.96, Subd. 1	Statewide Plan Appeals Process	Eliminates a statutory crossreference related to MERF.
57	60.8	422A.101, Subd. 3	MERF State Aid	Freezes state aid for the future based on July 1, 2009, actuarial valuation, payable to PERA-General, and provides for state aid termination if PERA-General becomes fully funded.
58	61.4	422A.26	1979 MERF Phase-Out	Updates 1979 phase-out of MERF to consolidation with PERA-General.
59	61.19	473.511, Subd. 3	Metro Sewer Employees	Eliminates reference to MERF from 1994 membership election option.
60	62.26	473.606, Subd. 5	Metropolitan Airports Commission	Eliminates obsolete mandatory retirement law provision that included MERF reference.
61	63.8	475.52, Subd. 6	Municipal Pension Debt Bonding	Eliminates statutory crossreference to MERF.
62	63.21	480.181, Subd. 2	Transfer of District Court Employees	Eliminates references to MERF.
63	64.20	Uncoded	Transfer of MERF Employees	Provides for transfer of MERF employees to the City of Minneapolis or Special School District No. 1.
64	65.3	Uncoded	Revisor's Instruction	Provides for re-designating Minnesota Statutes, Section 422A.26, as Minnesota Statutes, Section 353.855.
65	65.8	Repealer	Repealer	Repeals Minnesota Statutes, Sections: <ul style="list-style-type: none"> • 13.63, MERF data privacy; • 69.011, Subdivision 2a, police state aid for MERF-covered police; • 356.43, MERF supplemental lump sum benefit; and • 422A.01 to 422A.25, MERF benefit plan provisions.
66	65.18	Effective Date	Effective Date	Consolidation process provision effective July 1, 2009, with balance of the proposed legislation effective July 1, 2010.

Attachment A

Background Information on the Minneapolis Employees Retirement Fund (MERF) Generally

The Minneapolis Employees Retirement Fund (MERF) was established in 1919 and is governed by Minnesota Statutes, Chapter 422A. MERF was closed to new entrants in 1979. The membership of MERF is largely composed of employees of the City of Minneapolis and Special School District No. 1. Police officers employed by the Metropolitan Airports Commission before June 30, 1979, are members of MERF and are entitled to receive retirement benefits under either the MERF benefit Plan or the law governing PERA-P&F. Metropolitan Airports Commission firefighters employed before June 30, 1979, are also covered by MERF.

MERF is a defined benefit pension plan and is not coordinated with the federal Social Security System. For most MERF members, the retirement annuity is calculated based on the member's final average (highest five successive years) salary and a two part (2.0 percent for each of the first ten years; 2.5 percent for each subsequent year) benefit accrual rate. The normal retirement age is age 60 or any age with 30 years of allowable service. Police officers and firefighters covered by MERF receive the retirement benefit payable under the PERA-P&F benefit plan if that benefit plan produces a larger benefit than the MERF retirement benefit. Post-retirement adjustments are provided through the Retirement Benefit fund, modeled on the pre-1997 Minnesota Post Retirement Investment Fund law. MERF also provides disability and survivorship benefits.

MERF's two primary funds are the Deposit Accumulation Fund and the Retirement Benefit Fund. The Deposit Accumulation Fund, also called the Active Fund, accumulates and invests active member assets. At the time of retirement, the full reserves needed to pay the retirement benefits for the expected remaining lifetime of the new retiree transfer to the Retirement Benefits Fund. From the Retirement Benefit Fund, MERF pays the retirement benefits, and individuals receive increases composed of a partial inflation match and an investment-based increase. In addition to MERF's Active and Post Fund, MERF has two minor funds, a survivor benefits fund and a disability benefits fund. These are largely accounting constructs and the assets are merged with other MERF assets for investment purposes.

The state makes large annual contributions to MERF to help that fund retire its unfunded liabilities. The level of unfunded liabilities that currently exist in MERF is partially due to MERF's very weak investment performance under John Chenoweth, a former state legislator who was MERF's Executive Director for a period during the 1980s and very early 1990s, and the MERF Board at that time. MERF received several million dollars from an insurance policy as settlement of a fiduciary breach lawsuit, stemming from the activities of John Chenoweth and the Board. Losses, however, as measured by the difference between MERF assets and the assets that would have been generated for the fund under competent investment management was much higher than the recovery from the insurance policy. That opportunity loss, as measured by MERF staff during the early 1990s, ranged from \$60 million to as high as \$130 million, depending upon the exact time period under study. Some of that opportunity loss impacted MERF retirees in the form of lower post-retirement adjustments. The rest impacted the state and employing units through an increased need for state aid and employer contributions.

MERF is managed by a governing board of seven members, of which five are elected by the members of the Minneapolis Employees Retirement Fund Association, the mayor or the mayor's designee, and a Minneapolis city council member selected by the council. In addition to maintaining records and determining benefit amounts, the MERF governing board is the investment authority for the assets of its various funds, although the MERF Board is required to use independent professional investment firms.

In fiscal year 2008, MERF received total contributions of slightly over \$16.7 million (38.3 percent from the city, 53.1 percent from the state, and 8.6 percent from the employees), had a net investment loss of almost \$61.3 million, paid total retirement benefits of \$148.9 million, and paid administrative expenses of \$690,000 (73 percent for personnel, 10 percent for conferences and professional services, and 17 percent for communications, office rent, and other expenses).

Attachment B

Minneapolis Employees Retirement Fund (MERF) Funding Problems

The Minneapolis Employees Retirement Fund is the second oldest general employee retirement plan in the state and the only general employee retirement plan to be phasing-out (i.e., closed to new members in 1979). As such, the plan has a significant actuarial accrued liability and a more time-critical need for actuarial funding. The Minneapolis Employees Retirement Fund received contribution support closer to its actuarial requirements earlier than the Minneapolis public safety plans did, so its funded status historically is better. The plan had a funded ratio of just under 33 percent in 1958, of just under 68 percent in 1968, of just under 52 percent in 1972, of 66 percent in 1982, of 74 percent in 1992, of 92 percent in 2002, 2003, and 2004, and of 77 percent in 2008.

The Minneapolis Employees Retirement Fund has been funded based on an annual determination of its actuarial needs by the retirement board since 1945 and based on the available actuarial valuations since 1969. That process is likely to have been a significant factor in the substantial funding of the plan over the past 50 years, along with the proceeds of the investment program over time. The principal historic adverse circumstances occurred between 1968 and 1969, when the funded ratio of the plan dropped from 68 percent to 50 percent, between 1958 and 1968, when the financial requirements of the plan increased from 21.3 percent of covered pay to 30 percent of covered pay, between 1972 and 1976, when the financial requirements of the plan increased from 30 percent of covered pay to 39 percent of covered pay, and the most recent two fiscal years, when the funded ratio of the plan dropped from 93 percent to 77 percent.

Significant events in the funding of the Minneapolis Employees Retirement Fund have occurred, including the decision not to coordinate the plan with Social Security in the 1960s, the inclusion of the plan in the predecessor to the Minnesota Post Retirement Investment Fund in 1969 and its withdrawal from that joint enterprise in 1982, the phase out of the plan in 1979, the introduction of direct state aid to the plan in 1979, the investment program misdeeds of the late MERF Executive Director John Chenoweth in the 1980s, and the continued revision of MERF's major actuarial assumptions and amortization target date in 1991 (Laws 1991, Chapter 345, Article 4). As a Basic Program, not supplementing Social Security coverage, the plan provides the full benefit coverage that a covered Minneapolis city or school district employee receives and the benefit will be significantly larger than the amounts payable to Coordinated Program members. The plan was included with the various statewide retirement plans in the Minnesota Adjustable Fixed Benefit Fund, an investment performance-based post-retirement adjustment, in 1969, transferring its reserves for retired members, but sought and was granted a withdrawal from its successor, the Minnesota Post Retirement Investment Fund, in 1982, when the retiree reserves approached 55 percent of the plan assets. As part of an attempt to reduce the cost to the City of Minneapolis and to the Minneapolis school district, a Coordinated Program was added to the plan in 1977 and was consolidated into the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) in 1979, when the plan was closed to new entrants entirely. The closure of the plan, when combined with the investment performance-based post-retirement investment mechanism, requires full funding when all active members retire. In 1979, a direct state aid program for the Minneapolis Employees Retirement Fund was established, providing \$194 million to the plan through 2005, or 105 percent of the plan's 1979 unfunded actuarial accrued liability. During the 1980s, when the late John Chenoweth, a former State legislator, was the MERF Executive Director, the investments of the plan became increasingly problematic, including investments in polluted industrial land in Chicago, favorable home loans to active members, and numerous highly leveraged venture capital operations and internal accounting improprieties that led to enhanced post-retirement increases funded by adding to the unfunded actuarial accrued liability in the MERF active account. The 1991 actuarial assumption and amortization target date changes funded a benefit increase and masked the full picture of the relative health of the plan by the selection of a very optimistic combination, thereby deferring costs to a future date, which has now arrived.

While the plan is reasonably funded in comparison to the other Minneapolis pension plans, the plan has a shortened actual amortization period by virtue of its steadily reducing active membership (down from 5,815 in 1979, to 2,905 in 1989, to 1,363 in 1999, to 552 in 2005, and to 211 in 2008) and the increased funding requirement that the consequent amortization acceleration involves.

Actuarial Valuation Data

Minneapolis Employees Retirement Fund

(MERF)

	2008*	2007**	2007**	2006	2005	2004	2003	2002
Membership								
Active Members	211	266	335	462	552	705	836	
Service Retirees	3,577	3,665	3,736	3,737	3,791	3,749	3,780	
Disabilitants	154	163	172	185	191	197	205	
Survivors	915	943	974	986	999	1,014	1,036	
Deferred Retirees	134	156	172	174	181	189	200	
Nonvested Former Members	0	0	0	0	0	0	0	
Total Membership	4,991	5,193	5,389	5,544	5,714	5,854	6,057	
Funded Status								
Accrued Liability	\$1,576,854,841	\$1,610,881,229	\$1,617,653,312	\$1,624,354,645	\$1,643,139,996	\$1,645,921,000	\$1,667,871,000	
Current Assets	\$1,214,305,152	\$1,494,081,069	\$1,490,280,063	\$1,489,713,085	\$1,513,388,863	\$1,519,421,000	\$1,540,221,000	
Unfunded Accrued Liability	\$362,549,689	\$116,800,160	\$127,373,249	\$134,641,560	\$129,751,133	\$126,500,000	\$127,650,000	
Funding Ratio	77.01%	92.75%	92.13%	91.71%	92.10%	92.31%	92.35%	
Financing Requirements								
Covered Payroll	\$12,697,639	\$15,855,833	\$19,530,474	\$26,614,747	\$31,019,951	\$38,461,000	\$45,204,000	
Benefits Payable	\$148,221,483	\$147,030,771	\$143,899,637	\$140,512,982	\$137,235,498	\$134,409,000	\$130,777,000	
Normal Cost	\$1,546,554	\$2,834,810	\$3,526,072	\$4,865,581	\$5,725,402	\$6,894,000	\$8,121,000	
Administrative Expenses	\$718,074	\$691,893	\$824,557	\$760,829	\$746,670	\$766,000	\$777,000	
Normal Cost & Expense	17.84%	22.24%	22.28%	21.14%	20.86%	19.90%	19.69%	
Normal Cost & Expense	17.84%	22.24%	22.28%	21.14%	20.86%	19.90%	19.69%	
Amortization	\$45,263,846	\$26,175,871	\$13,708,153	\$14,354,294	\$13,354,076	\$12,533,000	\$12,182,000	
Total Requirements	374.32%	187.33%	187.33%	108.70%	75.07%	52.49%	46.64%	
Employee Contributions	\$1,238,020	\$1,545,944	\$1,904,221	\$2,594,938	\$3,024,445	\$3,750,000	\$4,407,000	
Employer Contributions	\$6,093,597	\$6,512,695	\$7,349,456	\$8,076,247	\$8,385,962	\$9,049,000	\$9,810,000	
Employer Add'l Cont.	\$345,011	\$303,395	\$362,680	\$309,518	\$351,106	\$301,000	\$231,000	
Direct State Funding	\$9,000,000	\$8,872,822	\$9,000,000	\$9,000,000	\$8,064,635	\$7,093,000	\$6,632,000	
Other Govt. Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Administrative Assessment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Contributions	131.34%	108.69%	95.33%	75.07%	63.91%	52.50%	46.63%	
Total Requirements	374.32%	187.33%	187.33%	108.70%	75.07%	52.49%	46.64%	
Total Contributions	131.34%	108.69%	95.33%	75.07%	63.91%	52.50%	46.63%	
Deficiency (Surplus)	242.98%	78.64%	0.01%	0.00%	0.01%	(0.01%)	0.01%	
Amortization Target Date	2020	2020	2020	2020	2020	2020	2020	
Actuary	Gabriel Roeder Smith	Segal	Segal	Segal	Segal	Milliman USA	Milliman USA	

* Reflects 2007 Asset Valuation Method change ** Current Assets and Amortization results do not reflect the 2007 Asset Valuation Method change

	2001	2000	1999	1998	1997	1996	1995	1994
Membership								
Active Members	959	1,152	1,363	1,551	1,578	1,782	2,036	2,169
Service Retirees	3,796	3,757	3,670	3,637	3,693	3,742	3,657	3,683
Disability	207	213	216	219	209	230	240	241
Survivors	1,040	1,056	1,064	1,052	1,048	1,023	987	968
Deferred Retirees	210	233	242	238	64	78	86	87
Nonvested Former Members	0	0	0	0	178	172	181	190
Total Membership	6,212	6,411	6,555	6,697	6,870	7,027	7,187	7,338
Funded Status								
Accrued Liability	\$1,615,972,000	\$1,515,963,000	\$1,434,147,000	\$1,350,683,000	\$1,283,763,000	\$1,266,324,000	\$1,230,966,000	\$1,207,396,000
Current Assets	<u>\$1,507,159,000</u>	<u>\$1,416,491,000</u>	<u>\$1,327,660,000</u>	<u>\$1,207,065,000</u>	<u>\$1,081,106,000</u>	<u>\$1,018,540,000</u>	<u>\$964,886,000</u>	<u>\$909,342,000</u>
Unfunded Accrued Liability	\$108,813,000	\$99,471,000	\$106,487,000	\$143,618,000	\$202,657,000	\$247,784,000	\$266,080,000	\$298,054,000
Funding Ratio	93.27%	93.44%	92.57%	89.37%	84.21%	80.43%	78.38%	75.31%
Financing Requirements								
Covered Payroll	\$48,688,000	\$56,392,000	\$66,637,000	\$70,132,000	\$73,360,000	\$75,356,000	\$83,448,000	\$86,132,000
Benefits Payable	\$120,415,000	\$107,373,000	\$95,767,000	\$87,829,000	\$83,277,000	\$78,659,000	\$74,304,000	\$71,261,000
Normal Cost	\$8,730,000	\$10,210,000	\$12,104,000	\$12,765,000	\$13,440,000	\$13,940,860	\$15,471,259	\$16,037,778
Administrative Expenses	<u>\$728,000</u>	<u>\$772,000</u>	<u>\$893,000</u>	<u>\$1,167,000</u>	<u>\$1,285,000</u>	<u>\$1,303,659</u>	<u>\$1,176,617</u>	<u>\$1,455,631</u>
Normal Cost & Expense	19.43%	19.48%	19.51%	19.86%	20.04%	20.23%	19.95%	20.31%
Normal Cost & Expense	17.93%	18.11%	18.17%	18.19%	18.32%	18.50%	18.54%	18.62%
Amortization	22.35%	17.37%	15.14%	16.94%	22.37%	25.51%	24.53%	25.90%
Total Requirements	41.78%	36.85%	34.65%	36.80%	42.41%	45.74%	44.48%	46.21%
Employee Contributions	\$4,747,000	\$5,498,000	\$6,497,000	\$6,838,000	\$7,153,000	\$7,347,210	\$8,136,180	\$8,397,870
Employer Contributions	\$11,084,000	\$12,046,000	\$13,369,000	\$12,872,000	\$13,419,000	\$16,668,747	\$18,525,456	\$20,947,302
Employer Add'l Cont.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Direct State Funding	\$4,510,000	\$3,232,000	\$3,224,000	\$5,892,000	\$10,455,000	\$10,451,877	\$10,456,034	\$10,456,425
Other Govt. Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative Assessment	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Contributions	41.77%	36.84%	34.66%	36.50%	42.29%	45.74%	44.48%	46.21%
Total Requirements	41.78%	36.85%	34.65%	36.80%	42.41%	45.74%	44.48%	46.21%
Total Contributions	<u>\$20,341,000</u>	<u>\$20,775,000</u>	<u>\$23,090,000</u>	<u>\$25,811,000</u>	<u>\$31,027,000</u>	<u>\$34,467,834</u>	<u>\$37,117,670</u>	<u>\$39,801,597</u>
Deficiency (Surplus)	\$0	\$0	\$0	\$209,000	\$87,000	\$0	\$0	\$0
Amortization Target Date	2020	2020	2020	2020	2020	2020	2020	2020
Actuary	Milliman USA	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson

Minneapolis Employees Retirement Fund

(MERF)

	1993	1992	1991	1990	1989	1988	1987	1986
<u>Memberships</u>								
Active Members	2,321	2,459	2,730	2,905	3,084	3,293	3,551	
Service Retirees	3,670	3,681	3,688	3,687	3,676	3,615	3,522	
Disability	244	246	258	265	267	274	260	
Survivors	970	978	942	945	948	941	947	
Deferred Retirees	87	91	97	96	95	95	94	
Nonvested Former Members	186	177	184	195	196	197	190	
Total Membership	7,478	7,632	7,899	8,093	8,266	8,415	8,564	
<u>Funded Status</u>								
Accrued Liability	\$1,172,908,000	\$1,129,421,000	\$1,119,876,000	\$1,088,255,000	\$1,042,847,000	\$979,146,000	\$910,196,000	\$865,907,000
Current Assets	<u>\$888,587,000</u>	<u>\$838,094,000</u>	<u>\$823,957,000</u>	<u>\$776,522,000</u>	<u>\$716,780,000</u>	<u>\$656,719,000</u>	<u>\$592,045,000</u>	<u>\$527,862,000</u>
Unfunded Accrued Liability	\$284,321,000	\$291,327,000	\$295,919,000	\$259,746,000	\$266,325,000	\$262,366,000	\$253,477,000	\$273,862,000
Funding Ratio	75.76%	74.21%	73.58%	76.13%	74.46%	73.20%	72.15%	68.37%
<u>Financing Requirements</u>								
Covered Payroll	\$89,200,000	\$92,254,000	\$92,810,000	\$92,682,000	\$96,171,000	\$95,637,000	\$96,046,000	\$101,260,000
Benefits Payable	\$67,092,000	\$63,691,000	\$62,513,000	\$58,099,000	\$53,861,000	\$49,550,000	\$44,216,000	\$40,592,000
Normal Cost	\$16,662,560	\$17,408,330	\$16,677,957	\$18,193,477	\$18,926,453	\$19,022,199	\$19,247,618	\$20,333,008
Administrative Expenses	<u>\$1,962,400</u>	<u>\$2,555,436</u>	<u>\$2,756,457</u>	<u>\$750,724</u>	<u>\$634,729</u>	<u>\$506,876</u>	<u>\$470,625</u>	<u>\$415,166</u>
Normal Cost & Expense	20.88%	21.64%	20.94%	20.44%	20.34%	20.42%	20.53%	20.49%
Normal Cost & Expense	20.88%	21.64%	20.94%	20.44%	20.34%	20.42%	20.53%	20.49%
Amortization	<u>\$20,953,080</u>	<u>\$21,153,842</u>	<u>\$21,197,804</u>	<u>\$17,340,802</u>	<u>\$17,474,271</u>	<u>\$16,946,876</u>	<u>\$16,126,123</u>	<u>\$17,183,922</u>
Total Requirements	44.37%	44.57%	43.78%	39.15%	38.51%	38.14%	37.32%	37.46%
Employee Contributions	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%
Employer Contributions	22.90%	23.49%	22.77%	17.70%	17.39%	17.52%	17.51%	17.37%
Employer Add'l Cont.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Direct State Funding	11.72%	11.33%	11.26%	11.70%	11.37%	10.87%	10.08%	10.34%
Other Govt. Funding	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Administrative Assessment	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions	44.37%	44.57%	43.78%	39.15%	38.51%	38.14%	37.34%	37.46%
Total Requirements	44.37%	44.57%	43.78%	39.15%	38.51%	38.14%	37.32%	37.46%
Total Contributions	44.37%	44.57%	43.78%	39.15%	38.51%	38.14%	37.34%	37.46%
Deficiency (Surplus)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	(0.02%)	0.00%
Amortization Target Date	2020	2020	2020	2017	2017	2017	2017	2017
Actuary	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Wyatt	Wyatt	Wyatt	Wyatt	Wyatt

Minneapolis Employees Retirement Fund

(MERF)

	1985	1984	1983	1982	1980	1979	1978	1977
Membership								
Active Members	3,812	4,107	4,401	4,717	5,314	5,815	6,343	6,524
Service Retirees	3,459	3,396	3,337	3,214	3,051	2,993	2,869	2,767
Disabilitants	261	327	324	322	288	280	250	223
Survivors	938	883	841	828	818	798	782	862
Deferred Retirees	101	298	295	326	358	353	139	135
Nonvested Former Members	197	0	0	0	0	0	0	0
Total Membership	8,768	9,011	9,198	9,407	9,829	10,239	10,383	10,511
Funded Status								
Accrued Liability	\$791,325,000	\$796,661,103	\$648,277,112	\$584,412,972	\$496,257,931	\$456,812,477	\$423,153,583	\$392,701,603
Current Assets	\$529,066,000	\$496,128,260	\$454,592,640	\$387,632,075	\$308,267,454	\$272,727,906	\$245,356,068	\$217,914,111
Unfunded Accrued Liability	\$262,259,000	\$300,532,843	\$193,684,472	\$196,780,897	\$187,990,477	\$184,084,571	\$177,797,515	\$174,787,492
Funding Ratio	66.86%	62.28%	70.12%	66.33%	62.12%	59.70%	57.98%	55.49%
Financing Requirements								
Covered Payroll	\$99,740,000	\$98,899,362	\$101,273,496	\$98,214,440	\$94,689,957	\$93,307,004	\$92,581,478	\$84,751,013
Benefits Payable	\$36,260,000	\$32,518,348	\$27,980,640	\$23,539,172	\$20,023,030	\$18,382,696	\$16,672,152	\$15,284,485
Normal Cost	\$20,057,714	\$21,045,784	\$21,277,562	\$20,909,854	\$20,434,093	\$20,247,620	\$19,905,018	\$18,713,024
Administrative Expenses	\$359,064	\$801,085	\$759,551	\$658,037	\$549,202	\$354,567	\$518,456	\$406,805
Normal Cost & Expense	\$20,416,778	\$21,846,869	\$22,037,113	\$21,567,891	\$20,983,294	\$20,602,186	\$20,423,474	\$19,119,829
Normal Cost & Expense Amortization	\$20,416,778	\$21,846,869	\$22,037,113	\$21,567,891	\$20,983,294	\$20,602,186	\$20,423,474	\$19,119,829
Total Requirements	\$36,644,476	\$40,914,666	\$35,759,671	\$34,983,984	\$32,668,035	\$31,771,035	\$31,246,249	\$29,332,326
Employee Contributions	\$9,724,650	\$9,642,688	\$9,904,548	\$9,605,372	\$8,313,778	\$7,464,560	\$7,332,453	\$6,780,081
Employer Contributions	\$17,434,552	\$18,573,300	\$18,563,432	\$18,316,993	\$18,937,991	\$19,370,534	\$23,913,796	\$22,552,245
Employer Add'l Cont.	\$9,485,274	\$12,698,678	\$7,291,692	\$7,061,618	\$5,416,266	\$4,935,941	\$0	\$0
Direct State Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Govt. Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative Assessment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Contributions	\$36,644,476	\$40,914,666	\$35,759,671	\$34,983,984	\$32,668,035	\$31,771,035	\$31,246,249	\$29,332,326
Total Requirements	\$36,644,476	\$40,914,666	\$35,759,671	\$34,983,984	\$32,668,035	\$31,771,035	\$31,246,249	\$29,332,326
Total Contributions	\$36,644,476	\$40,914,666	\$35,759,671	\$34,983,984	\$32,668,035	\$31,771,035	\$31,246,249	\$29,332,326
Deficiency (Surplus)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization Target Date	2017	2017	2017	2017	2017	2017	2017	2017
Actuary	Wyatt	Flott	Flott	Flott	Flott	Flott	Flott	Flott

Minneapolis Employees Retirement Fund

(MERF)

	1976	1975	1974	1973	1972	1971	1970	1969
Membership								
Active Members	6,406	6,542	6,591	6,437	6,402	6,106	5,632	5,495
Service Retirees	2,627	2,544	2,453	2,393	2,359	2,348	2,333	2,211
Disability	187	139	107	81	70	66	62	175
Survivors	737	702	671	634	579	546	506	469
Deferred Retirees	116	99	74	63	49	34	29	33
Nonvested Former Members	0	0	0	0	0	0	0	0
Total Membership	10,073	10,026	9,896	9,608	9,459	9,100	8,562	8,383
Funded Status								
Accrued Liability	\$361,549,278	\$305,464,641	\$272,518,065	\$259,555,139	\$219,098,455	\$201,200,293	\$183,347,084	\$166,996,313
Current Assets	<u>\$186,736,101</u>	<u>\$164,251,048</u>	<u>\$144,440,831</u>	<u>\$135,363,598</u>	<u>\$113,535,582</u>	<u>\$96,396,065</u>	<u>\$85,213,407</u>	<u>\$82,657,259</u>
Unfunded Accrued Liability	\$174,813,177	\$141,213,593	\$128,077,234	\$124,191,541	\$105,562,873	\$104,804,228	\$98,133,677	\$84,339,054
Funding Ratio	51.65%	53.77%	53.00%	52.15%	51.82%	47.91%	46.48%	49.50%
Financing Requirements								
Covered Payroll	\$81,427,359	\$75,114,337	\$67,158,889	\$62,236,209	\$59,110,616	\$54,462,387	\$48,109,110	\$42,723,289
Benefits Payable	\$13,082,973	\$11,376,485	\$10,123,644	\$9,301,090	\$6,801,408	\$6,286,136	\$6,050,826	\$5,846,464
Normal Cost	\$18,036,160	\$15,916,728	\$14,190,673	\$11,725,302	\$10,953,197	\$10,086,434	\$8,919,429	\$7,925,170
Administrative Expenses	<u>\$390,851</u>	<u>\$338,015</u>	<u>\$295,499</u>	<u>\$261,392</u>	<u>\$200,976</u>	<u>\$163,387</u>	<u>\$125,094</u>	<u>\$128,170</u>
Normal Cost & Expense	22.63%	21.64%	21.57%	19.26%	18.87%	18.82%	18.80%	18.85%
Normal Cost & Expense	22.63%	21.64%	21.57%	19.26%	18.87%	18.82%	18.80%	18.85%
Amortization	<u>16.76%</u>	<u>14.29%</u>	<u>14.17%</u>	<u>14.47%</u>	<u>10.87%</u>	<u>11.39%</u>	<u>11.81%</u>	<u>11.17%</u>
Total Requirements	39.39%	35.93%	35.74%	33.73%	29.74%	30.21%	30.61%	30.02%
Employee Contributions	8.00%	8.00%	8.00%	7.74%	6.75%	6.75%	6.75%	6.75%
Employer Contributions	31.39%	27.93%	27.74%	25.99%	22.99%	23.46%	23.86%	23.27%
Employer Add'l Cont.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Direct State Funding	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Govt. Funding	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Administrative Assessment	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions	39.39%	35.93%	35.74%	33.73%	29.74%	30.21%	30.61%	30.02%
Total Requirements	39.39%	35.93%	35.74%	33.73%	29.74%	30.21%	30.61%	30.02%
Total Contributions	<u>39.39%</u>	<u>35.93%</u>	<u>35.74%</u>	<u>33.73%</u>	<u>29.74%</u>	<u>30.21%</u>	<u>30.61%</u>	<u>30.02%</u>
Deficiency (Surplus)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Amortization Target Date	1997	1997	1997	1997	1997	1997	1997	1997
Actuary	Flott	Flott	Flott	Flott	Flott	Flott	Flott	Flott

	1968	1967	1958	1943
<u>Memberships</u>				
Active Members	5,386	--	5,376	4,192
Service Retirees	2,214	--	2,225	907
Disabilitants	172	--	0	76
Survivors	442	--	50	--
Deferred Retirees	0	--	0	--
Nonvested Former Members	0	--	0	--
Total Membership	8,214	--	7,651	5,175
<u>Funded Status</u>				
Accrued Liability	\$115,930,469	\$113,011,270	\$85,646,166	\$9,395,487
Current Assets	\$78,447,124	\$71,609,991	\$28,248,013	\$281,221
Unfunded Accrued Liability	\$37,483,345	\$41,401,279	\$57,398,153	\$9,114,266
Funding Ratio	67.67%	63.37%	32.98%	2.99%
<u>Financing Requirements</u>				
Covered Payroll	\$38,800,000	--	\$25,075,896	--
Benefits Payable	\$5,700,000	--	\$2,942,817	--
Normal Cost	--	--	\$4,563,813	\$1,079,090
Administrative Expenses	--	--	\$0	0
Normal Cost & Expense	--	--	\$4,563,813	\$1,079,090
Normal Cost & Expense Amortization	--	--	\$4,563,813	\$1,079,090
Total Requirements	--	--	\$777,353	\$281,865
			\$5,341,166	\$1,360,955
Employee Contributions	--	--	\$1,504,554	\$524,000
Employer Contributions	--	--	\$2,507,590	\$555,000
Employer Add'l Cont.	--	--	\$0	\$0
Direct State Funding	--	--	\$0	\$0
Other Govt. Funding	--	--	\$0	\$0
Administrative Assessment	--	--	\$0	\$0
Total Contributions	--	--	\$4,012,143	\$1,079,090
Total Requirements	--	--	\$5,341,166	\$1,360,955
Total Contributions	--	--	\$4,012,143	\$1,079,090
Deficiency (Surplus)	--	--	\$1,329,022	\$281,865
Amortization Target Date	--	--	1997	1997
Actuary	Flott	Brown & Flott	Brown & Flott	Brown

Attachment D

Background Information on State Aid to MERF

Background Information on State Aid to MERF

Prior to 1979, the Minneapolis Employees Retirement Fund (MERF) was funded by its members and its participating employers, primarily the City of Minneapolis and Special School District No. 1, but also Hennepin County, the Metropolitan Airports Commission, the Metropolitan Council, and the Minnesota State Colleges and Universities System (MnSCU). In 1979 (Laws 1979, Chapter 303, Article 6, Section 10), MERF was closed to new members, the MERF-Coordinated Program was consolidated into the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), and the need for achieving full funding for the plan at an earlier date rather than a later date became apparent.

The state contribution to the Minneapolis Employees Retirement Fund (MERF) also was established in 1979 (Laws 1979, Chapter 303, Article 6, Section 9). The requirement is contained in Minnesota Statutes, Section 422A.101, Subdivision 3. The addition of a state contribution to MERF accompanied a reduction in the local government aid payable to the City of Minneapolis and represented an attempt by the Legislature to freeze the amount of the Minneapolis city contribution to the plan. The state contribution provision was part of the 1979 tax bill. The state contribution to MERF is funded from the state General Fund. There are no qualification requirements for the City of Minneapolis and MERF to receive the annual state contribution.

The amount of the state contribution is a function of the annual actuarial valuation of MERF, prepared by the consulting actuary jointly retained by the statewide and major retirement administrators, and of the MERF financial requirements prepared by the MERF Board under Minnesota Statutes, Section 422A.101, Subdivision 1. The state contribution is currently capped at \$9 million. The initial cap on the annual state contribution to MERF occurred in 1991 (Laws 1991, Chapter 345, Article 4, Section 10) and the initial state contribution maximum was set at \$10,455,000. The cap on the annual state contribution to MERF was part of legislation sought by the retirement plan, following the death of its Executive Director, John Chenoweth, a former state legislator, and the hiring of James Hacking, the former Public Employees Retirement Association (PERA) Executive Director, as part of reforms to its investment program in the wake of the investment problems attributable to Mr. Chenoweth. The 1991 MERF-sponsored legislation, in addition to the state contribution maximum, included an additional employer contribution requirement if the state contribution maximum causes insufficient funding to meet the MERF financial requirements or to meet the MERF retired account transfers, a change in the MERF interest and salary actuarial assumptions (from five to six percent and from 3.5 percent to four percent respectively), a change in the MERF amortization date from 2017 to 2020, an increase in the MERF short service survivor benefit, the creation of a MERF bounce-back joint and survivor optional annuity, the creation of a permanent pre-1974 MERF retiree post-retirement adjustment, a redefinition of MERF administrative expenses, the imposition of a limitation on parties to lawsuits relating to MERF, the authorization for awarding attorneys fees in MERF fiduciary litigation, and the requirement for Board approval for appointing MERF employees. The state contribution maximum was reset at \$9 million, beginning with the 1999 fiscal year, under Laws 1997, Chapter 202, Article 2, Section 48.

Since 1980, the annual state General Fund contribution to MERF has been as follows:

Fiscal Year	State Contribution Amount	Percentage Increase/(Decrease) Over Prior Year	Fiscal Year	State Contribution Amount	Percentage Increase/(Decrease) Over Prior Year
1980	\$1,109,800	--	1995	\$10,455,000	--
1981	\$4,718,400	4.25%	1996	\$10,455,000	--
1982	\$3,889,000	(17.58)%	1997	\$10,455,000	--
1983	\$5,214,700	34.09%	1998	\$10,455,000	--
1984	\$6,607,000	26.67%	1999	\$7,032,750	(32.74)%
1985	\$7,007,000	6.05%	2000	\$3,085,000	(56.63)%
1986	\$7,650,000	9.18%	2001	\$3,224,000	4.51%
1987	\$9,774,000	27.77%	2002	\$3,232,000	0.25%
1988	\$10,892,000	11.44%	2003	\$6,632,000	105.20%
1989	\$11,004,000	1.03%	2004	\$7,093,000	6.95%
1990	\$11,782,000	7.07%	2005	\$8,087,000	14.01%
1991	\$11,919,000	1.16%	2006	\$9,000,000	11.29%
1992	\$10,455,000	(12.28)%	2007	\$8,872,822	(1.42)%
1993	\$10,455,000	--	2008	\$9,000,000	(1.43)%
1994	\$10,455,000	--			

The state contribution to MERF becomes an asset of MERF and can be expended for any purpose for which any MERF asset can be expended.

Attachment E

Background Information on the MERF Post-Retirement Adjustment Mechanism

For the statewide and major local retirement plans, an automatic post-retirement adjustment mechanism has existed since 1969 (see Laws 1969, Chapter 485, Section 32) and post-retirement adjustments were first payable as of January 1, 1972.

The initial automatic post-retirement adjustment mechanism was the Minnesota Adjustable Fixed Benefit Fund, which was created to provide increases in the pensions of the subject retired persons to help meet increased costs of living. The adjustments under the Minnesota Adjustable Fixed Benefit Fund were funded from investment gains in excess of the post-retirement interest rate actuarial assumption on the fully funded reserves for the retirement annuities covered by the mechanism. Under the Minnesota Adjustable Fixed Benefit Fund, if the mechanism experiences investment losses, previous increases, if any, can be reduced, but the retirement annuity amount payable at retirement is guaranteed. Thus, the Minnesota Adjustable Fixed Benefit Fund was a variable annuity mechanism with a benefit floor. The Minneapolis Employees Retirement Fund (MERF) was a participant in the Minnesota Adjustable Fixed Benefit Fund in 1969. Inclusion of MERF in the Minnesota Adjustable Fixed Benefit Fund required the transfer of MERF assets to the State Board of Investment in an amount equal to the retired reserves for the plan's retired members. MERF retirement annuity reserves made up 27.92 percent of the initial participation in the adjustment (the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) accounted for 17.97 percent, the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) accounted for 31.86 percent, and the Teachers Retirement Fund Association (TRA) accounted for 19.45 percent). In 1969, the Minnesota Adjustable Fixed Benefit Fund held 74 percent of the total MERF assets.

The Minnesota Adjustable Fixed Benefit Fund was substantially revised in 1980 (see Laws 1980, Chapter 607, Article XV, Section 16) and was renamed the Minnesota Post Retirement Investment Fund. The 1980 Minnesota Post Retirement Investment Fund retained the pooling of fully funded retirement annuity reserves and increases were based on investment performance in excess of the post-retirement interest rate actuarial assumption, but the investment performance was determined on a yield basis (i.e. dividends on equities, interest on debt equities, and realized gains on the sale of investments). MERF continued as a participating retirement fund. In 1981 (Laws 1981, Chapter 298, Sections 5, 9, and 10), MERF was permitted to withdraw its participation from the Minnesota Post Retirement Investment Fund and created an identical internal post-retirement mechanism, the Retirement Benefit Fund. The transfer undoubtedly was prompted by a number of factors, but the transfer increased the investment-related activities of the MERF board and MERF executive director, then former Senator John Chenoweth, and extended the need for a MERF administration potentially by several decades. At the withdrawal of MERF from MPRIF, MERF's participation in the MPRIF equaled 59.4 percent of the total MERF assets.

After 1981, MERF was obligated to operate the Retirement Benefit Fund in an identical manner as the Minnesota Post Retirement Investment Fund and, in 1992 (Laws 1992, Chapter 530, Sections 1 and 2), shifted the manner in which increases are calculated, effective for January 1, 1994, increases. The 1992 mechanism has two components, an inflation component and an investment performance-based component. Under the inflation component, the MERF Retirement Benefit Fund pays an inflation adjustment matching changes in the Consumer Price Index up to 3.5 percent. Under the investment performance-based component, the MERF Retirement Benefit Fund pays an increase from a form of five-year averaging of the total required reserves, calculated on a total return basis, above the five percent actuarial requirement and the additional actuarial reserves needed to cover the inflation component, allocated equally over five-year periods, and each year the positive or negative allocations to that year are expressed as a percentage of the total eligible required reserves and, if positive, are certified as an investment based-percentage increase in annuities.

In 1997 (Laws 1997, Chapter 233, Article 1, Section 5), the Minnesota Post Retirement Investment Fund (MPRIF) inflation component adjustment was scaled back from a 3.5 percent maximum Consumer Price Index (CPI) increase adjustment to a 2.5 percent maximum CPI increase adjustment as part of a benefit accrual rate increase for the MPRIF-covered statewide retirement plans affecting retirement annuities at retirement, but MERF was not included in the benefit accrual rate increase and the MERF Retirement Benefit Fund was excluded from implementing the 1997 MPRIF changes, leaving the MERF Retirement Benefit Fund operating under the 1992 MPRIF law. The MERF Retirement Benefit Fund was also excluded from the post-retirement adjustment maximum enacted for the MPRIF in 2006 (Laws 2006, Chapter 277, Article 1, Section 1).

Under its participation in the Minnesota Adjustable Fixed Benefit Fund and the Minnesota Post Retirement Investment Fund through 1981 and through the MERF Retirement Benefit Fund after 1981, MERF has provided the following post-retirement adjustments, compared to other retirement plans:

Post Retirement Increases
from the
 Minnesota Post Retirement Investment Fund (MPRIF)
 Minneapolis Employees Retirement Fund (MERF)
 Minneapolis Teachers Retirement Fund Association (MTRFA)
 Duluth Teachers Retirement Fund Association (DTRFA)
 St. Paul Teachers Retirement Fund Association (SPTRFA)
and
 Increases in the Consumer Price Index (CPI-W)

Effective Date	Percent Increase					
	CPI ¹	MPRIF	MERF	MTRFA ²	DTRFA ³	SPTRFA ⁴
1/1/08	2.9	2.500	2.66868	--	5.30	2.30
1/1/07	3.2	2.500	3.50	--	2.00	2.00
1/1/06	3.5	2.500	2.59039	2.00	2.00	2.00
1/1/05	2.6	2.500	3.17372	2.00	2.00	2.00
1/1/04	2.2	2.103	2.10347	2.00	2.00	2.00
1/1/03	1.4	0.7450	0.74456	2.00	2.00	2.00
1/1/02	2.7	4.4935	5.34299	2.31	5.25	3.70
1/1/01	3.5	9.5342	10.50999	8.81	10.2391	7.6723
1/1/00	2.2	11.1436	10.2275	9.67	9.0275	9.2619
1/1/99	1.3	9.8254	8.0432	7.33	7.0125	7.2145
1/1/98	2.3	10.0876	6.6680	7.28	6.3407	7.00
1/1/97	2.9	8.0395	3.9500	6.23	5.6315	--
1/1/96	2.9	6.3954	3.5950	3.85	4.6424	--
1/1/95	2.5	3.9850	3.1440	2.13	--	--
1/1/94	2.8	6.0170	3.8240	4.50	--	--
1/1/93	2.9	4.5530	5.9840	--	--	--
1/1/92	4.1	4.2950	0.0000	--	--	--
1/1/91	5.2	5.1000	5.0790	--	--	--
1/1/90	4.8	4.0400	6.9180	--	--	--
1/1/89	4.0	6.9180	5.93591	--	--	--
1/1/88	3.6	8.0540	9.37158	--	--	--
1/1/87	1.6	9.7920	7.5890	--	--	--
1/1/86	3.5	7.9000	8.7160	--	--	--
1/1/85	3.5	6.9050	7.3370	--	--	--
1/1/84	3.0	7.4990	10.77	--	--	--
1/1/83	6.0	6.8530	9.17	--	--	--
1/1/82	10.3	7.4360	--	--	--	--
1/1/81	13.4	3.2090	--	--	--	--
1/1/80	11.4	0	--	--	--	--
1/1/79	7.7	0	--	--	--	--
1/1/78	6.5	4.00	--	--	--	--

¹ Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) annual average percent change

² MTRFA first paid a post retirement adjustment under the new system on 1/1/94. MTRFA was merged into TRA in 2006.

³ DTRFA first paid a post retirement adjustment under the new system on 1/1/96

⁴ SPTRFA first paid a post retirement adjustment under the new system on 1/1/98

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Exhibit A: Uniformity Swap Value (2031)

- Scenario 1 (MERF Baseline COLA 1.00% - per Funding of Plan):
 - MERF actives treated as retired at valuation date (set retirement rate assumption at 100% at age of youngest active member)
 - PERA mortality assumptions:
 - MERF pre-retirement interest rate: 6.00%
 - Implied MERF COLA (1.00%): post-retirement interest rate: 5.00%
 - MVA = AVA = \$850 million
 - Amortization Date = June 30, 2031
 - Level dollar
 - Funded Ratio included under Unfunded Actuarial Accrued Liability
- Scenario 2 (MERF COLA 3.50% - per Promise to Participants):
 - MERF actives treated as retired at valuation date (set retirement rate assumption at 100% at age of youngest active member)
 - PERA mortality assumptions:
 - MERF pre-retirement interest rate: 6.00%
 - **Implied MERF COLA (3.50%): post-retirement interest rate: 2.50%**
 - MVA = AVA = \$850 million
 - Amortization Date = June 30, 2031
 - Level dollar
 - Funded Ratio included under Unfunded Actuarial Accrued Liability
- Scenario 3 (PERA COLA 3.50%):
 - MERF actives treated as retired at valuation date (set retirement rate assumption at 100% at age of youngest active member)
 - PERA mortality assumptions:
 - PERA pre-retirement interest rate: 8.50%
 - **Implied PERA COLA (3.50%): post-retirement interest rate: 5.00%**
 - MVA = AVA = \$850 million
 - Amortization Date = June 30, 2031
 - Level dollar
 - Funded Ratio included under Unfunded Actuarial Accrued Liability
- Scenario 4 (PERA COLA 2.50%):
 - MERF actives treated as retired at valuation date (set retirement rate assumption at 100% at age of youngest active member)
 - PERA mortality assumptions:
 - PERA pre-retirement interest rate: 8.50%
 - **Implied PERA COLA (2.50%): post-retirement interest rate: 6.00%**
 - MVA = AVA = \$850 million
 - Amortization Date = June 30, 2031
 - Level dollar
 - Funded Ratio included under Unfunded Actuarial Accrued Liability
- Scenario 5 (MERF COLA 2.50%):
 - MERF actives treated as retired at valuation date (set retirement rate assumption at 100% at age of youngest active member)
 - PERA mortality assumptions:
 - MERF pre-retirement interest rate: 6.00%
 - **Implied MERF COLA (2.50%): post-retirement interest rate: 3.50%**
 - MVA = AVA = \$850 million
 - Amortization Date = June 30, 2031
 - Level dollar
 - Funded Ratio included under Unfunded Actuarial Accrued Liability
- Additional Calculation provided as footnote of Exhibit:
 - Present Value of the State Contribution of \$9,000,000 using 6.00% to date June 30, 2031.
 - Present Value of the State Contribution of \$9,000,000 using 8.50% to date June 30, 2031.

Minneapolis Employees Retirement Fund
Results as of July 1, 2008 MERF Actuarial Valuation (New Asset Method)
Exhibit A: Amortization Date June 30, 2031
Scenarios 1 through 3

Summary of Results	BASELINE		Scenario 1		Scenario 2		Scenario 3	
	MERF Assumptions & Methods AVA = \$850,000,000	Delta from Baseline	PERA Assumptions/MERF COLA 1.00% AVA = \$850,000,000	Delta from Baseline	PERA Assumptions/MERF COLA 3.50% AVA = \$850,000,000	Delta from Baseline	PERA Assumptions/MERF COLA 3.50% AVA = \$850,000,000	Delta from Baseline
1. Normal cost	\$1,546,554	(\$1,546,554)	\$0	(\$1,546,554)	\$0	(\$1,546,554)	\$0	(\$1,546,554)
2. Actuarial accrued liability:								
Active members	\$104,316,426		\$117,195,163	\$153,735,312	\$117,195,163	\$117,195,163	\$117,195,163	\$117,195,163
Inactive members with vested rights	12,153,158		12,732,217	15,966,824	12,732,217	12,300,899	12,300,899	12,300,899
Annuitants in RBF	1,365,083,211		1,423,061,328	1,791,245,868	1,423,061,328	1,423,061,328	1,423,061,328	1,423,061,328
Annuitants not in RBF - Disability Benefits	59,870,617		61,538,942	71,548,388	61,538,942	61,538,942	61,538,942	61,538,942
Annuitants not in RBF - Survivor Benefits	35,431,429		39,294,395	48,973,769	39,294,395	39,294,395	39,294,395	39,294,395
TOTAL Actuarial Accrued Liability	1,576,854,841	\$76,967,204	1,653,822,045	2,087,470,161	1,653,822,045	1,653,390,727	1,653,390,727	\$76,535,886
3. Actuarial value of assets (AVA)	\$50,000,000	\$0	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$0
4. Liquidity trigger adjustment (Chapter 422A)	12,135,486	\$0	12,135,486	12,135,486	12,135,486	12,135,486	12,135,486	12,135,486
5. Unfunded/(Overfunded) actuarial accrued liability (2 - 3 - 4)	\$738,990,327	\$76,967,204	\$815,957,531	\$1,249,603,647	\$815,957,531	\$815,526,213	\$815,526,213	\$76,535,886
6. Funded Ratio (5 / 2)	53.90%	51.40%	51.40%	40.72%	51.40%	51.41%	51.41%	51.41%
Supplemental Contribution Rate Determination:								
1. Present value of \$1.00 per year paid monthly through the amortization date	8.38	12.30	12.30	12.30	12.30	12.30	12.30	9.96
2. Supplemental contribution (UAAL / Amortization Factor)	\$88,185,003	(\$21,846,992)	\$66,338,011	\$102,911,479	\$66,338,011	\$81,880,142	\$81,880,142	(\$6,304,861)
* Increases under 1998 and 1999 legislation are not included in this liability, because the costs are excluded from state - provided funding.								

Required Contributions - Chapter 356	BASELINE		Scenario 1		Scenario 2		Scenario 3	
	MERF Assumptions & Methods AVA = \$850,000,000	Delta from Baseline	PERA Assumptions/MERF COLA 1.00% AVA = \$850,000,000	Delta from Baseline	PERA Assumptions/MERF COLA 3.50% AVA = \$850,000,000	Delta from Baseline	PERA Assumptions/MERF COLA 3.50% AVA = \$850,000,000	Delta from Baseline
1. Normal Cost								
(a) Retirement	\$773,079	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(b) Disability	351,975	0	0	0	0	0	0	0
(c) Surviving spouse and child beneficiary	116,343	0	0	0	0	0	0	0
(d) Withdrawal	189,612	0	0	0	0	0	0	0
(e) Refund due to death or withdrawal	0.21%	0	0	0	0	0	0	0
(f) Total	\$1,546,554	(\$1,546,554)	\$0	(\$1,546,554)	\$0	(\$1,546,554)	\$0	(\$1,546,554)
2. Supplemental Contribution Amortization***	88,185,003	66,338,011	66,338,011	101,593,955	66,338,011	81,880,142	81,880,142	356,158
3. Supplemental Contribution Amortization**	2,72%	328,703	328,703	392,450	392,450	356,158	356,158	718,074
4. Allowance for Administrative Expenses:	5.66%	718,074	718,074	718,074	718,074	718,074	718,074	718,074
5. Contribution Amortization for 1992 Investment Expenses	1.63%	207,000	207,000	207,000	207,000	207,000	207,000	207,000
6. Total	\$116,69%	\$91,001,642	\$67,591,788	(\$23,409,854)	\$102,911,479	\$83,161,374	\$83,161,374	(\$7,840,268)
Projected annual payroll for fiscal year beginning on the valuation date	\$12,697,639							
** Increases under 1998 and 1999 legislation are included in this line item.								
*** Increases under 1998 and 1999 legislation are not included in this line item.								

Mortality Tables:	1983 Group Annuity Mortality Table		1983 Group Annuity Mortality Table		1983 Group Annuity Mortality Table	
	(Males: 8 year setback, Females: 7 year setback)	(Males: 1 year setback, Females: 1 year setback)	(Males: 8 year setback, Females: 7 year setback)	(Males: 1 year setback, Females: 1 year setback)	(Males: 8 year setback, Females: 7 year setback)	(Males: 1 year setback, Females: 1 year setback)
- Healthy Pre-Retirement	1986 Projected Experience Table (1 year setback)	1986 Projected Experience Table (1 year setback)	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)	1983 Group Annuity Mortality Table (Males: 1 year setback, Females: 1 year setback)	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)	1983 Group Annuity Mortality Table (Males: 1 year setback, Females: 1 year setback)
- Healthy Post-Retirement	1986 Projected Experience Table (1 year setback)	1986 Projected Experience Table (1 year setback)	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)	1983 Group Annuity Mortality Table (Males: 1 year setback, Females: 1 year setback)	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)	1983 Group Annuity Mortality Table (Males: 1 year setback, Females: 1 year setback)
- Disability	1986 Projected Experience Table (1 year setback)	1986 Projected Experience Table (1 year setback)	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)	1983 Group Annuity Mortality Table (Males: 1 year setback, Females: 1 year setback)	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)	1983 Group Annuity Mortality Table (Males: 1 year setback, Females: 1 year setback)
- Seback	1986 Projected Experience Table (1 year setback)	1986 Projected Experience Table (1 year setback)	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)	1983 Group Annuity Mortality Table (Males: 1 year setback, Females: 1 year setback)	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)	1983 Group Annuity Mortality Table (Males: 1 year setback, Females: 1 year setback)
Pre-Retirement Interest Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Post-Retirement Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Amortization Period	12 years	23 years	23 years	23 years	23 years	23 years
Amortization Date	June 30, 2020	June 30, 2031	June 30, 2031	June 30, 2031	June 30, 2031	June 30, 2031
Amortization Type	Level Dollar	Level Dollar	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Payroll Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MERF Participant Status	Status as of July 1, 2008	Status as of July 1, 2008	Status as of July 1, 2008	Status as of July 1, 2008	Status as of July 1, 2008	Status as of July 1, 2008
Actuarial Value of Assets (AVA)	\$850,000,000	\$850,000,000	\$850,000,000	\$850,000,000	\$850,000,000	\$850,000,000

State Contributions:	Present Value of \$9,000,000 annual payments made to June 30, 2031, using a 6.00% interest rate assumption	Present Value of \$9,000,000 annual payments made to June 30, 2031, using a 8.50% interest rate assumption
	\$ 110,700,000	\$ 89,640,000

Minneapolis Employees Retirement Fund
Results as of July 1, 2008 MERF Actuarial Valuation
Exhibit A: Amortization Date June 30, 2031
Scenarios 4 through 5

	BASELINE MERF Assumptions & Methods AVA = \$850,000,000	Scenario 4 PERA Assumptions/PERA COLA 2.50% AVA = \$850,000,000	Delta from Baseline (\$1,546,554)	Scenario 5 PERA Assumptions/MERF COLA 2.50% AVA = \$850,000,000	Delta from Baseline (\$1,546,554)
Summary of Results					
1. Normal cost	\$1,546,554	\$0		\$0	
2. Actuarial accrued liability:					
Active members	\$106,557,415	\$106,557,415		\$137,065,592	
Inactive members with vested rights	12,153,158	11,417,522	(\$735,636)	14,489,454	
Annuitants in RBF	1,365,083,211	1,312,950,449	(\$52,132,762)	1,624,927,451	
Annuitants not in RBF - Disability Benefits	59,870,617	56,730,324	(\$3,140,293)	70,331,314	
Annuitants not in RBF - Survivor Benefits*	35,431,429	36,377,677	946,248	44,613,750	
TOTAL Actuarial Accrued Liability	1,576,854,841	1,524,013,387	(\$52,841,454)	1,891,427,561	\$314,572,720
3. Actuarial value of assets (AVA)	850,000,000	850,000,000	\$0	850,000,000	\$0
4. Liquidity trigger adjustment (Chaper 422A)	12,135,486	12,135,486	\$0	12,135,486	\$0
5. Unfunded/(Overfunded) actuarial accrued liability (2. - 3. + 4.)	\$738,990,327	\$686,148,873	(\$52,841,454)	\$1,055,563,047	\$314,572,720
6. Funded Ratio (3./2.)	53.90%	55.77%		44.94%	
Supplemental Contribution Rate Determination:					
1. Present value of \$1.00 per year paid monthly through the amortization date	8.38	9.96		12.30	
2. Supplemental contribution (UAAL / Amortization Factor)	\$88,185,003	\$68,890,449	(\$19,294,554)	\$85,655,532	(\$2,529,471)

* Increases under 1998 and 1999 legislation are not included in this liability, because the costs are excluded from state - provided funding.

	BASELINE MERF Assumptions & Methods AVA = \$850,000,000	Scenario 4 PERA Assumptions/PERA COLA 2.50% AVA = \$850,000,000	Delta from Baseline	Scenario 5 PERA Assumptions/MERF COLA 2.50% AVA = \$850,000,000	Delta from Baseline
Required Contributions - Chapter 356					
1. Normal Cost:					
(a) Retirement	\$773,079	\$0		\$0	
(b) Disability	351,975	0		0	
(c) Surviving spouse and child beneficiary	116,343	0		0	
(d) Withdrawal	189,612	0		0	
(e) Refund due to death or withdrawal	0	0		0	
(f) Total	115,545	\$0	(\$1,546,554)	\$0	(\$1,546,554)
2. Supplemental Contribution Amortization**	12.18%	\$1,546,554		85,655,532	
3. Supplemental Contribution Amortization**	694.50%	88,185,003		364,276	
4. Allowance for Administrative Expenses:	2.72%	345,011		718,074	
5. 2008 Administrative Expenses (\$690,456) loaded by 4.00%	5.66%	718,074		207,000	
6. Contribution Amortization for 1992 Investment Expenses	1.63%	207,000		\$86,944,883	(\$4,056,759)
Total	716.69%	\$91,001,649		\$70,149,851	(\$20,851,791)
Projected annual payroll for fiscal year beginning on the valuation date	\$12,697,639				

** Increases under 1998 and 1999 legislation are included in this line item.

*** Increases under 1998 and 1999 legislation are not included in this line item.

	1986 Projected Experience Table (1 year setback) (1 year setback) <th>1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback) </th>	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)
Mortality Table:		
- Healthy Pre-Retirement	1986 Projected Experience Table	1983 Group Annuity Mortality Table
- Seback	1986 Projected Experience Table	1983 Group Annuity Mortality Table
- Healthy Post-Retirement	1986 Projected Experience Table	1983 Group Annuity Mortality Table
- Seback	1986 Projected Experience Table	1983 Group Annuity Mortality Table
- Disability	1986 Projected Experience Table	1986 Projected Experience Table
- Seback	1986 Projected Experience Table	1986 Projected Experience Table
Pre-Retirement Interest Rate	6.00%	6.00%
Post-Retirement Interest Rate	5.00%	3.50%
Amortization Period	12 years	23 years
Amortization Date	June 30, 2020	June 30, 2031
Amortization Type	Level Dollar	Level Dollar
Payroll Growth	0.00%	0.00%
MERF Participants	Status as of July 1, 2008	Active members as of July 1, 2008 valued as retired
Actuarial Value of Assets (AVA)	\$850,000,000	\$850,000,000

State Contributions:

Present Value of \$9,000,000 annual payments made to June 30, 2031, using a 6.00% interest rate assumption	\$ 110,700,000
Present Value of \$9,000,000 annual payments made to June 30, 2031, using a 8.50% interest rate assumption	\$ 89,640,000

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Exhibit B: Amortization Date June 30, 2031:

- MERF actives treated as retired at valuation date (set retirement rate assumption at 100% at age of youngest active member)
- PERA mortality assumptions
- PERA pre-retirement interest rate: 8.50%
- Implied PERA COLA (2.50%): post-retirement interest rate: 6.00%
- MVA = AVA = \$800 million
- Amortization Date June 30, 2031
- Level dollar
- Funded Ratio
- Split on Actuarial Accrued Liability by MERF employers (departments)
- Additional Calculations provided as footnote of Exhibit:
 - Present Value of the State Contribution of \$9,000,000 using 6.00% to date June 30, 2031
 - Present Value of the State Contribution of \$9,000,000 using 8.50% to date June 30, 2031
 - Present Value of Uniformity Swap using MERF interest rate assumptions
 - Present Value of Uniformity Swap using PERA interest rate assumptions

Exhibit B-1: Amortization Period 30 years:

- MERF actives treated as retired at valuation date (set retirement rate assumption at 100% at age of youngest active member)
- PERA mortality assumptions
- PERA pre-retirement interest rate: 8.50%
- Implied PERA COLA (2.50%): post-retirement interest rate: 6.00%
- MVA = AVA = \$800 million
- Amortization Period 30 years
- Level dollar
- Funded Ratio
- Split on AAL by MERF employers (departments)
- Additional Calculations provided as footnote of Exhibit:
 - Present Value of the State Contribution of \$9,000,000 using 6.00% to date June 30, 2031
 - Present Value of the State Contribution of \$9,000,000 using 8.50% to date June 30, 2031
 - Present Value of Uniformity Swap using MERF interest rate assumptions
 - Present Value of Uniformity Swap using PERA interest rate assumptions

Minneapolis Employees Retirement Fund
Results as of July 1, 2008 MERF Actuarial Valuation
Exhibit B: Amortization Date June 30, 2031

Summary of Results:	BASELINE MERF Assumptions & Methods AVA = \$800,000,000	Consolidation to PERA - Total PERA All Assumptions AVA = \$800,000,000	Delta from Baseline	Consolidation to PERA - HNSCU PERA All Assumptions Department = 900	Consolidation to PERA - City of MPLS PERA All Assumptions Department = 100, 200, 400, 500, 700	Consolidation to PERA - SSDI PERA All Assumptions Department = 600	Consolidation to PERA - Airport PERA All Assumptions Department = 300
1. Normal cost	\$1,346,554	\$0	\$0	\$0	\$0	\$0	\$0
2. Actuarial accrued liability:							
Active members	\$104,316,426	\$106,557,415	\$0	\$0	\$80,551,388	\$72,461,526	\$3,544,499
Inactive members with vested rights	12,152,158	11,817,522	0	0	8,113,890	2,788,694	514,938
Annuants in RBF	1,365,083,211	1,312,930,449	0	2,030,380	935,291,745	303,571,689	72,036,635
Annuants not in RBF - Disability Benefits	59,870,617	56,730,334	0	0	35,740,797	15,011,698	5,977,829
Annuants not in RBF - Survivor Benefits*	35,431,429	36,377,677	0	0	23,250,055	10,807,495	2,320,127
TOTAL Actuarial Accrued Liability	1,576,854,841	\$1,524,013,387	(\$52,841,454)	\$2,070,380	\$1,082,947,875	\$354,641,104	\$84,394,028
DEPARTMENT: % of Total Actuarial Accrued Liability				0.13%	71.06%	23.27%	5.54%
3. Actuarial value of assets (AVA)	800,000,000	800,000,000	\$0	\$0	\$8,536,918	\$2,844,427	\$754,141
4. Liquidity Trigger Adjustment (Chapter 422A)	12,135,486	12,135,486	\$0	\$0			
5. Unfunded/(Overfunded) actuarial accrued liability (2. - 3. + 4.)	\$783,990,327	\$736,148,873	(\$52,841,454)	\$0			
6. Funded Ratio (3./2.)	50.73%	52.49%					
Supplemental Contribution Rate Determination:							
1. Present value of \$1.00 per year paid monthly through the amortization date	8.38	9.96					
2. Supplemental contribution (UAL / Amortization Factor)	\$94,151,590	\$73,910,529	(\$20,241,061)				

* Increases under 1998 and 1999 legislation are not included in this liability, because the costs are excluded from state - provided funding.

Required Contributions - Chapter 356	BASELINE MERF Assumptions & Methods AVA = \$800,000,000	Consolidation to PERA - Total PERA All Assumptions/PERA COLA AVA = \$800,000,000	Delta from Baseline
1. Normal Cost:			
(a) Retirement	\$773,079	\$0	\$0
(b) Disability	351,975	0	0
(c) Surviving spouse and child beneficiary	116,343	0	0
(d) Withdrawal	189,612	0	0
(e) Refund due to death or withdrawal	115,545	0	0
(f) Total	\$1,546,554	\$0	\$0
2. Supplemental Contribution Amortization***	94,151,590	73,910,529	(\$20,241,061)
3. Supplemental Contribution Amortization**	345,011	334,327	(\$10,684)
4. Allowance for Administrative Expenses:	718,074	718,074	\$0
5. 2008 Administrative Expenses (\$990,450) loaded by 4.00%			
6. Contribution Amortization for 1992 Investment Expenses	207,000	207,000	\$0
Total	\$96,968,229	\$75,169,930	(\$21,798,299)
Projected annual payroll for fiscal year beginning on the valuation date	\$12,697,639		

** Increases under 1998 and 1999 legislation are included in this line item.
 *** Increases under 1998 and 1999 legislation are not included in this line item.

Mortality Tables:	1986 Projected Experience Table (1 year setback)	1983 Group Annuity Mortality Table (Males: 8 year setback, Females: 7 year setback)
- Healthy Pre-Retirement	1986 Projected Experience Table (1 year setback)	1983 Group Annuity Mortality Table (Males: 1 year setback, Females: 1 year setback)
- Healthy Post-Retirement	1986 Projected Experience Table (1 year setback)	1986 Projected Experience Table (1 year setback)
- Disability	1986 Projected Experience Table (1 year setback)	1986 Projected Experience Table (1 year setback)
- Seback	1986 Projected Experience Table (1 year setback)	1986 Projected Experience Table (1 year setback)
Pre-Retirement Interest Rate	6.00%	6.00%
Post-Retirement Interest Rate	6.00%	6.00%
Amortization Period	12 years	25 years
Amortization Date	June 30, 2020	June 30, 2031
Amortization Type	Level Dollar	Level Dollar
Payroll Growth	0.00%	0.00%
MERF Participant Status	Status as of July 1, 2008	Status as of July 1, 2008
Actuarial Value of Assets (AVA)	\$800,000,000	Active members as of July 1, 2008 valued as retired \$500,000,000

State Contributions:

Present Value of \$9,000,000 annual payments made to June 30, 2031, using a 6.00% interest rate assumption	\$ 110,700,000
Present Value of \$9,000,000 annual payments made to June 30, 2031, using a 8.50% interest rate assumption	\$ 89,640,000

Present Value of Uniformity Swap:

MERF Assumptions	6.00% pre-retirement/2.50% post-retirement (Exhibit A - Scenario 5: Total AAL minus 6.00% pre-retirement/3.50% post-retirement (Exhibit A - Scenario 2: Total AAL)	(\$196,042,600)
PERA Assumptions	8.50% pre-retirement/2.00% post-retirement (Exhibit A - Scenario 4: Total AAL) minus 8.50% pre-retirement/6.00% post-retirement (Exhibit A - Scenario 3: Total AAL)	(\$129,806,638)

Minneapolis Employees Retirement Fund
Results as of July 1, 2008 MERF Actuarial Valuation
Exhibit B-1: Amortization Period 30 years

Summary of Results	BASELINE		Consolidation to PERA - Total		Delta from Baseline	Consolidation to PERA - MSJCU		Consolidation to PERA - SSOI		Consolidation to PERA - Airport	
	MERF Assumptions & Methods AVA = \$300,000,000	MERF Assumptions & Methods AVA = \$300,000,000	PERA All Assumptions AVA = \$300,000,000	PERA All Assumptions Department = 900		PERA All Assumptions Department = 100, 200, 400, 500, 700	PERA All Assumptions Department = 600	PERA All Assumptions Department = 600	PERA All Assumptions Department = 300		
1. Normal cost	\$1,546,354	\$0	\$106,557,415	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Actuarial accrued liability	\$04,316,476	\$0	11,417,522	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Active members	12,153,156	\$0	1,312,930,449	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Inactive members with vested rights	1,965,083,211	\$0	56,730,324	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annuitants in RBF	39,870,617	\$0	36,377,677	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annuitants not in RBF - Disability Benefits	35,451,429	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annuitants not in RBF - Survivor Benefits		\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL Actuarial Accrued Liability	1,576,854,841	\$0	\$1,524,013,387	(\$52,841,454)	\$2,030,380	\$1,002,947,875	\$354,641,104	\$2,844,427	\$84,394,028	\$0	\$0
DEPARTMENT: % of Total Actuarial Accrued Liability					0.13%	71.06%	23.27%				
3. Actuarial value of assets (AVA)	800,000,000	800,000,000	800,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. Liquidity Trigger Adjustment (Chapter 472A)	12,135,486	\$0	12,135,486	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5. Unfunded/(Overfunded) actuarial accrued liability (2. - 3. + 4.)	\$783,990,327	\$0	\$716,148,873	(\$52,841,454)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6. Funded Ratio (3./7.)	50.73%	50.73%	52.49%								
Supplemental Contribution Rate Determination:											
1. Present value of \$1.00 per year paid monthly through the amortization date	8.38	8.38	10.75								
2. Supplemental contribution (GAAL/Amortization Factor)	\$94,151,590	\$94,151,590	\$88,478,965	(\$25,672,625)							

* Increases under 1998 and 1999 legislation are not included in this liability, because the costs are excluded from state - provided funding.

Required Contributions - Chapter 356	BASELINE		Consolidation to PERA - Total		Delta from Baseline
	MERF Assumptions & Methods AVA = \$300,000,000	MERF Assumptions & Methods AVA = \$300,000,000	PERA Assumptions/PERA COJA AVA = \$300,000,000	PERA Assumptions/PERA COJA AVA = \$300,000,000	
1. Normal Cost:	6.09%	\$773,079	\$0	\$0	\$0
(a) Retirement	2.77%	351,975	0	0	0
(b) Disability	0.92%	116,343	0	0	0
(c) Surviving spouse and child beneficiary	1.49%	189,612	0	0	0
(d) Withdrawal	0.91%	115,545	0	0	0
(e) Refund due to death or withdrawal	12.18%	\$1,546,554	\$0	\$0	\$0
(f) Total	97.10%	94,151,590	68,478,965	345,011	324,379
2. Supplemental Contribution Amortization**	2.72%	718,074	718,074	718,074	0
3. Supplemental Contribution Amortization**	5.66%	207,000	207,000	207,000	0
4. Allowance for Administrative Expenses	119.29%	\$96,968,229	\$69,728,418	(\$27,239,811)	
5. 2008 Administrative Expenses (\$690,456) loaded by 4.00%					
6. Contribution Amortization for 1992 Investment Expenses					
Total		\$12,697,639	\$12,697,639	\$12,697,639	
Projected annual payroll for fiscal year beginning on the valuation date					

** Increases under 1998 and 1999 legislation are included in this line item.

*** Increases under 1998 and 1999 legislation are not included in this line item.

Mortality Table:	1983 Projected Experience Table	1983 Group Annuity Mortality Table
- Healthy Pre-Retirement	(1 year setback)	(Males: 8 year setback, Females: 7 year setback)
- Setback		
- Healthy Post-Retirement	(1 year setback)	1983 Group Annuity Mortality Table
- Setback		
- Disability	(1 year setback)	(Males: 1 year setback, Females: 1 year setback)
- Setback		
Pre-Retirement Interest Rate	6.00%	1986 Projected Experience Table
Post-Retirement Interest Rate	6.00%	(1 year setback)
Amortization Period	12 years	
Amortization Date	June 30, 2020	
Amortization Type	Level Dollar	
Payroll Growth	0.00%	
MERF Participant Status	Status as of July 1, 2008	
Actuarial Value of Assets (AVA)	\$800,000,000	Active members as of July 1, 2008 valued as retired
		\$300,000,000

Present Value of \$9,000,000 annual payments made to June 30, 2031, using a 6.00% interest rate assumption
 Present Value of \$9,000,000 annual payments made to June 30, 2031, using a 6.50% interest rate assumption

Present Value of Uniformity Swap:

MERF Assumptions	Scenario 1: Total AAL	Scenario 2: Total AAL
6.00% pre-retirement/2.50% post-retirement (Exhibit A - Scenario 1)	\$ 110,700,000	\$ (129,808,658)
8.50% pre-retirement/5.00% post-retirement (Exhibit A - Scenario 2)	\$ 89,640,000	\$ (129,808,658)
8.50% pre-retirement/5.00% post-retirement (Exhibit A - Scenario 3)	\$ 89,640,000	\$ (129,808,658)

1.1 moves to amend S.F. No. 914; H.F. No. 1100, as follows:

1.2 Page 26, line 29, delete the first "employee" and insert "employer"

- 1.1 moves to amend S.F. No. 914; H.F. No. 1100, as follows:
- 1.2 Page 31, line 1, delete everything after "member" and insert a period
- 1.3 Page 31, delete lines 2 to 5
- 1.4 Page 32, line 31, delete everything after the period
- 1.5 Page 32, delete lines 32 to 36
- 1.6 Page 35, line 21, delete everything after the period
- 1.7 Page 35, delete lines 22 to 25
- 1.8 Page 39, line 11, delete everything after "consolidation" and insert a period
- 1.9 Page 39, delete lines 12 to 19

- 1.1 moves to amend S.F. No. 914; H.F. No. 1100, as follows:
- 1.2 Page 31, line 1, after "have" insert "... percent of"
- 1.3 Page 32, line 32, after "have" insert "... percent of"
- 1.4 Page 35, line 22, after "have" insert "... percent of"
- 1.5 Page 39, line 14, after "to" insert "... percent of"

- 1.1 moves to amend S.F. No. 914; H.F. No. 1100, as follows:
- 1.2 Page 60, line 17, strike "2020" and insert "...."
- 1.3 Page 60, line 34, delete "2020" and insert "...."

1.1 moves to amend S.F. No. 914; H.F. No. 1100, as follows:

1.2 Page 65, delete section 66 and insert:

1.3 "Sec. 66. EFFECTIVE DATE.

1.4 (a) Section 35 is effective July 1, 2009, if the governing body of the city of
1.5 Minneapolis and its chief clerical officer complete their compliance with Minnesota
1.6 Statutes, section 645.021, subdivisions 2 and 3, on or before June 30, 2009.

1.7 (b) Sections 1 to 34 and 36 to 65 are effective July 1, 2010, if the governing body
1.8 of the city of Minneapolis and its chief clerical officer complete their compliance with
1.9 Minnesota Statutes, section 645.021, subdivisions 2 and 3, on or before June 30, 2010."

1.1 moves to amend S.F. No. 914; H.F. No. 1100, as follows:

1.2 Page 64, delete section 63 and insert:

1.3 "Sec. 63. **TRANSFER OF MERF EMPLOYEES.**

1.4 (a) Unless the employee elects the severance pay option under paragraph (c),
 1.5 full-time employees of the Minneapolis Employees Retirement Fund first employed
 1.6 before June 30, 2008, and employed full time by the Minneapolis Employees Retirement
 1.7 Fund on June 29, 2010, with the employment title of benefits coordinator, are transferred
 1.8 to employment by the city of Minneapolis on July 1, 2010. The chief human relations
 1.9 official of the city of Minneapolis shall place the transferred employee in an appropriate
 1.10 employment position based on the employee's education and employment experience. The
 1.11 transferred employee must have their accumulated, but unused, vacation and sick leave
 1.12 balances as of June 30, 2010, posted to the individual accounts with the new employer.
 1.13 The transferred employees must receive length of service credit for time served with the
 1.14 Minneapolis Employees Retirement Fund. The transferred employee must be given the
 1.15 opportunity as of the date of transfer to be covered for all health and other insurance
 1.16 benefits offered by the new employer.

1.17 (b) Unless the employee elects the severance pay option under paragraph (c),
 1.18 full-time employees of the Minneapolis Employees Retirement Fund first employed before
 1.19 June 30, 2008, and employed full time by the Minneapolis Employees Retirement Fund
 1.20 on June 29, 2010, with the employment title of accounting manager or accountant II are
 1.21 transferred to employment by the Public Employees Retirement Association on July 1,
 1.22 2010. The chief human relations official of the Public Employees Retirement Association
 1.23 shall place the transferred employee in an appropriate employment position based on the
 1.24 employee's education and employment experience. The transferred employee must have
 1.25 their accumulated, but unused, vacation and sick leave balances as of June 30, 2010, posted
 1.26 to the individual accounts with the new employer. The transferred employees must receive
 1.27 length of service credit for time served with the Minneapolis Employees Retirement Fund.
 1.28 The transferred employee must be given the opportunity as of the date of transfer to be
 1.29 covered for all health and other insurance benefits offered by the new employer.

1.30 (c) An employee covered by paragraph (a) or (b) who elects not to transfer to the
 1.31 new employer unit are granted severance pay in an amount equivalent to one year of
 1.32 salary based on the last annual salary rate received by the employee. The election must
 1.33 be made prior to June 30, 2010, and is irrevocable. The severance pay is payable from
 1.34 Minneapolis Employees Retirement Fund on June 30, 2010."