



S.F. 2644
(Betzold)

H.F. 2922
(Thissen)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): MERF and PERA-General
Relevant Provisions of Law: Minnesota Statutes, Chapters 353, 356, and 422A
General Nature of Proposal: Administrative consolidation of MERF into PERA-General
Date of Summary: February 16, 2010

Specific Proposed Changes

- Provides for an administrative consolidation of MERF into PERA and PERA-General.
- Current and future MERF retirees would receive downsized post-retirement adjustments.
- MERF Division account continuing liability without shift to PERA-General.
- Shifts current MERF actuarial assumptions to appropriate PERA-General actuarial assumptions.
- Retains current MERF and state funding of the MERF Division, with some changes.
- Increase in state funding for MERF Division within PERA-General.
- Addition of benefit cash flow special additional employer contribution requirement for the MERF Division.
- Eventual full merger with PERA-General.
- Retention of the MERF Association.
- Disposition of MERF personnel.
- Conforming changes.
- Effective June 30, 2010.

Policy Issues Raised by the Proposed Legislation

1. Actuarial condition of MERF and PERA-General.
2. Potential for MERF benefit default.
3. Precedent for an administrative consolidation of a Minnesota public retirement plan.
4. Appropriateness of an administrative consolidation as a remedy for a potential benefit default risk.
5. Need for additional funding.
6. Appropriateness of increasing and extending the state aid related to MERF.
7. Appropriateness of MERF post-retirement adjustment benefit reduction.
8. Financial impact of the proposed legislation on MERF-covered employing units.
9. Need for local approval for local legislation or general legislation.
10. Transitional provision; handling MERF employees in subsequent employment.

Potential Amendments

S2644-1A (*substantive*) utilizes a 2031 amortization date for all MERF consolidation account financial requirement determinations, authorizes PERA deduction of MERF Association dues for retirees, sets full MERF/PERA-General consolidation when reaching 80 percent funded and authorizes MERF-covered employing units to arrange full PERA-General consolidation for their employee group separately.

S2644-2A (*substantive*) sets the asset and liability transfers to PERA-General in a MERF administrative consolidation at June 30, 2010, rather than July 1, 2010.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JAM*
RE: S.F. 2644 (Betzold); H.F. 2922 (Thissen); Administrative Consolidation of MERF with PERA
DATE: February 16, 2010

General Summary of S.F. 2644 (Betzold); H.F. 2922 (Thissen)

1. Provides for an Administrative Consolidation of MERF Into PERA and PERA-General. The administration of the benefit plan coverage and retirement fund of MERF is transferred to PERA and to PERA-General with the creation of a MERF division within PERA and of a MERF division account with the PERA-General fund. The MERF division would have all of the liabilities of the current MERF and the MERF division account would be credited with all of the assets of the current MERF. The PERA board and administrative staff would replace the current MERF board and administration. The State Board of Investment, which has investment custody of current MERF assets, would gain full legal title of and investment authority over the MERF division account assets. (*Article 1, Section 17, specifically, and Article 1, generally*)
2. Current and Future MERF Retirees Would Receive Downsized Post-Retirement Adjustments. The current MERF post-retirement adjustment mechanism, equaling the increase in the Consumer Price Index up to 3.5 percent plus an additional amount based on the five-year investment experience of the plan assets attributable to retirees if those plan assets equal retiree actuarial accrued liabilities, would be replaced by the flat 2.5 percent annual post-retirement adjustment attributable to the statewide retirement plans. (*Article 1, Section 17, Subdivision 3*)
3. MERF Division Account Continuing Liability without Shift to PERA-General. After the creation of the MERF division and the MERF division account within PERA, PERA-General will be an agent retirement plan, meaning that there will be no liability sharing between the MERF division and PERA-General and the current employing units with MERF-covered employees, principally the City of Minneapolis and Special School District No. 1, Minneapolis, still responsible for making employee contributions toward those liabilities. (*Article 1, Section 7, Subdivision 1a, and Section 17*)
4. Shifts Current MERF Actuarial Assumptions to Appropriate PERA-General Actuarial Assumptions. With the creation of the MERF division, PERA-General interest rate and salary actuarial assumptions would be governed. MERF division demographic assumptions for the MERF division exhibit in the July 1, 2010, PERA-General actuarial valuation will be recommended to the Legislative Commission on Pensions and Retirement for approval by the PERA Board and the PERA consulting actuary with advice from the current MERF consulting actuary. (*Article 1, Sections 19, 20, and 23*)
5. Retains Current MERF and State Funding of the MERF Division, with Some Changes. With the creation of the MERF division within PERA and PERA-General, the current employing units with MERF-covered employers retain the employer contribution obligations under MERF law (matching employer percentage contribution, employer additional contribution of 2.68 percent of salary plus \$3.9 million annually, and a supplemental employer contribution of the balance of MERF division full actuarial requirements remaining after a \$9 million annual state contribution) and the state would continue its current contribution obligation, capped at \$9 million. In the initial determination of MERF division financial requirement and employer contributions, the mortality table change recommended by the MERF consulting actuary on September 20, 2009, must be used. The statutory amortization date for MERF, currently June 30, 2020, is reset for the MERF division to June 30, 2031, to match the amortization date for the PERA-General. Upon the creation of a MERF consolidation account within the PERA, the supplemental employer contribution to the account, replacing most of Minnesota Statutes, Section 422A.101, Subdivisions 1, 1a, and 3, is made applicable to Hennepin County, the Metropolitan Council, and the Metropolitan Airports Commission. A current exemption for Metropolitan Government from the payment of any overage in MERF financial requirements above the current cap on state MERF aid is removed so that all employing units with MERF employees or retirees are clearly responsible for MERF funding. (*Article 1, Section 17, Subdivision 7, and Section 21*)

6. Increase in State Funding for MERF Division within PERA-General. The current \$9 million cap for MERF would be increased by \$27.5 million for the MERF division after December 31, 2010, and state aid for the MERF division is payable beyond 2020 to 2031. (*Article 1, Section 21*)
7. Addition of Benefit Cash Flow Special Additional Employer Contribution Requirement for the MERF Division. To provide security in the payment of retirement annuities and benefits from the MERF division, a special additional employer contribution based on any potential shortfall in assets available to pay annuities and benefits is required. If the prior year's assets and the prior year's member, employer, and state funding are less than the prior year's annuities and benefits, all adjusted by a cost-of-living factor, the shortfall becomes the special additional employer contribution, which is allocated between the various employing units covered by the former MERF based on the proportion of the July 1, 2009, MERF actuarial accrued liability attributable to each and is payable before July 1. (*Article 1, Section 17, Subdivision 7, Paragraph (f)*)
8. Eventual Full Merger with PERA-General. When the MERF division becomes fully funded, the MERF division merges into PERA-General and PERA-General becomes a full cost-sharing retirement plan following the receipt of the actuarial report containing the triggering calculation. PERA is obligated to present the Commission with the recommended draft proposed legislation to implement the merger by the February 15 following the triggering actuarial valuation report. (*Article 1, Section 17, Subdivision 8*)
9. Retention of the MERF Association. The Minneapolis Municipal Retirement Association, a nonprofit corporation, is permitted to continue in existence as a fraternal organization to represent the interests of the former MERF members, but the advocacy organization is not entitled to receive tax revenue and PERA is not obligated to make any special accommodations to the corporation. (*Article 1, Section 24*)
10. Disposition of MERF Personnel. 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. (*Article 1, Section 25*)
11. Conforming Changes. Cross-references to MERF and statutory citations to MERF or MERF-related provisions are eliminated and most current MERF provisions are repealed. (*Article 2*)
12. Effective June 30, 2010. The creation of the MERF division and the transfer of administrative duties from the former MERF to PERA occur on June 30, 2010. (*Article 1, Section 28*)

Section-By-Section Summary of S.F. 2644 (Betzold); H.F. 2922 (Thissen)

A section-by-section summary of S.F. 2644 (Betzold); H.F. 2922 (Thissen) is attached.

Background Information

The following attachments to provide background information relevant to the subject matter of the proposed legislation:

Attachment A: Background information on the Minneapolis Employees Retirement Fund (MERF) establishment and development.

Attachment B: Background information on the MERF funding problems.

Attachment C: Background information on the determination of MERF financial requirements and employer contribution requirements.

Attachment D: Background information on the MERF state contribution.

Attachment E: Historic information on the MERF funded condition and financial requirements.

Analysis and Discussion

S.F. 2644 (Betzold); H.F. 2922 (Thissen) provides for the administrative consolidation of the Minneapolis Employees Retirement Fund (MERF) into the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), effective June 30, 2010.

S.F. 2644 (Betzold); H.F. 2922 (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, for PERA-General and as of July 1, 2009, for MERF 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		PERA	
<u>Membership</u>				
Active Members		174		142,097
Service Retirees		3,468		56,948
Disabilitants		146		2,075
Survivors		879		7,036
Deferred Retirees		120		43,645
Nonvested Former Members		0		122,434
Total Membership		4,787		374,235
<u>Funded Status</u>				
Accrued Liability		\$1,575,011,525		\$18,799,416,000
Current Assets		<u>\$880,133,155</u>		<u>\$13,158,490,000</u>
Unfunded Accrued Liability		\$694,878,370		\$5,640,926,000
Funding Ratio	55.88%		69.99%	
<u>Financing Requirements</u>				
Covered Payroll		\$10,841,852		\$5,130,307,000
Benefits Payable		\$148,741,747		\$863,910,000
Normal Cost	10.63%	\$1,152,674	7.82%	\$400,956,000
Administrative Expenses	9.21%	\$998,120	0.20%	\$10,261,000
Amortization	<u>813.71%</u>	<u>\$88,221,359</u>	<u>7.53%</u>	<u>\$386,312,000</u>
Total Requirements	833.55%	\$90,372,153	15.55%	\$797,529,000
Employee Contributions	9.75%	\$1,057,081	6.00%	\$307,819,000
Employer Contributions	69.01%	\$7,481,962	6.88%	\$352,965,000
Employer Add'l Cont.	1.39%	\$150,590	0.00%	\$0
Direct State Funding	83.01%	\$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	163.16%	\$17,689,633	12.88%	\$660,784,000
Total Requirements	833.55%	\$90,372,153	15.55%	\$797,529,000
Total Contributions	<u>163.16%</u>	<u>\$17,689,633</u>	<u>12.88%</u>	<u>\$660,784,000</u>
Deficiency (Surplus)	670.39%	\$72,682,520	2.67%	\$136,745,000
Amortization Target Date		2020		2031

Actuarial Assumptions

	MERF	PERA-General
Mortality	<u>Pre-Retirement*</u>	<u>Pre-Retirement*</u>
Rates:	Average of male and female rates of 1986 Projected Experience Table with a 1-year age setback.	<ul style="list-style-type: none"> • 1983 Group Annuity Mortality for males set back eight years. • 1983 Group Annuity Mortality for females set back seven years.
	* 2005-2009 Experience Study includes a recommendation that the pre-retirement mortality assumption be identical to the post-retirement mortality assumption	* 2004-2008 Experience Study includes a recommendation that the pre-retirement mortality assumption be changed to the RP-2000 nonannuitant generational mortality table with white collar adjustment and with a five-year set forward for males and a three-set back for females

Actuarial Assumptions

	MERF	PERA-General																																																								
Mortality Rates:	<p><u>Post-Retirement*</u> Average of male and female rates of 1986 Projected Experience Table with a 1-year age setback. <i>* 2005-2009 Experience Study includes a change to the RP-2000 healthy sex distinct tables projected to 2018 with a white collar adjustment.</i></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. <i>* 2004-2008 Experience Study includes a recommendation that the healthy post-retirement mortality assumption be changed to the RP-2000 annuitant generational mortality table with white collar adjustment and with no adjustment for males and a two-year set back for females</i></p>																																																								
Mortality Rates:	<p><u>Disabled</u> Average of male and female rates of 1986 Projected Experience Table with a 1-year age setback.</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. <i>* 2004-2008 Experience Study recommends a change to the RP-2000 disabled retiree mortality table with a four-year set back for males and a seven-year set forward for females</i></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. <i>* 2004-2008 Experience Study recommends a change to 8% compounded annually</i></p> <p><u>Post-Retirement*</u> 6.0% compounded annually. <i>* 2004-2008 Experience Study recommends a change to 8% compounded annually</i></p>																																																								
Salary Increases:	<p>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.</p>	<p>*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. <i>*2004-2008 Experience Study recommends a change to an age-related ultimate salary assumption table</i></p>																																																								
Retirement Rates:	<p>100% at age 61.</p>	<p>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.</p> <table border="1"> <thead> <tr> <th rowspan="2">Age</th> <th colspan="2">Retirement</th> </tr> <tr> <th>Rule of 90 Eligible*</th> <th>Other</th> </tr> </thead> <tbody> <tr><td>55</td><td>30%</td><td>7%</td></tr> <tr><td>56</td><td>25%</td><td>7%</td></tr> <tr><td>57</td><td>25%</td><td>7%</td></tr> <tr><td>58</td><td>25%</td><td>7%</td></tr> <tr><td>59</td><td>25%</td><td>9%</td></tr> <tr><td>60</td><td>25%</td><td>9%</td></tr> <tr><td>61</td><td>30%</td><td>15%</td></tr> <tr><td>62</td><td>40%</td><td>22%</td></tr> <tr><td>63</td><td>30%</td><td>20%</td></tr> <tr><td>64</td><td>30%</td><td>20%</td></tr> <tr><td>65</td><td>40%</td><td>40%</td></tr> <tr><td>66</td><td>25%</td><td>25%</td></tr> <tr><td>67</td><td>25%</td><td>25%</td></tr> <tr><td>68</td><td>25%</td><td>25%</td></tr> <tr><td>69</td><td>25%</td><td>25%</td></tr> <tr><td>70</td><td>25%</td><td>25%</td></tr> <tr><td>71</td><td>100%</td><td>100%</td></tr> </tbody> </table> <p><i>* 2004-2008 Experience Study recommends a change in the retirement assumptions for Rule of 90 Eligibles, the regular retirement from active status, and the retirement from inactive status</i></p>	Age	Retirement		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%
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Actuarial Assumptions

Withdrawal Rates:	MERF		PERA-General		
	Age	Rate	Age	Rate*	
				Male	Female
	20	21.00%	20	8.40%	8.40%
	25	11.00%	25	6.90%	6.90%
	30	5.00%	30	5.40%	5.40%
	35	1.50%	35	3.90%	4.20%
	40	1.00%	40	3.00%	3.50%
	45	1.00%	45	2.50%	3.00%
	50	1.00%	50	2.00%	2.50%
	55	1.00%	55	0.00%	0.00%
	60	1.00%	60	0.00%	0.00%
	65	0.00%	65	0.00%	0.00%
	70	0.00%	70	0.00%	0.00%
<i>* 2004-2008 Experience Study recommends a change in the termination assumption</i>					
Disability Rates:	Age	Rate	Age	Rate*	
				Male	Female
		20	0.21%	20	0.01%
	25	0.21%	25	0.01%	0.01%
	30	0.23%	30	0.02%	0.02%
	35	0.30%	35	0.05%	0.04%
	40	0.41%	40	0.09%	0.06%
	45	0.61%	45	0.14%	0.09%
	50	0.93%	50	0.23%	0.16%
	55	1.60%	55	0.49%	0.26%
	60	0.00%	60	0.82%	0.46%
	65	0.00%	65	0.00%	0.00%
	70	0.00%	70	0.00%	0.00%
<i>* 2004-2008 Experience Study recommends a change in the disability rate assumption</i>					
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. <i>* 2004-2008 Experience Study recommends a change in the percentage of membership married</i>		
Age of Spouse:	Females are assumed to be three years younger than males.		*Females are assumed to be four years younger than males. <i>* 2004-2008 Experience Study recommends a change in age differential between male and female spouses</i>		

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. If a benefit default for MERF is on the near-term horizon, some action to begin to address that funding situation will be important. As the Commission staff assesses the financial condition of MERF, following recent investment market declines and with an active membership that is entitled to retire this year, without a significant increase in contributions by the participating employing units, the State of Minnesota, or a combination, the retirement plan will suffer a default in the very near term, either in 2016 if investment performance is zero or a negative two percent, in 2017 if investment performance is 8.5

percent, or in 2018 if investment performance is ten percent. 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 under various scenarios grows to more than 50 percent in 2017 and to 100 percent after 2022.

3. Precedent for an Administrative Consolidation of a Minnesota Public Retirement Plan. The policy issues are whether there is any precedent for an administrative consolidation of a Minnesota public pension plan and whether there is any precedent of a Minnesota public pension plan consolidation on the cusp of an imminence of a benefit default. In the past 40 years, administrative consolidations of one Minnesota public pension plan with another Minnesota public pension plan have occurred only with the 44 local police or paid firefighter relief associations consolidating into PERA under Minnesota Statutes, Chapter 353A, enacted in 1987. Within only one of those 44 administrative consolidations did the consolidating pension plan have an asset shortfall issue, the Duluth Firefighters Relief Association, but the shortfall related to making transfers of service pension reserves to the former Minnesota Post Retirement Investment Fund rather than to making month-to-month pension and benefit payments. With respect to the Duluth Firefighters Relief Association, the potential reserve transfer default issue was resolved by special legislation (Laws 1992, Chapter 448, Section 1) permitting an aggregation of its special fund with the Duluth Firefighters Relief Association consolidation account, functionally consisting of a loan between the two former pension funds.
4. Appropriateness of an Administrative Consolidation as a Remedy for a Potential Benefit Default Risk. The policy issue is whether the proposed administrative consolidation of MERF with PERA-General will address the significant potential for a benefit payment default by MERF. The proposed MERF/PERA-General administrative consolidation in its most basic form of substituting the PERA plan administration and State Board of Investment investment administration for the MERF plan and investment administration, beyond potentially reducing the ongoing expense of the administrative and investment activities of MERF and retaining some additional assets as a consequence, will only marginally delay any MERF benefit default. The MERF administrative consolidation does begin the process of what could become an eventual full consolidation of MERF into PERA-General, which would eliminate any MERF benefit payment default. Specifically, the proposed legislation, in Article 1, Section 33, Subdivision 7, Paragraph (e), replaces the deficient and confusing MERF provision, Minnesota Statutes, Section 422A.101, Subdivision 1, governing the translation of the regular annual actuarial valuation results into state and employing unit contributions, thereby likely increasing the MERF employer contributions to better match MERF actuarial requirements, and, in Article 1, Section 17, Subdivision 7, Paragraph (f), sets a special additional employer contribution based on always meeting the cash flow needs of MERF, making a default potential, but operationally increasing future MERF employer contributions.
5. Need For Additional Funding. The policy issue is need for additional funding for MERF and the extent to which the proposed legislation supplies the necessary additional funding. The July 1, 2009, MERF actuarial valuation report indicates, with the current level of employing unit funding and State of Minnesota aid, an annual contribution shortfall of \$90.4 million (833.55 percent of covered pay) or an unfunded actuarial accrued liability of \$695 million. If the exchange of post-retirement adjustment mechanisms proposed in the legislation were to occur, reducing the MERF unfunded actuarial accrued liability by \$125-\$130 million according to a March 2009 estimate, the MERF annual contribution shortfall would drop to \$74.5 million (586.72 percent of covered pay). The proposed legislation, in Article 1, Section 33, Subdivision 7, represents a streamlined process of translating the recent MERF actuarial work into mandatory employer contributions, with a fallback "current disbursements/pay-as-you-go" employer funding requirement to insure that MERF benefit payments would always be made.
6. Appropriateness of Increasing and Extending the State Aid Related to MERF. The policy issue is the increase in the current \$9 million state aid related to the Minneapolis Employees Retirement Fund (MERF) to \$36.5 million and is the extension of state aid to the MERF from its current termination date of 2020 to the new MERF amortization date of 2031. The increased MERF state aid would cover 55 percent of the ongoing actuarial cost of MERF. That share was the proportion of MERF cost determined appropriate by the Minneapolis City Finance Department. The City of Minneapolis has not presented any formal rationale for setting the state obligation to MERF at that level. The State of Minnesota has had a few state employees, inherited by the Minnesota State Colleges and Universities System (MnSCU) at the Minneapolis Community College, who were MERF members, but otherwise has not had any significant role in creating MERF liabilities. Since 1973, when the MERF law was recodified as Minnesota Statutes, Chapter 422A, most or all significant MERF legislation has been conditioned on local approval. In 1979, when the current MERF state aid was enacted, the special state aid program was created in trade for the City of Minneapolis not participating in a local government state aid increase, which is why the 1979 legislation (Laws 1979, Chapter 303, Article 6,

Sections 5-10) was included in the "Local Aids" article of the 1979 Tax Bill rather than a retirement bill. The initially anticipated amount of MERF state aid was roughly equivalent to the amount of additional local government state aid that the City of Minneapolis was expected to receive. There appears to be no similar trade-off for this increase in the MERF state aid. The Commission should consider requesting testimony from MERF and from the City of Minneapolis about the rationale for additional state aid in general at this time and about the policy basis for deciding that the state's portion of the MERF funding burden should be set at 55 percent of MERF's actuarial requirements.

7. Appropriateness of MERF Post-Retirement Adjustment Benefit Reduction. The policy issue is the appropriateness of the benefit reduction imposed on active and retired MERF employees in the proposed legislation by virtue of replacing its post-retirement adjustment mechanism with the statewide retirement plan automatic post-retirement adjustment. Currently, through the MERF Retirement Benefit Fund, MERF members have an automatic post-retirement adjustment mechanism made up of two components, an inflation adjustment equal to the increase in the federal Consumer Price Index up to 3.5 percent, and an investment performance adjustment of the amount by which a five-year aggregation of investment performance exceeds 8.5 percent if the MERF Retirement Benefit Fund is fully funded. The statewide retirement plan automatic post-retirement adjustment mechanism is a flat 2.5 percent annual post-retirement adjustment. Although the statewide retirement plan post-retirement adjustment mechanism would pay a higher post-retirement adjustment on January 1, 2011, than the MERF post-retirement adjustment mechanism might, because of the modest increase in the federal Consumer Price Index, the replacement of the MERF post-retirement adjustment produces an estimated (March 2009) actuarial gain of \$125-\$130 million, or 18-20 percent of the July 1, 2009, MERF unfunded actuarial accrued liability.

The post-retirement adjustment change, and the accompanying actuarial gain for the MERF consolidation account, could be larger than the difference between the current MERF CPI-based adjustment maximum of 3.5 percent and the 2.5 percent statewide post-retirement adjustment amount. The Public Employees Retirement Association (PERA), in other proposed legislation previously outlined for the Commission, is proposing a reduction in the post-retirement adjustment rate for the PERA General Employee Retirement Plan (PERA-General), the Public Employees Police and Fire Retirement Plan (PERA-P&F), and the Local Government Correctional Service Retirement Plan (PERA-Correctional) from 2.5 percent per year to 1.0 percent until the respective retirement plan becomes 90 percent funded on a market value of assets basis.

The proposed benefit change, which, because it produces an actuarial gain, can be characterized as a benefit reduction, is proposed as a group (i.e., MERF membership as represented by the Minneapolis Municipal Retirees Association) contribution to the overall resolution of the MERF funding problem, but the benefit change has not been approved directly by affected MERF members. If properly characterized as a benefit reduction, the proposed legislation could be open to a successful future legal challenge by disgruntled portions of the MERF membership. In its most recent judgments, the Minnesota Supreme Court has followed a quasi contract or promissory estoppel theory of public employee pension rights, treating pension benefit coverage as if it were a properly formed contractual arrangement if there has been membership reliance on the coverage and not permitting many or any adverse modifications by the Legislature. The Minnesota Supreme Court has not yet clearly adopted the actuarial funding need exception to a contract theory of public pension coverage utilized by the Pennsylvania Supreme Court and other state supreme courts. The Minnesota Supreme Court, in a 1973 decision Anderson v. State, 298 Minn. 158 (1973), has upheld a benefit reduction in two of the judicial retirement plans then in existence that was made in an informally bargained group trade for a different beneficial plan change, despite its finding that judicial retirement benefits were a unilateral contractual right in Sylvestre v. State, 298 Minn. 142 (1973). Anderson may mean that informally negotiated swaps of adverse and beneficial retirement provisions that did not advantage every member of the group may be part of the Minnesota law on public pensions and may permit this proposed change. The proposed legislation, however, does not propose any new benefit provision in trade for the post-retirement adjustment reduction. The resolution of the looming MERF funding crisis could be viewed as a benefit to the MERF membership of sufficient importance that it could constitute the type of swap permitted under Anderson. The Commission's Pension Policy Principals (Principle II.C.22) provides:

22. No Intended Ultimate Benefit Diminutions

1. In recommending benefit plan modifications, the imposition of reductions in overall benefit coverage for existing pension plan members should not be recommended.
2. The imposition of a reduction in overall benefit coverage may be imposed for new pension plan members in order to achieve sound pension policy goals.
3. A reduction in some aspect or aspects of benefit coverage may be recommended in combination with a proposed benefit increase or benefit increases in implementing sound pension policy goals.

If the MERF-covered employing units and the state are to have a potential Anderson defense to a challenge to the proposed post-retirement adjustment reduction in the proposed legislation, the value of the resolution of the MERF funding problem to the current MERF active and retired membership and the understanding of the MERF membership of the actual or potential post-retirement adjustment reduction when the proposed legislation is being processed may be very important. The Commission should consider taking testimony from representatives of the Minneapolis Municipal Retirees Association and other MERF members about their view of the MERF funding problem and their understanding of the potential post-retirement adjustments under the proposed legislation.

8. Financial Impact of the Proposed Legislation on MERF-Covered Employing Units. The policy issue is the financial impact of the proposed legislation 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 some employees at the Minneapolis Technical and Community College;
- The Metropolitan Airports Commission, due to some employees inherited from the City of Minneapolis 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, as the successor to the former Metropolitan Waste Control Commission, due to some transferred Minneapolis city sewer employees.

The proposed legislation would require the various employing units to fully fund the full actuarial requirement of MERF that is not funded by member contributions or by the State of Minnesota, allocated based on the 2009 proportional payments by the various MERF-covered employing units of the excess MERF funding obligation under Minnesota Statutes, Section 422A.101, Subdivision 3, above the current \$9 million cap on state funding or the proposed \$36.5 million cap on state funding. The largest amounts of any additional funding would be borne by the City of Minneapolis and by Special School District No. 1.

As part of the issue of the proposed legislation on the various MERF-covered employing units is the situation of the metropolitan units of government and a reversal in the proposed legislation (Section 21, Paragraph (d)) of the current exemption of metropolitan government from paying a portion of additional MERF funding requirements once the MERF funding requirements exceed the regular employing unit funding and the state MERF aid. In 1985 (First Special Session Laws 1985, Chapter 13, Section 331), a budget bill, and in 1991, (Laws 1991, Chapter 345, Article 4, Section 10), a state government finance bill, metropolitan government had its obligation to MERF frozen and became exempt from any additional MERF funding requirements. Since it is unclear why this exemption was added to MERF law, it is difficult to determine why the exemption should continue indefinitely. Because the current MERF funding problems relate to the investment losses suffered on MERF retiree assets at large rather than increasing costs for MERF active members, all MERF-covered employing units, including metropolitan government, have some arguable responsibility with respect to those declining MERF retiree assets, which is the likely basis for the exemption reversal.

The MERF executive director can provide very specific information on the manner in which the excess MERF funding obligation under Minnesota Statutes, Section 422A.101, Subdivision 3, is to be allocated.

The Commission should consider providing the various MERF-covered employing units with an opportunity to testify about the impact of the proposed legislation on them and their support or lack of support for the proposed legislation.

9. Need for Local Approval for Local Legislation or General Legislation. The policy issue is whether or not the administrative consolidation of MERF into PERA-General should be subject to local approval as local legislation or subject to a legislatively specified effective date as general legislation. Article XII of the Minnesota Constitution requires 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). Some MERF legislation has been enacted as general legislation and some MERF legislation has been enacted subject to local approval, usually by the City of Minneapolis. The proposed consolidation has a significant potential financial impact on the City of Minneapolis and on Special School District No. 1, which could argue for adding

a local approval provision. The proposed legislation also has a significant statewide impact, which could argue for treating it as general legislation with an unconditional effective date.

10. 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 the City of Minneapolis to absorb two of the three full-time MERF employees and PERA to absorb one of the three full-time MERF employees, but absorbing additional staff would work a hardship on them.

Potential Amendments for Commission Consideration

- **Amendment S2644-1A** was prepared at the request of the Minneapolis Employees Retirement Fund (MERF), the Public Employees Retirement Association (PERA), the City of Minneapolis, and Special School District No. 1 (Minneapolis). The amendment makes the following changes:
 1. 2031 Amortization Date Following Any Full Consolidation. If the MERF consolidation account is automatically merged into PERA-General because it achieves a specified funded ratio, the amortization contribution on any remaining unfunded actuarial accrued liability must be calculated using a 2031 amortization date (*amendment to lines 25.12 and 26.16*).
 2. Clarification that \$27.5 Million Additional State Aid is Annual Amount. The proposed increase in state aid for MERF, from \$9 million to \$36.5 million, is clarified as an annual state payment (*amendment to line 34.28*).
 3. Authorization for PERA Deduction of MERF Association Dues until Full Consolidation. PERA is obligated to deduct MERF association dues from retiree checks, if authorized by the retiree, until full consolidation with PERA-General occurs (*amendment to line 26.7*).
 4. Specification that Additional State Aid and Additional MERF Employing Unit Contribution Starts In 2012. The \$27.5 million increase in state aid on account of MERF and the additional MERF-covered employing unit's employer contributions are specified to begin after June 30, 2012 (*amendment to lines 25.5, 25.13, 25.18, and 34.29*).
 5. Set Full MERF Consolidation Account Consolidation with PERA-General at 80 Percent Funded Ratio. The funding ratio when the MERF consolidation account will fully consolidate by operation of law with the PERA-General Plan is reset from 100 percent funded to 80 percent funded (*amendment to lines 26.8, 26.9, 26.16, and 26.18*).
 6. Authority for MERF-Covered Employing Units to Merge Their Employee Groups with PERA-General. In advance of a full consolidation of the MERF consolidation account, with the payment of the full amount of any associated unfunded actuarial accrued liabilities, a former MERF-covered employing unit and PERA can reach an agreement to merge the employing unit into PERA-General and end any future liability with respect to MERF (*amendment after line 26.22*).
 7. MERF Payment of Accumulated Sick Leave and Vacation Amounts for MERF Employees Transferred to Minneapolis or PERA Employment. If current MERF employees transfer employment to Minneapolis or PERA and have accrued sick leave or vacation amounts, the present value of those leave amounts must be paid to the new employers (*amendment to lines 36.28 and 37.7*).
- **Amendment S2644-2A** was prepared at the request of the Public Employees Retirement Association (PERA) and resets the dates of asset and liability transfers from the Minneapolis Employees Retirement Fund (MERF) to PERA to June 30, 2010, so that all liabilities and assets will be covered by the July 1, 2010, PERA General Employee Retirement Plan (PERA-General) actuarial valuation and the June 30, 2010, PERA-General comprehensive annual financial report. The date of asset and liability transfers in the Minneapolis Teachers Retirement Fund Association (MTRFA)/Teachers Retirement Association (TRA) consolidation in 2006 was not clearly aligned and specified, leading to some controversy with the Legislative Auditor's Office and the State Auditor's Office. The suggested alignment and specification is intended to avoid any controversy if this proposed legislation is enacted.

Section-by-Section Summary of S.F. 2644 (Betzold); H.F. 2922 (Thissen)

Summary of S.F. 2644 (Betzold); H.F. 2922 (Thissen)

Sec.	Pg.Ln	Retirement Plan	Stat. Provision	Summary																																						
Article 1: MERF Consolidation Account in PERA																																										
1	2.3	PERA	353.01, Subd. 2a	Provides that the members of the former MERF on June 29, 2010, are members of the MERF division of PERA.																																						
2	3.6	PERA	353.01, Subd. 2b	Revises the former MERF-covered employee exclusion from PERA to apply to the MERF division.																																						
3	6.11	PERA	353.01, New Subd. 47	Defines "MERF division" as the separate retirement plan within PERA-General.																																						
4	6.17	PERA	353.01, New Subd. 48	Defines "MERF division account" as the special account within PERA-General retaining the assets and liabilities of the former MERF.																																						
5	6.24	PERA	353.05	Expands the PERA fund custodian provision to cover the MERF division account also.																																						
6	7.5	PERA	353.06	Expands the PERA/State Board of Investment retirement funds investment provision to include the MERF division account also.																																						
7	7.20	PERA	353.27	<table border="0"> <tr> <td style="text-align: center;"><u>Subd</u></td> <td style="text-align: center;"><u>Provision</u></td> </tr> <tr> <td>1.</td> <td>Includes the MERF division account in the general employees retirement fund provision.</td> </tr> <tr> <td>1a.</td> <td>Establishes the MERF division account within the general employees retirement fund and provides for its revenues and disbursements.</td> </tr> <tr> <td>2.</td> <td>Clarifies that the current member contribution provision is the PERA-General member contribution rate provision.</td> </tr> <tr> <td>3.</td> <td>Clarifies that the current employer contribution provision is the PERA-General employer contribution rate provision.</td> </tr> <tr> <td>3a.</td> <td>Clarifies the application of the current additional employee contribution provision to PERA-General.</td> </tr> <tr> <td>3b.</td> <td>Clarifies the application of the PERA board member and employer contribution rate change authority to PERA-General and excludes the MERF division actuarial results from the contribution change trigger.</td> </tr> <tr> <td>4.</td> <td>Clarifies that the employer reporting requirements provision applies to PERA-General and PERA-P&F.</td> </tr> <tr> <td>7.</td> <td>Clarifies that the erroneous receipts or disbursements provision applies to PERA-General and PERA-P&F.</td> </tr> <tr> <td>7a.</td> <td>Clarifies that the erroneous deductions transmission provision applies to PERA-General, PERA-P&F, and PERA-Correctional.</td> </tr> <tr> <td>7b.</td> <td>Provides that the recovery of overpayments provision applies to PERA-General, PERA-P&F, and PERA-Correctional.</td> </tr> <tr> <td>9.</td> <td>Clarifies that the current fee officers provision applies to PERA-General.</td> </tr> <tr> <td>10.</td> <td>Clarifies that the current employer exclusion report provision applies to PERA-General.</td> </tr> <tr> <td>11.</td> <td>Specifies that the current payroll data request response provision applies to PERA-General, PERA-P&F, and PERA-Correctional.</td> </tr> <tr> <td>12.</td> <td>Clarifies that the current omitted salary deduction collection provision applies to PERA-General, PERA-P&F, and PERA-Correctional.</td> </tr> <tr> <td>12a.</td> <td>Specifies that the current terminated employee omitted deduction provision applies to PERA-General, PERA-P&F, and PERA-Correctional.</td> </tr> <tr> <td>12b.</td> <td>Clarifies that the retiring member omitted deduction provision applies to PERA-General, PERA-P&F, and PERA-Correctional.</td> </tr> <tr> <td>13.</td> <td>Specifies that the current canceled warrants provision applies to PERA-General, PERA-P&F, and PERA-Correctional.</td> </tr> <tr> <td>14.</td> <td>Clarifies that the uncovered pre-membership service credit acquisition provision applies to PERA-General, PERA-P&F, and PERA-Correctional.</td> </tr> </table>	<u>Subd</u>	<u>Provision</u>	1.	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8	19.19	PERA	353.34, Subd. 1	Clarifies that the terminated employee refund provision applies to the MERF division.																																						
9	20.1	PERA-General	353.34, Subd. 6	Clarifies that the current donation, buyout, and gift provision applies to PERA-General.																																						
10	20.5	PERA	353.37, Subd. 1	Clarifies that the current reemployed annuitant salary limit provision applies to PERA-General, PERA-P&F, and PERA-Correctional and does not apply to the MERF division.																																						
11	20.24	PERA	353.37, Subd. 2	Makes conforming clarifications in the current annuity suspension for certain reemployed annuitant provision consistent with section 26.																																						
12	21.1	PERA	353.37, Subd. 3	Makes conforming clarifications in the current annuity reduction for certain reemployed annuitant provision consistent with section 26.																																						
13	21.8	PERA	353.37, Subd. 4	Makes conforming clarifications in the current annuity resumption for certain reemployed annuitant provision consistent with section 26.																																						
14	21.15	PERA	353.37, Subd. 5	Makes conforming clarifications in the current reemployed annuitant annuity effect provision consistent with section 26.																																						
15	21.23	PERA	353.46, Subd. 2	Specifies that the current deferred annuitant annuity entitlement applies to PERA-General, the MERF division, PERA-P&F, and PERA-Correctional.																																						

Summary of S.F. 2644 (Betzold); H.F. 2922 (Thissen)

Sec.	Pg.Ln	Retirement Plan	Stat. Provision	Summary
16	22.1	PERA-General	353.46, Subd. 6	Reformulates the current benefit computation provision for former consolidated MERF Coordinated Program to accommodate the creation of a MERF division in PERA.
17	23.1	MERF Division of PERA	New 353.50	<u>Subd. 1</u> provides that the MERF division and MERF division consolidation account are administered by PERA. <u>Subd. 2-6</u> transfer the current MERF membership, liabilities and service credit, records, and asset legal title to the MERF division. <u>Subd. 7, Para. (a)-(e)</u> , specify the member and employer contributions to MERF division, broadly replicating the current Minnesota Statutes, Sections 422A.10 and 422A.101, rates and requirements. Requires the use of the recently recommended MERF mortality table change for the initial post-June 30-2010, employer contribution determination. <u>Subd. 7, Para. (f)</u> , establishes a minimum annual employer contribution based on the cash flow needs of the MERF division account. <u>Subd. 8</u> provides for an eventual full consolidation of the MERF division or account into PERA-General when the MERF division is fully funded.
18	26.23	PERA-P&F	353.64, Subd. 7	Eliminates outdated retirement coverage exemption for Metropolitan Airports Commission police and firefighters.
19	27.4	Actuarial Reporting Interest and Salary Assumptions	356.215, Subd. 8	Eliminates references to MERF and sets MERF division economic actuarial assumptions.
20	31.22	Actuarial Reporting Periods & Contributions	356.215, Subd. 11	Eliminates references to MERF and implements a 2031 amortization date for the MERF division.
21	34.9	MERF Division of PERA	422A.101, Subd. 3	Redirects the current state contribution to MERF to the MERF division and provides for an increase in the MERF division state contribution by \$27.5 million after December 31, 2010, payable to 2031.
22	35.9	PERA-General	422A.26	Updates the provision requiring PERA-General membership for City of Minneapolis, Special School Dist. No. 1, and Metropolitan Airports Commission employees first hired after 1979.
23	35.24	MERF Division	Uncoded	Provides for a review of the July 1, 2010, actuarial valuation actuarial assumptions for the new MERF division by the current MERF consulting actuary and the forwarding of any recommendations to the Legislative Commission on Pensions and Retirement for consideration along with those of the PERA consulting actuary.
24	36.3	MERF Association	Uncoded	Indicates that the MERF Association can continue in operation following the administrative consolidation, but does not entitle the MERF Association to any tax-derived revenue and does not obligate PERA to extend any special privileges to the MERF Association.
25	36.15	MERF	Uncoded	Transfers two existing MERF employees to the City of Minneapolis and transfers one existing MERF employee to PERA unless the employees elect to take a severance payment.
26	37.13	--	Revisor Note	Instructs the Revisor of Statutes to renumber the remaining MERF provisions (Minnesota Statutes, Sections 422A.101, Subdivision 3, and 422A.26) in the PERA chapter.
27	37.19	--	Repealer	Repeals the bulk of the current MERF chapter and a few MERF-specific provisions in other statute chapters.
28	31.37	--	Effective Date	Provides that the article is effective on June 30, 2010.
Article 2: Conforming Changes				
1	38.4	Local Government Auditing	6.67	Eliminates statutory citation to MERF law from requirement for public accountants to report misconduct.
2	38.15	State Board of Investment	11A.23, Subd. 4	Revise a reference to PERA-General.
3	38.29	Open Meeting Law	13D.01, Subd. 1	Eliminates statutory citation to MERF law from open meeting requirement.
4	39.23	Political Subdivision Compensation Limit	43A.17, Subd. 9	Eliminates statutory cross-references to MERF law from an exemption from a compensation limit.
5	41.1	Public Employees Insurance Program	43A.316, Subd. 8	Eliminates statutory citation to MERF law from continuation of insurance coverage provision.
6	41.31	Police State Aid	69.011, Subd. 1	Eliminates statutory citation to MERF and to MERF law from Metropolitan Airports Commission eligibility for police state aid.
7	43.31	Police State Aid	69.021, Subd. 10	Eliminates obsolete references to MERF employer contributions for certain Metropolitan Airports Commission police officers and corrects reference to Rosemount, Minnesota.
8	46.35	Police State Aid	69.031, Subd. 5	Eliminates obsolete references to MERF employer contributions for certain Metropolitan Airports Commission police officers.
9	49.4	School District Tax Levies for Benefits	126C.41, Subd. 3	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.

Summary of S.F. 2644 (Betzold); H.F. 2922 (Thissen)

Sec.	Pg.Ln	Retirement Plan	Stat. Provision	Summary
10	50.1	Certain Hennepin Co. General Assistance Employees	256D.21	Replaces MERF retirement coverage references with PERA-General retirement coverage references for former Minneapolis General Assistance employees transferred to Hennepin County in 1973.
11	50.29	MSRS-General Membership Exclusions	352.01, Subd. 2b	Clarifies reference to the former MERF for non-teaching MnSCU employees who elected coverage other than MSRS-General.
12	53.25	PERA	353.03, Subd. 1	Revise a reference to PERA-General.
13	55.6	PERA	353.71, Subd. 4	Updates potential reduction of current MERF state aid to reflect MERF consolidation with PERA-General.
14	55.11	PERA	353.86, Subd. 1	Revise a reference to PERA-General.
15	55.22	PERA	353.86, Subd. 2	Revise a reference to PERA-General.
16	55.30	PERA	353.87, Subd. 1	Revise a reference to PERA-General.
17	56.7	PERA	353.87, Subd. 2	Revise a reference to PERA-General.
18	56.14	PERA	353.88	Revise a reference to PERA-General.
19	57.1	TRA	354.71	Updates a provision potentially redirecting some MERF aid to TRA by updating MERF references.
20	57.16	First Class City Teacher Retirement Plan Membership	354A.011, Subd. 27	Eliminates obsolete reference to 1955 MERF membership retention.
21	58.18	First Class City Teacher Retirement Plan Portability	354A.39	Eliminates MERF reference from service in more than one fund portability provision.
22	59.5	Annual Retirement Plan Financial Reporting	356.20, Subd. 2	Eliminates a reference to MERF.
23	59.32	Retirement Plan Consulting Actuary Selection	356.214, Subd. 1	Eliminates a reference to MERF and corrects statutory cross-references.
24	61.19	Combined Service Annuity Portability	356.30, Subd. 3	Eliminates references to MERF.
25	62.8	Combined Service Disability Portability	356.302, Subd. 1	Corrects statutory references related to MERF.
26	62.32	Combined Service Disability Portability	356.302, Subd. 7	Eliminates a reference to MERF.
27	63.20	Combined Service Portability	356.303, Subd. 4	Eliminates a reference to MERF.
28	64.11	Age 65 Proportionate Annuity	356.32, Subd. 2	Eliminates a reference to MERF.
29	64.31	Exemption From Process	356.401, Subd. 3	Eliminates a reference to MERF and to the Minneapolis Teachers Retirement Fund Association.
30	65.31	Survivor Benefit Restoration	356.407, Subd. 2	Eliminates a reference to MERF.
31	66.11	Statewide Retirement Plans	356.415, Subd. 2	Includes the MERF division of PERA in annual automatic 2.5 percent post-retirement adjustments.
32	66.31	Post-Retirement Adjustment Conversion	356.431, Subd. 1	Corrects statutory cross-references related to MERF.
33	67.5	Supplemental Needs Trust Optional Annuity	356.465, Subd. 3	Eliminates a reference to MERF.
34	67.32	Real Estate Investments	356.64	Eliminates an exception related to MERF.
35	68.9	Abandoned Pension Property	356.65, Subd. 2	Eliminates a statutory cross-reference related to MERF.
36	68.20	Retired Member Union Dues Deduction	356.91	Eliminates a reference to MERF.

Summary of S.F. 2644 (Betzold); H.F. 2922 (Thissen)

Sec.	Pg.Ln	Retirement Plan	Stat. Provision	Summary
37	69.5	Statewide Plan Appeals Process	356.96, Subd. 1	Eliminates a statutory cross-reference related to MERF.
38	69.23	Metro Sewer Employees	473.511, Subd. 3	Eliminates reference to MERF from 1994 membership election option.
39	70.30	Metropolitan Airports Commission	473.606, Subd. 5	Eliminates obsolete mandatory retirement law provision that included MERF reference.
40	71.12	Municipal Pension Debt Bonding	475.52, Subd. 6	Eliminates statutory cross-reference to MERF.
41	71.25	Transfer of District Court Employees	480.181, Subd. 2	Eliminates references to MERF.
42	72.26	--	Effective Date	Effective June 30, 2010.

Background Information on the Minneapolis Employees Retirement Fund, Establishment and Development

1. Establishment. The Minneapolis Municipal Employees Retirement Plan (MMER) was established in 1919 (Laws 1919, Chapter 522). The plan in 1919 was a combination of a defined benefit plan (a monthly benefit of \$2 per year of service credit) and a defined contribution plan (an annuity derived from accumulated member contributions). The plan did not go into effect until it was approved by Minneapolis city voters, which occurred on November 2, 1920, and actually became operational in 1922. The initial governing board of the MMER was employer representation-dominated, with three employer representatives and two member representatives, selected by a separate employer organization, the Minneapolis Municipal Employees Retirement Association.
2. Shift to Virtually Exclusive Defined Benefit Retirement Plan. In 1955 (Laws 1955, Chapter 317, Section 1), the MMER converted from a partial defined benefit/partial defined contribution retirement plan to a final average salary (high-five average) defined benefit retirement plan. While the prior combination plan, known within MMER as the "\$2 bill and annuity" plan, remained as an alternative benefit program, that alternative benefit program has essentially been unused since 1955.
3. Inclusion in the Minnesota Adjustable Fixed Benefit Fund. In 1969 (Laws 1969, Chapter 485, Section 32), the Minnesota Adjustable Fixed Benefit Fund, the predecessor to the Minnesota Post Retirement Investment Fund, was created as a State Board of Investment-administered common post-retirement adjustment mechanism for the various statewide Minnesota retirement plans and for the Minneapolis Municipal Employees Retirement Plan (MMER). Inclusion of MMER in the Minnesota Adjustable Fixed Benefit Fund required the transfer of MMER assets to the State Board of Investment in an amount equal to the retired reserves for the plan's retired members. In 1969, the Minnesota Adjustable Fixed Benefit Fund held 74 percent of the total MMER assets.
4. Conversion to the Minnesota Post Retirement Investment Fund (MPRIF). In 1980 (Laws 1980, Chapter 607, Article XV, Section 16), the Minnesota Adjustable Fixed Benefit Fund was revised and renamed as the Minnesota Post Retirement Investment Fund (MPRIF) and the Minneapolis Municipal Employees Retirement Plan (MMER), renamed as the Minneapolis Employees Retirement Fund (MERF), continued as a participating retirement fund.

While the Minnesota Adjustable Fixed Benefit Fund was basically a variable annuity program adapted to include an "original benefit amount" floor of prior benefit increase reductions and to moderate increases through a minimum threshold for increase payments and through the existence of an annuity stabilization reserve, the 1980 Minnesota Post Retirement Investment Fund was an investment-driven increase mechanism based on investment yield in excess of a five percent post-retirement interest rate actuarial assumption and providing an annual increase based on any investment yield in excess of that assumption, without any benefit reductions in the event of poor investment performance.

5. MERF Phase-Out Into PERA. In 1979 (Laws 1979, Chapter 303, Article 6, Section 10, the Minneapolis Employees Retirement Fund (MERF) was closed to new members, with new Minneapolis city and Special School District No. 1 employees having retirement coverage by the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General). The MERF closure placed the retirement plan, with approximately 3,000 retired members and 6,000 active members in 1979, on a phase-out basis. At the time of the phase-out legislation, approximately 62 percent of MMER/MERF assets had been transferred to the Minnesota Adjustable Fixed Benefit Fund.
6. MPRIF Withdrawal/MERF Retirement Benefit Fund Creation. In 1981 (Laws 1981, Chapter 298, Sections 5 through 10), the participation of Minneapolis Employees Retirement Fund (MERF), officially renamed as such, in the Minnesota Post Retirement Investment Fund (MPRIF) officially ended, the MERF retiree reserves and liabilities were transferred from the State Board of Investment to the newly created MERF Retirement Benefit Fund, and the MERF Retirement Benefit Fund was required to replicate the MPRIF mechanism and to operate identically to the MPRIF. 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 the MPRIF, MERF's participation in the MPRIF equaled 59.4 percent of the total MERF assets.

7. Conformity with 1992 MPRIF Changes. In 1992 (Laws 1992, Chapter 530), an inflation component adjustment feature was added to the Minnesota Post Retirement Investment Fund (MPRIF), capped at 3.5 percent annually, and the MERF Retirement Benefit Fund was modified identically.
8. Exclusion from 1997, 2006, and 2008 MPRIF Changes. 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 the Minneapolis Employees Retirement Fund (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), and from the termination of the Minnesota Post Retirement Investment Fund upon its falling below certain funding problem trigger factors (Laws 2008, Chapter 349, Articles 1 and 2).

Background Information on the Minneapolis Employees Retirement Fund Funding Problems

The Minneapolis Employees Retirement Fund (MERF) 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 has been better than those plans. 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, of 86 percent in 2007, 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.

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 accounting rules that shifted the valuation of the assets of the Retirement Benefit Fund from the required reserves value of that fund to the market value of that fund and by the significant economic downturn of 2008 and 2009. Employer contributions to MERF have also declined as a dollar amount, from a high of \$21.1 million in 1991, to \$11.1 million in 2001, and to \$6.1 million in 2008. As a consequence, even assuming a very favorable investment return on ten percent annually, MERF is likely to default in the payment of benefits within the decade.

Background Information on the Determination of MERF Financial Requirements and Employer Contribution Requirements

When the organizing law for the Minneapolis Employees Retirement Fund (MERF), initially named the Minneapolis Municipal Employees Retirement Plan (MMER), was enacted in 1919 (Laws 1919, Chapter 522), it included a provision specifying the financial responsibility of the City of Minneapolis. Under Laws 1919, Chapter 522, Section 14, the MERF Retirement Board was required to prepare an itemized statement before August 31 consisting of four items:

- (1) the aggregate present worth of retirement allowances chargeable to the city during the preceding July 1-June 30 period;
- (2) The net aggregate of amounts credited to MERF active members during the preceding fiscal year;
- (3) The actuarial deficit or surplus for the preceding fiscal year; and
- (4) An estimate of the requirement board's administrative expense for the succeeding fiscal year.

Under the 1919 law, the statement was required to be filed with the Minneapolis tax levy board by September 1, and the tax levy board was required to appropriate the total of items (1) and (4), plus any deficit in item (3) or less any surplus in item (3). The amount of the employer contribution obligation was required to be levied as property taxes.

In 1945 (Laws 1945, Chapter 181, Section 4), provision was made for calculating and paying the MERF employer contribution obligation for public corporations in Minneapolis, with the public corporation wholly responsible for the employer contribution obligation for its newly hired employees and its proportion of the employer contribution obligation for its employees with prior Minneapolis city employment.

In 1955 (Laws 1955, Chapter 317, Section 3), accompanying the addition of the highest five years' average salary retirement annuity to the plan, the procedure for determining the financial requirements of the retirement fund and the employer contribution obligations to the retirement fund was changed. The MERF board was required to prepare an itemized statement of fund requirements from tax revenue before August 31 annually consisting of four items:

- (1) The net administrative expenses of the retirement board after deducting an investment handling charge and a charge for handling public corporation retirement benefits;
- (2) The estimated amount of an employer regular contribution of four percent of the salaries of MERF members, less the employer regular contribution charged to public corporations;
- (3) The estimated amount of retirement annuity and benefit payments from the MERF contingent fund; and
- (4) The amount of any actuarial deficit determined by the retirement board from the actuarial valuation of the fund or a credit from any actuarial surplus.

The statement was required to be filed with the board of estimate and taxation, the city council, and other governing bodies by September 15 annually. The city council was required to levy for the employer contribution obligation and to impose public corporation costs on public corporations.

In 1957 (Laws 1957, Chapter 727, Section 3), the 1955 public corporation obligation provision was expanded to include public commissions and provision was made for crediting the service of and bearing the cost of prior service rendered for a public corporation.

In 1969 (Laws 1969, Chapter 914, Section 6), accompanying the inclusion of MERF in the statewide post-retirement investment, the financial requirements statement computation was modified and expanded by allowing a deduction for amounts contributed for the current cost of future retirement benefits of a public corporation, by substituting the amounts required to be transferred to the Minnesota Post Retirement Investment Fund other than for public corporation employers, by adding the cost of a new survivor's benefit program other than for public corporation employers, by adding the cost of any levies or financing required by statute, and by adding a maximum employer obligation amount for everything other than the survivor benefit program cost that was set at the normal cost in excess of the MERF member contribution rate, the administrative expenses of MERF, interest on the MERF unfunded actuarial accrued liability at 3.5 percent per year, and a principal amortization payment by 1997.

In 1973 (Laws 1973, Chapter 133, Section 8), with the recodification of the MERF law, the MERF financial requirements and employer contribution obligation determination was substantively unchanged from the 1969 law, but was separated into various subdivisions. Also in 1973 (Laws 1973, Chapter 770, Section 2), the interest charge on the unfunded actuarial accrued liability was increased from 3.5 percent to five percent.

In 1974 (Laws 1974, Chapter 73, Section 1), the amount of the employer regular contribution was increased from six percent to 7.25 percent of the salaries of MERF members.

In 1977 (Laws 1977, Chapter 399, Section 13), accompanying the creation of the MERF Coordinated Program, the MERF amortization contribution full funding date was extended from 1997 until 2017.

In 1979 (Laws 1979, Chapter 303, Article 6, Section 6), as part of the tax bill for that session and a revision of local government aids, and accompanying the phase-out of MERF into the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), the procedure for the determination of the MERF financial requirements and the MERF employing unit contribution obligations was totally revised, with Minnesota Statutes, Section 422A.101, effectively replacing Minnesota Statutes 1978, Section 422A.08. The MERF board was required to prepare an itemized statement of the MERF financial requirements before August 31 annually for submission to the board of estimate and taxation and to the city council by September 15. The financial requirements payable by the city of Minneapolis are a combination of three items:

- (1) the balance of the normal cost and administrative expenses percentage of the retirement plan beyond the member contribution and any amounts payable by city public corporations, utilities, or commissions, municipal government, or Special School District No. 1, applied to the MERF covered payroll;
- (2) an additional employer contribution equal to the employer additional contribution percentage rate of the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) applied to the MERF covered payroll and reduced by any 2017 amortization contribution payments from city public corporations, utilities, or commissions, municipal government, or Special School District No. 1; and
- (3) the proportional share of the additional employer amortization contribution of \$3.9 million until 2017.

The financial requirements for city public corporations, utilities, or commissions, metropolitan government, or Special School District No. 1 were calculated comparably to those of the City of Minneapolis. The State of Minnesota was obligated to pay the balance of the MERF actuarial requirements beyond the financial requirements of MERF beyond those of the city of Minneapolis or other MERF employing units.

In 1980 (Laws 1980, Chapter 614, Section 148), the appropriation language for the state contribution to MERF was revised to specify that the state was mandated to make MERF payments.

In 1981 (Laws 1981, Chapter 224, Sections 186 and 276, Commission staff generated clarification legislation, the financial requirements to determination procedures formerly contained in Minnesota Statutes 1980, Section 422A.08, Subdivisions 2, 3, 4, and 6, were reunited with the MERF employer contribution determination procedures shifted to Minnesota Statutes, Section 422A.101, in 1979, and the former financial provisions were repealed. Also in 1981 (Laws 1981, Chapter 298, Section 11), as part of the creation of the Retirement Benefit Fund within MERF and MERF's transfer out of the Minnesota Post Retirement Investment Fund, the name of the Minneapolis Municipal Employees Retirement Plan (MMER) was changed to Minneapolis Employees Retirement Fund (MERF). During the 1981 First Special Session (First Special Session Laws 1981, Chapter 1, Article 10, Section 22), the payment dates for the state contributions to MERF were set in four equal quarterly installments.

During the 1985 First Special Session (First Special Session Laws 1985, Chapter 13, Section 331), the Metropolitan Waste Control Commission and the Metropolitan Airports Commission additional amortization contributions to MERF were made payable in four equal installments, are those contributions attributable to the MERF unfunded actuarial accrued liabilities attributable to employees of those commissions, and are those contributions determined by the actuary retained by the Legislative Commission on Pensions and Retirement.

In 1987 (Laws 1987, Chapter 259, Section 70), in legislation developed by the Commission staff clarifying the responsibilities of the actuary retained by the Commission, the MERF financial requirements were required to be determined by the MERF board in consultation with the Commission-retained actuary, the MERF administrative expense obligation was clarified as the most recent actuarial valuation expense figure multiplied by the factor of 1.035, and the value of assets for determining the MERF unfunded actuarial accrued liability for amortization contribution purposes was specified as the actuarial value of assets for active member assets and the actuarial required reserves for retired member assets.

In 1988 (Laws 1988, Chapter 718, Article 7, Section 56), in school aids legislation, MERF contributions by Special School District No. 1 were clarified as payable monthly and interest and penalties for late payments were specified.

In 1989 (Laws 1989, Chapter 329, Article 9, Section 28), in school aids legislation, the late payment penalty for late Special School District No. 1 contributions to MERF added in 1988 was eliminated.

In 1991 (Laws 1991, Chapter 345, Article 4, Section 10), in State Departments appropriation legislation, in legislative changes sought by the MERF board following the resignation of John Chenoweth as MERF Executive Director, investment transaction expenses of the MERF Deposit Accumulation Fund were excluded from the administrative expense financial requirement charge, the MERF amortization date was extended from 2017 to 2020, the Metropolitan Airports Commission and Metropolitan Waste Control Commission employer contributions were increased to include a proportionate share of a \$1 million employer amortization contribution, an annual maximum of \$10,455,000 was set on the state contribution maximum, an extra employer additional contribution requirement was imposed for MERF amortization contribution requirements in excess of the state contribution maximum, and a special additional employer contribution was imposed if the MERF Deposit Accumulation Fund has insufficient assets to make a required reserve transfer to the MERF Retirement Benefit fund (the so-called "liquidity trigger" contribution).

In 1992 (Laws 1992, Chapter 480, Section 1), the financial obligation for the MERF Deposit Accumulation Fund investment expenses other than investment transaction expenses was modified from the full amount of each year's expense to the expense amount amortized through 2020.

In 1993 (Laws 1993, Chapter 307, Article 10, Section 5), the dates for the preparation and reporting of the MERF financial requirements were changed from August 31 and September 15, respectively, to July 31 in each case and the prior year's investment expense multiplied by a factor procedure was replaced by a MERF board estimate of the figure.

In 1997 (Laws 1997, Chapter 202, Article 2, Section 48), as part of the State Departments appropriation legislation, the maximum on the state contribution to MERF was reduced from \$10,455,000 to \$9,000,000 beginning Fiscal Year 1999 and the trigger for the extra employer additional contribution requirement in excess of the state funding maximum was reset from \$10,455,000 to \$11,910,000.

In 1999 (Laws 1999, Chapter 222, Article 17, Section 3), the liquidity trigger additional employer contribution for a MERF employing unit is required to be billed by the MERF Executive Director and a six percent interest charge is made payable for any MERF Deposit Accumulation Fund deficiency payment.

In 2000 (Laws 2000, Chapter 488, Article 12, Section 18), the state contributions to MERF were made payable in a single amount, not as four installments, on September 15.

In 2007 (Laws 2007, Chapter 134, Article 8, Section 7), accompanying the elimination of the liquidity trigger special additional employer contribution amount, the trigger amount for the extra employer additional contribution requirement in excess of the state funding maximum under Section 422A.101, Subdivision 3, was reduced from \$11,910,000 to \$9,000,000.

Background Information on the Minneapolis Employees Retirement Fund State Contribution

- a. Establishment. The state contribution to the Minneapolis Employees Retirement Fund (MERF) was established in 1979 (Laws 1979, Ch. 303, Art. 6, Sec. 9). The requirement is contained in Minnesota Statutes, Sec. 422A.101, Subd. 3. The addition of a state contribution to MERF accompanied a reduction in the local government aid payable to the City of Minneapolis (see Laws 1979, Ch. 303, Art. VI, Sec. 3, Para. (a), Cl. (2)) and represented an attempt by the Legislature to freeze the Minneapolis city contribution to the plan. The state contribution was part of the 1979 tax bill.
- b. Source of the State Contribution to MERF. The state contribution to MERF is funded by an open and standing appropriation from the State General Fund.
- c. Qualification Requirements for Receipt of the MERF State Contribution. 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 retained by the Legislative Commission on Pensions and Retirement before 2005, by the consulting actuary retained jointly by the various retirement plan administrators after 2004 and before 2008, and by the consulting actuary retained by the MERF board of trustees after 2007, and of the MERF financial requirements prepared by the MERF Board under Minnesota Statutes, Sec. 422A.101, Subd. 1.

- d. Amount of the MERF State Contribution. Since 1980, the annual State General Fund contribution to MERF has been as follows:

State General Fund Contribution to MERF					
Fiscal Year	State Contribution	Percent Change	Fiscal Year	State Contribution	Percent Change
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	8,064,635	13.70
1991	11,919,000	1.16	2006	9,000,000	11.60
1992	10,455,000	-12.28	2007	9,000,000	--
1993	10,455,000	--	2008	8,866,510	-1.48
1994	10,455,000	--			

For the period 1988-2008, the MERF state contribution has declined by an average annual compounded rate of change of 3.125 percent.

The state contribution to MERF was capped at \$10,455,000 in 1991 (Laws 1991, Ch. 345, Art. 4, Sec. 10) and was further capped at \$9,000,000 in 1998 (Laws 1998, Ch. 397, Art. 11, Sec. 3). MERF financial requirements remaining after deducting the expected amount of member contributions, the maximum amount of the state contribution, and the frozen city contribution were made payable by the City of Minneapolis as an additional contribution in the 1991 and 1998 legislation.

- e. Permissible Uses of MERF State Contribution. 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.

(MERF)

Background Information on the MERF Funded Condition and Financial Requirements

Minneapolis Employees Retirement Fund

	2009	2008	2007*	2007**	2006	2005	2004
Membership							
Active Members	174	211	266	266	335	462	552
Service Retirees	3,468	3,577	3,665	3,665	3,736	3,737	3,791
Disabllitants	146	154	163	163	172	185	191
Survivors	879	915	943	943	974	986	999
Deferred Retirees	120	134	156	156	172	174	181
Nonvested Former Members	0	0	0	0	0	0	0
Total Membership	4,787	4,991	5,193	5,193	5,389	5,544	5,714
Funded Status							
Accrued Liability	\$1,575,011,525	\$1,588,989,841	\$1,610,881,229	\$1,610,881,229	\$1,617,653,312	\$1,624,354,645	\$1,643,139,996
Current Assets	\$880,133,155	\$1,214,305,152	\$1,383,741,762	\$1,494,081,069	\$1,490,280,063	\$1,489,713,085	\$1,513,388,863
Unfunded Accrued Liability	\$694,878,370	\$374,684,689	\$227,139,467	\$116,800,160	\$127,373,249	\$134,641,560	\$129,751,133
Funding Ratio	55.88%	76.42%	85.90%	92.75%	92.13%	91.71%	92.10%
Financing Requirements							
Covered Payroll	\$10,841,852	\$12,697,639	\$15,855,833	\$15,855,833	\$19,530,474	\$26,614,747	\$31,019,951
Benefits Payable	\$148,741,747	\$148,221,483	\$147,030,771	\$147,030,771	\$143,899,637	\$140,512,982	\$137,235,498
Normal Cost	\$1,152,674	\$1,546,554	\$2,834,810	\$2,834,810	\$3,526,072	\$4,865,581	\$5,725,402
Administrative Expenses	\$998,120	\$925,074	\$898,893	\$898,893	\$1,031,557	\$967,829	\$953,670
Normal Cost & Expense	\$2,150,794	\$2,471,628	\$3,733,703	\$3,733,703	\$4,557,629	\$5,833,410	\$6,679,072
Normal Cost & Expense	\$2,150,794	\$2,471,628	\$3,733,703	\$3,733,703	\$4,557,629	\$5,833,410	\$6,679,072
Amortization	\$88,221,359	\$45,056,846	\$25,968,871	\$13,708,153	\$14,058,728	\$14,147,294	\$13,147,076
Total Requirements	\$90,372,153	\$47,528,474	\$29,702,574	\$17,441,856	\$18,616,357	\$19,980,704	\$19,826,148
Employee Contributions	\$1,057,081	\$1,238,020	\$1,545,944	\$1,545,944	\$1,904,221	\$2,594,938	\$3,024,445
Employer Contributions	\$7,481,962	\$6,093,597	\$6,512,695	\$6,512,695	\$7,349,456	\$8,076,247	\$8,385,962
Employer Add'l Cont.	\$150,590	\$345,011	\$303,395	\$303,395	\$362,680	\$309,518	\$351,106
Direct State Funding	\$9,000,000	\$9,000,000	\$8,872,822	\$8,872,822	\$9,000,000	\$9,000,000	\$8,064,635
Other Govt. Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative Assessment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Contributions	\$17,689,633	\$16,676,628	\$17,234,856	\$17,234,856	\$18,616,357	\$19,980,703	\$19,826,148
Total Requirements	\$90,372,153	\$47,528,474	\$29,702,574	\$17,441,856	\$18,616,357	\$19,980,704	\$19,826,148
Total Contributions	\$17,689,633	\$16,676,628	\$17,234,856	\$17,234,856	\$18,616,357	\$19,980,703	\$19,826,148
Deficiency (Surplus)	\$72,682,520	\$30,851,846	\$12,467,118	\$0	\$0	\$0	\$0
Amortization Target Date	2020	2020	2020	2020	2020	2020	2020
Actuary	Gabriel Roeder Smith	Gabriel Roeder Smith	Segal	Segal	Segal	Segal	Segal

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

* Reflects 2007 Asset Valuation Method change

(MERF)

Minneapolis Employees Retirement Fund

Actuarial Valuation Data

	2003	2002	2001	2000	1999	1998	1997	1996
Memberships								
Active Members	705	836	959	1,152	1,363	1,551	1,678	1,782
Service Retirees	3,749	3,780	3,796	3,757	3,670	3,637	3,693	3,742
Disability	197	205	207	213	216	219	209	230
Survivors	1,014	1,036	1,040	1,056	1,064	1,052	1,048	1,023
Deferred Retirees	189	200	210	233	242	238	64	78
Nonvested Former Members	0	0	0	0	0	0	178	172
Total Memberships	5,854	6,057	6,212	6,411	6,555	6,697	6,870	7,027
Funded Status								
Accrued Liability	\$1,645,921,000	\$1,667,871,000	\$1,615,972,000	\$1,515,963,000	\$1,434,147,000	\$1,350,683,000	\$1,283,763,000	\$1,266,324,000
Current Assets	\$1,519,421,000	\$1,540,221,000	\$1,507,159,000	\$1,416,491,000	\$1,327,660,000	\$1,207,065,000	\$1,081,106,000	\$1,018,540,000
Unfunded Accrued Liability	\$126,500,000	\$127,650,000	\$108,813,000	\$99,471,000	\$106,487,000	\$143,618,000	\$202,657,000	\$247,784,000
Funding Ratio	92.31%	92.35%	93.27%	93.44%	92.57%	89.37%	84.21%	80.43%
Financing Requirements								
Covered Payroll	\$38,461,000	\$45,204,000	\$48,688,000	\$56,392,000	\$66,637,000	\$70,132,000	\$73,360,000	\$75,356,000
Benefits Payable	\$134,408,000	\$130,777,000	\$120,415,000	\$107,373,000	\$95,767,000	\$87,829,000	\$83,277,000	\$78,659,000
Normal Cost	\$6,884,000	\$8,121,000	\$8,730,000	\$10,210,000	\$12,104,000	\$12,765,000	\$13,440,000	\$13,940,860
Administrative Expenses	\$973,000	\$985,000	\$935,000	\$979,000	\$1,100,000	\$1,167,000	\$1,265,000	\$1,303,659
Normal Cost & Expense	\$7,867,000	\$9,106,000	\$9,665,000	\$11,189,000	\$13,204,000	\$13,932,000	\$14,705,000	\$15,244,519
Normal Cost & Expense Amortization	\$7,867,000	\$9,106,000	\$9,665,000	\$11,189,000	\$13,204,000	\$13,932,000	\$14,705,000	\$15,244,519
Total Requirements	\$12,326,000	\$11,974,000	\$10,676,000	\$9,587,000	\$9,886,000	\$11,879,000	\$16,409,000	\$19,223,316
	\$20,193,000	\$21,080,000	\$20,341,000	\$20,775,000	\$23,090,000	\$25,811,000	\$31,114,000	\$34,467,834
Employee Contributions	\$3,750,000	\$4,407,000	\$4,747,000	\$5,498,000	\$6,497,000	\$6,838,000	\$7,153,000	\$7,347,210
Employer Contributions	\$9,049,000	\$9,810,000	\$11,084,000	\$12,046,000	\$13,369,000	\$12,872,000	\$13,419,000	\$16,668,747
Employer Add'l Cont.	\$301,000	\$231,000	\$0	\$0	\$0	\$0	\$0	\$0
Direct State Funding	\$7,093,000	\$6,632,000	\$4,510,000	\$3,232,000	\$3,224,000	\$5,892,000	\$10,455,000	\$10,451,877
Other Govt. Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative Assessment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Contributions	\$20,193,000	\$21,080,000	\$20,341,000	\$20,775,000	\$23,090,000	\$25,602,000	\$31,027,000	\$34,467,834
Total Requirements	\$20,193,000	\$21,080,000	\$20,341,000	\$20,775,000	\$23,090,000	\$25,811,000	\$31,114,000	\$34,467,834
Total Contributions	\$20,193,000	\$21,080,000	\$20,341,000	\$20,775,000	\$23,090,000	\$25,602,000	\$31,027,000	\$34,467,834
Deficiency (Surplus)	\$0	\$0	\$0	\$0	\$0	\$209,000	\$87,000	\$0
Amortization Target Date	2020	2020	2020	2020	2020	2020	2020	2020
Actuary	Milliman USA	Milliman USA	Milliman USA	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson

(MERF)

Minneapolis Employees Retirement Fund

Actuarial Valuation Data

	1995	1994	1993	1992	1991	1990	1989	1988
Membership								
Active Members	2,036	2,169	2,321	2,459	2,586	2,730	2,905	3,084
Service Retirees	3,657	3,683	3,670	3,681	3,712	3,688	3,687	3,676
Disability	240	241	244	246	246	258	265	267
Survivors	987	968	970	978	943	942	945	948
Deferred Retirees	86	87	87	91	90	97	96	95
Nonvested Former Members	181	190	186	177	183	184	193	196
Total Membership	7,187	7,338	7,478	7,632	7,760	7,899	8,093	8,266
Funded Status								
Accrued Liability	\$1,230,966,000	\$1,207,396,000	\$1,172,908,000	\$1,129,421,000	\$1,119,876,000	\$1,088,255,000	\$1,042,847,000	\$979,146,000
Current Assets	\$564,886,000	\$909,342,000	\$888,587,000	\$838,094,000	\$823,957,000	\$828,509,000	\$776,522,000	\$716,780,000
Unfunded Accrued Liability	\$266,080,000	\$298,054,000	\$284,321,000	\$291,327,000	\$295,919,000	\$259,746,000	\$266,325,000	\$262,366,000
Funding Ratio	78.38%	75.31%	75.76%	74.21%	73.58%	76.13%	74.46%	73.20%
Financing Requirements								
Covered Payroll	\$83,448,000	\$86,132,000	\$89,200,000	\$92,254,000	\$92,810,000	\$92,682,000	\$96,171,000	\$95,637,000
Benefits Payable	\$74,304,000	\$71,261,000	\$67,092,000	\$63,691,000	\$62,513,000	\$58,099,000	\$53,861,000	\$49,550,000
Normal Cost	\$15,471,259	\$16,037,778	\$16,662,560	\$17,408,330	\$16,677,957	\$18,193,477	\$18,926,453	\$19,022,199
Administrative Expenses	\$1,176,617	\$1,455,631	\$1,962,400	\$2,555,436	\$2,756,457	\$750,724	\$634,729	\$506,876
Normal Cost & Expense	19.95%	20.31%	20.88%	21.64%	20.94%	20.44%	20.34%	20.42%
Normal Cost & Expense	19.95%	20.31%	20.88%	21.64%	20.94%	20.44%	20.34%	20.42%
Amortization	\$20,469,794	\$22,308,188	\$20,953,080	\$21,153,842	\$21,197,804	\$17,340,802	\$17,474,271	\$16,946,876
Total Requirements	\$37,117,670	\$39,801,597	\$39,578,040	\$41,117,608	\$40,632,218	\$36,285,003	\$37,035,452	\$36,475,952
Employee Contributions	\$8,136,180	\$8,397,870	\$8,697,000	\$8,994,765	\$9,048,975	\$9,036,495	\$9,376,673	\$9,324,608
Employer Contributions	\$18,525,456	\$20,947,302	\$20,426,800	\$21,670,465	\$21,132,837	\$16,404,714	\$16,724,137	\$16,755,602
Employer Add'l Cont.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Direct State Funding	\$10,456,034	\$10,456,425	\$10,454,240	\$10,452,378	\$10,450,406	\$10,843,794	\$10,934,643	\$10,395,742
Other Govt. Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative Assessment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Contributions	\$37,117,670	\$39,801,597	\$39,578,040	\$41,117,608	\$40,632,218	\$36,285,003	\$37,035,452	\$36,475,952
Total Requirements	\$37,117,670	\$39,801,597	\$39,578,040	\$41,117,608	\$40,632,218	\$36,285,003	\$37,035,452	\$36,475,952
Total Contributions	\$37,117,670	\$39,801,597	\$39,578,040	\$41,117,608	\$40,632,218	\$36,285,003	\$37,035,452	\$36,475,952
Deficiency (Surplus)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization Target Date	2020	2020	2020	2020	2020	2017	2017	2017
Actuary	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Milliman & Robertson	Wyatt	Wyatt	Wyatt

(MERF)

Minneapolis Employees Retirement Fund

Actuarial Valuation Data

	1987	1985	1984	1983	1982	1980	1979
Membership							
Active Members	3,293	3,812	4,107	4,401	4,717	5,314	5,815
Service Retirees	3,615	3,459	3,396	3,337	3,214	3,051	2,993
Disability	274	261	327	324	322	288	280
Survivors	941	938	883	841	828	818	798
Deferred Retirees	95	101	298	295	326	358	353
Nonvested Former Members	197	197	0	0	0	0	0
Total Membership	8,415	8,768	9,011	9,198	9,407	9,829	10,239
Funded Status							
Accrued Liability	\$910,196,000	\$791,325,000	\$796,661,103	\$648,277,112	\$584,412,972	\$496,257,931	\$456,812,477
Current Assets	\$656,719,000	\$529,066,000	\$496,128,260	\$454,592,640	\$387,632,075	\$308,267,454	\$272,727,906
Unfunded Accrued Liability	\$253,477,000	\$262,259,000	\$300,532,843	\$193,684,472	\$196,780,897	\$187,990,477	\$184,084,571
Funding Ratio	72.15%	66.86%	62.28%	70.12%	66.33%	62.12%	59.70%
Financing Requirements							
Covered Payroll	\$96,046,000	\$99,740,000	\$98,899,362	\$101,273,496	\$98,214,440	\$94,689,957	\$93,307,004
Benefits Payable	\$44,216,000	\$36,260,000	\$32,518,348	\$27,980,640	\$23,539,172	\$20,023,030	\$18,382,696
Normal Cost	\$19,247,618	\$20,057,714	\$21,045,784	\$21,277,562	\$20,909,854	\$20,434,093	\$20,247,620
Administrative Expenses	\$470,625	\$359,064	\$801,085	\$759,551	\$658,037	\$549,202	\$354,567
Normal Cost & Expense	\$19,718,244	\$20,416,778	\$21,846,869	\$22,037,113	\$21,567,891	\$20,983,294	\$20,602,186
Amortization	\$19,718,244	\$20,416,778	\$21,846,869	\$22,037,113	\$21,567,891	\$20,983,294	\$20,602,186
Total Requirements	\$16,126,123	\$16,227,698	\$19,067,797	\$13,722,559	\$13,416,093	\$11,684,741	\$11,168,848
Employee Contributions	\$9,364,485	\$9,724,650	\$9,642,688	\$9,904,548	\$9,605,372	\$8,313,778	\$7,464,560
Employer Contributions	\$16,817,655	\$17,434,552	\$18,573,300	\$18,563,432	\$18,316,993	\$18,937,991	\$19,370,534
Employer Add'l Cont.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Direct State Funding	\$9,681,437	\$9,485,274	\$12,698,678	\$7,291,692	\$7,061,618	\$5,416,266	\$4,935,941
Other Govt. Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative Assessment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Contributions	\$26,182,166	\$36,644,476	\$40,914,666	\$35,759,671	\$34,983,984	\$32,668,035	\$31,771,035
Total Requirements	\$35,844,367	\$36,644,476	\$40,914,666	\$35,759,671	\$34,983,984	\$32,668,035	\$31,771,035
Total Contributions	\$26,182,166	\$36,644,476	\$40,914,666	\$35,759,671	\$34,983,984	\$32,668,035	\$31,771,035
Deficiency (Surplus)	(\$9,662,202)	\$0	\$0	\$0	\$0	\$0	\$0
Amortization Target Date	2017	2017	2017	2017	2017	2017	2017
Actuary	Wyatt	Wyatt	Flott	Flott	Flott	Flott	Flott

(MERF)

Minneapolis Employees Retirement Fund

Actuarial Valuation Data

	1978	1977	1976	1975	1974	1973	1972	1971
Membership								
Active Members	6,343	6,524	6,542	6,591	6,437	6,402	6,106	
Service Retirees	2,869	2,767	2,544	2,453	2,393	2,359	2,348	
Disabilitants	250	223	139	107	81	70	66	
Survivors	782	862	702	671	634	579	546	
Deferred Retirees	139	116	99	74	63	49	34	
Nonvested Former Members	0	0	0	0	0	0	0	
Total Membership	10,383	10,511	10,026	9,896	9,608	9,459	9,100	
Funded Status								
Accrued Liability	\$423,153,583	\$392,701,603	\$361,549,278	\$305,464,641	\$272,518,065	\$259,555,139	\$219,098,455	\$201,200,293
Current Assets	\$245,356,068	\$217,914,111	\$186,736,101	\$164,251,048	\$144,440,831	\$135,363,598	\$113,535,582	\$96,396,065
Unfunded Accrued Liability	\$177,797,515	\$174,787,492	\$174,813,177	\$141,213,593	\$128,077,234	\$124,191,541	\$105,562,873	\$104,804,228
Funding Ratio	57.98%	55.49%	51.65%	53.77%	53.00%	52.15%	51.82%	47.91%
Financing Requirements								
Covered Payroll	\$92,581,478	\$84,751,013	\$81,427,359	\$75,114,337	\$67,158,889	\$62,236,209	\$59,110,616	\$54,462,387
Benefits Payable	\$16,672,152	\$15,284,485	\$13,082,973	\$11,376,485	\$10,123,644	\$9,301,090	\$6,801,408	\$6,286,136
Normal Cost	\$19,905,018	\$18,713,024	\$18,036,160	\$15,916,728	\$14,190,673	\$11,725,302	\$10,953,197	\$10,086,434
Administrative Expenses	\$518,456	\$406,805	\$390,851	\$338,015	\$295,499	\$251,392	\$200,976	\$163,387
Normal Cost & Expense	22.06%	22.56%	22.63%	21.64%	21.57%	19.26%	18.87%	18.82%
Normal Cost & Expense	22.06%	22.56%	22.63%	21.64%	21.57%	19.26%	18.87%	18.82%
Amortization	\$10,822,775	\$10,212,497	\$13,647,225	\$10,733,839	\$9,516,415	\$9,005,579	\$6,425,324	\$6,203,266
Total Requirements	33.75%	34.61%	39.39%	35.93%	35.74%	33.73%	29.74%	30.21%
Employee Contributions	\$7,332,453	\$6,780,081	\$6,514,189	\$6,009,147	\$5,372,711	\$4,817,083	\$3,989,967	\$3,676,211
Employer Contributions	\$23,913,796	\$22,552,245	\$25,560,048	\$20,979,434	\$18,629,876	\$16,175,191	\$13,589,531	\$12,776,876
Employer Add'l Cont.	\$0	\$0	\$0	\$0	\$0	\$0	\$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	33.75%	34.61%	39.39%	35.93%	35.74%	33.73%	29.74%	30.21%
Total Requirements	33.75%	34.61%	39.39%	35.93%	35.74%	33.73%	29.74%	30.21%
Total Contributions	33.75%	34.61%	39.39%	35.93%	35.74%	33.73%	29.74%	30.21%
Deficiency (Surplus)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Amortization Target Date	2017	2017	1997	1997	1997	1997	1997	1997
Actuary	Flott	Flott	Flott	Flott	Flott	Flott	Flott	Flott

Minneapolis Employees Retirement Fund

Actuarial Valuation Data

	1970	1969	1968	1967	1958	1943
Membership						
Active Members	5,632	5,495	5,386	--	5,376	4,192
Service Retirees	2,333	2,211	2,214	--	2,225	907
Disability	62	175	172	--	0	76
Survivors	506	469	442	--	50	--
Deferred Retirees	29	33	0	--	0	--
Nonvested Former Members	0	0	0	--	0	--
Total Membership	8,562	8,383	8,214	--	7,651	5,175
Funded Status						
Accrued Liability	\$183,347,084	\$166,996,313	\$115,930,469	\$113,011,270	\$85,646,166	\$9,395,487
Current Assets	\$85,213,407	\$82,657,259	\$78,447,124	\$71,609,991	\$28,248,013	\$281,221
Unfunded Accrued Liability	\$98,133,677	\$84,339,054	\$37,483,345	\$41,401,279	\$57,398,153	\$9,114,266
Funding Ratio	46.48%	49.50%	67.67%	63.37%	32.98%	2.99%
Financing Requirements						
Covered Payroll	\$48,109,110	\$42,723,289	\$38,800,000	--	\$25,075,896	--
Benefits Payable	\$6,050,826	\$5,846,464	\$5,700,000	--	\$2,942,817	--
Normal Cost	\$8,919,429	\$7,925,170	--	--	\$4,563,813	\$1,079,090
Administrative Expenses	\$125,084	\$128,170	--	--	\$0	0
Normal Cost & Expense	18.80%	18.85%	18.85%	18.20%	18.20%	\$1,079,090
Normal Cost & Expense Amortization	11.81%	11.17%	--	--	3.10%	\$281,865
Total Requirements	30.61%	30.02%	--	--	21.30%	\$1,360,955
Employee Contributions	6.75%	6.75%	--	--	6.00%	\$524,000
Employer Contributions	23.86%	23.27%	--	--	10.00%	\$555,000
Employer Add'l Cont.	0.00%	0.00%	--	--	0.00%	\$0
Direct State Funding	0.00%	0.00%	--	--	0.00%	\$0
Other Govt. Funding	0.00%	0.00%	--	--	0.00%	\$0
Administrative Assessment	0.00%	0.00%	--	--	0.00%	\$0
Total Contributions	30.61%	30.02%	--	--	16.00%	\$1,079,090
Total Requirements	30.61%	30.02%	--	--	21.30%	\$1,360,955
Total Contributions	30.61%	30.02%	--	--	16.00%	\$1,079,090
Deficiency (Surplus)	0.00%	0.00%	--	--	5.30%	\$281,865
Amortization Target Date	1997	1997	--	--	1997	1997
Actuary	Flott	Flott	Flott	Brown & Flott	Brown & Flott	Brown

1.1 moves to amend S.F. No. 2644; H.F. No. 2922, as follows:

1.2 Page 25, line 5, after "(e)" insert "Annually after June 30, 2012,"

1.3 Page 25, line 12, after "division" insert "and based on a June 30, 2031, amortization
1.4 date"

1.5 Page 25, line 13, delete "\$9,000,000" and insert "\$36,500,000"

1.6 Page 25, line 18, delete "2010" and insert "2012"

1.7 Page 25, line 26, after "\$9,000,000" insert "or \$36,500,000, whichever applies"

1.8 Page 26, after line 7, insert:

1.9 "Subd. 7a. **Minneapolis Municipal Retirement Association dues.** If authorized
1.10 by an annuitant or retirement benefit recipient in writing on a form prescribed by the
1.11 executive director of the Public Employees Retirement Association, the executive director
1.12 shall deduct the dues for the Minneapolis Municipal Retirement Association from the
1.13 person's annuity or retirement benefit. This dues deduction authority expires upon the
1.14 eventual full consolidation of the MERF account under subdivision 8."

1.15 Page 26, line 8, before "Once" insert "(a)"

1.16 Page 26, line 9, after "exceeds" insert "80 percent of"

1.17 Page 26, line 16, after the period insert:

1.18 "(b) If the market value of the MERF division account is less than 100 percent of the
1.19 actuarial accrued liability of the MERF division under paragraph (a), the total employer
1.20 contribution of employing units referenced in subdivision 7, paragraph (e), for the period
1.21 after the full consolidation and June 30, 2031, to amortize on a level annual dollar payment
1.22 the remaining unfunded actuarial accrued liability of the former MERF division account
1.23 on the full consolidation date by June 30, 2031, shall be calculated by the consulting
1.24 actuary retained under section 356.214 using the applicable postretirement interest rate
1.25 actuarial assumption for the general employees retirement plan under section 356.215.
1.26 The actuarial accrued liability of the MERF division must be calculated using the healthy
1.27 retired life mortality assumption applicable to the general employees retirement plan.

1.28 (c)"

1.29 Page 26, line 18, after the period insert:

1.30 "(d)"

1.31 Page 26, after line 22, insert:

1.32 "Subd. 9. **Merger of former MERF membership groups into PERA-general.**
1.33 If provided for in an agreement between the board of trustees of the Public Employees
1.34 Retirement Association and the governing board of an employing unit formerly with
1.35 retirement coverage provided for its employees by the former Minneapolis Employees
1.36 Retirement Fund, an employing unit may transfer sufficient assets to the general

2.1 employees retirement fund to cover the anticipated actuarial accrued liability for its
2.2 current or former employees that is in excess of MERF division account assets attributable
2.3 to those employees, have those employees be considered full members of the general
2.4 employees retirement plan, and be relieved of any further contribution obligation to the
2.5 general employees retirement plan for those employees under this section. Any agreement
2.6 under this subdivision and any actuarial valuation report related to a merger under this
2.7 subdivision must be submitted to the executive director of the Legislative Commission on
2.8 Pensions and Retirement for comment prior to the final execution."

2.9 Page 34, line 28, after "\$27,500,000" insert "annually" and after "2012" insert ", and "

2.10 Page 34, line 29, after "(d)" insert "Annually and after June 30, 2012,"

2.11 Page 36, line 28, after the period insert "Upon the transfer of the employee, the
2.12 Minneapolis Employees Retirement Fund shall transfer assets to the city of Minneapolis
2.13 equal to the present value of any accumulated unused vacation or sick leave balances as
2.14 of the date of transfer."

2.15 Page 37, line 7, after the period insert "Upon the transfer of the employee, the
2.16 executive director of the Public Employees Retirement Association shall deduct from
2.17 any assets transferred under section 353.50 an amount equal to the present value of any
2.18 accumulated unused vacation or sick leave balances as of the date of transfer."

- 1.1 moves to amend S.F. No. 2644; H.F. No. 2922, as follows:
- 1.2 Page 23, line 26, delete "June 30" and insert "July 29"
- 1.3 Page 23, line 27, delete "July 1" and insert "June 30"
- 1.4 Page 23, line 33, delete "July 1" and insert "June 30"