February 13, 2013 Letter to Chair Haigh

Representatives Hornstein and Kahn and Senators Dibble and Hayden

March 1, 2013 Council Response

from Met Council

Minnesota
Senate

State Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, Minnesota 55155

Minnesota
House

State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, Minnesota 55155

February 13, 2013

Metropolitan Council
FEB 15 2013
Received Chair's Office

Susan Haigh, Chair
Metropolitan Council
390 N Robert St.
St Paul, MN 55101

Dear Chair Haigh:

We are aware of the difference of opinion over whether the Metropolitan Council is responsible for payment of supplemental contributions required by the 2010 legislation transferring the Minneapolis Employees Retirement Fund (MERF) to the Public Employees Retirement Association of Minnesota (PERA). The merger legislation, as you may be aware, was necessitated by the fact that the MERF funding system was structurally deficient and projected to default in its obligations to retirees sometime between 2016 and 2022. The merger legislation required MERF employers to make supplemental contributions to PERA to address a portion of the funding shortfall. The supplemental contributions required by the 2010 legislation were a new statutory requirement, independent of and in addition to any funding obligations under the then-existing MERF statutory merger scheme. It was our intent that all MERF employers, including the Metropolitan Council, would be obligated to pay these supplemental contributions according to their proportion of MERF-participating employees.

We are aware of the 2002 agreement between the City of Minneapolis and the Metropolitan Council that resulted in the consolidation of the Metropolitan Council account into the City's account at MERF. We understand that this agreement was entered into as a courtesy to the Met Council and MERF to ease administrative bookkeeping burdens and nothing more.

Metropolitan Council

March 1, 2013

Senator Dibble
Senator Hayden
Representative Hornstein
Representative Kahn

RE: MERF Matter with the City of Minneapolis

Dear Honorable Senators and Representatives,

The Metropolitan Council very much appreciates notice of your intent to propose an amendment clarifying responsibility for supplemental contributions to the Minneapolis Employees Retirement Fund (MERF) addressed in your February 13th letter to Susan Haigh, Chair of the Metropolitan Council. We respectfully request an opportunity to respond and ask that you consider additional information prior to introducing clarifying language.

We believe the 2002 Interagency Agreement made and entered into by the Council, the City of Minneapolis, and MERF has been mischaracterized as a simple courtesy to ease administrative burden. We have attached a copy of the agreement which clearly outlines each party's intent and fully funds the MERF obligation for the former employees in question. There are considerable facts and issues to be considered regarding this agreement.

- The retirement benefits in question originated with the Minneapolis Sanitary District. Pursuant to law, former employees of the District could, at their option, choose to continue to be members of MERF and retain their pension rights under that retirement plan.
- The Council fully-funded the MERF obligation attributed to the former Minneapolis Sanitary District employees in accordance with an independent actuarial valuation that took into account up-to-date assumptions for expected mortality and present value discount rates.
- The Council paid MERF, for the benefit of the City's MERF account, a considerable up-front sum of $1.3 million in cash and $471 thousand in assets to fully-fund the MERF obligation for former Sanitary District employees in return for the City's agreement to assume any future responsibility and indemnify the Council against future claims, and MERF's agreement to dissolve the Council's account.
- The MERF fund is administered as a cost-sharing multiple employer defined benefit plan. Plan assets are reportedly attributed to the plan as a whole and obligations are actuarially determined based upon a complex set of criteria and assumptions for each employer. Appropriately, the Council has not received any financial analysis of assets or obligations in the over ten years since the Interagency Agreement was executed.