

Legislative Commission on Pensions
October 23, 2013

SF 1100 (MERF bill) (Dibble, Hayden)

Proposal: Amend Minn. Stat. §353.50 (MERF division of PERA) to clarify that the Metropolitan Council is responsible for its proportionate share of supplemental contributions and any special additional employer contribution required on behalf of Metropolitan Council employees who were members of Minneapolis Employee Retirement Fund (MERF) and that this cost should not be borne by the city of Minneapolis.

Background:

- The Metropolitan (Met) Council employed individuals who were members of MERF. The Met Council was the successor to the Metropolitan Waste Control Commission (MWCC), which was the successor to the Minneapolis-St. Paul Sanitary District created by the legislature in 1933. Both the Sanitary District and the MWCC were independent entities. The MERF members employed by the Met Council were not city of Minneapolis ("City") employees;
- In 2002, the City entered into an agreement, based on the provisions of Chapter 422A (the MERF statute), allowing the Met Council to merge its account into the City's account at MERF and to pay a lump sum representing the Met Council's calculation of its actuarial liability under the Chapter 422A statutory scheme. The agreement was entered into solely as an accommodation to the Met Council and MERF to save administrative burden and cost, with no benefit accruing to the City
- Chapter 422A was repealed by the 2010 legislation merging MERF into PERA (Minn. Stat. §353.50). The merger sought to prevent the projected insolvency of MERF and imposed new employer contributions on MERF employers above and beyond the funding obligations of the MERF statutory scheme (Chapter 422A).
- A 2009 actuarial valuation was used to form the basis for the calculation of supplemental contributions in the 2010 merger legislation. The Met Council account, however, was not separated out in this valuation. It was reported as part of the City's account. PERA has conducted this calculation and has determined that the supplemental contribution owed by the Met Council is \$469,800 per year (equal to a proportionate share of 1.74 per cent). The City is currently being billed for this Met Council obligation.
- A legislative correction is required so that each of the MERF employers identified in the 2010 legislation, including the Met Council, are responsible for supplemental contributions for their own MERF employees.
- This bill is supported by public policy, both encouraging governmental units to enter into agreements to save administrative costs and burdens without risking unforeseen risk and financial obligation and by honoring the principle that costs of regional services should be charged on a fair basis to all of the customers in the region instead of imposing a cost unfairly on one.

from Gene Ranieri