State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director

RE: Designated Interim Commission Topic: Local Retirement Plan Consolidation Assistance Fund Creation – Third Consideration

DATE: October 9, 2009

Introduction

As a topic for consideration by the Legislative Commission on Pensions and Retirement during the 2009-2010 interim, at the request of Representative Paul Thissen, Commission Chair Senator Don Betzold has designated a review of the policy considerations of creating a state-funded local retirement plan consolidation assistance fund.

The interim topic is an outgrowth of inconclusive Commission deliberations on S.F. 914 (Betzold); H.F. 1100 (Thissen), proposed legislation to consolidate the Minneapolis Employees Retirement Fund (MERF) into the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General). A major remaining issue from the deliberations over the MERF consolidation bill was to determine the amount of additional funding required to cover the actuarial cost of a potential MERF consolidation and to identify the financial resources to meet that cost.

This memorandum is part of the third consideration of the topic by the Commission. The Commission staff believes that the topic will require at least five considerations by the Commission. The initial Commission staff memorandum provided background information on past retirement plan consolidations in Minnesota. The second Commission staff memorandum summarized some Commission staff conclusions on the past legislative practice in designing pension plan consolidations and provided as background information relevant to the study a description of and a history of the current state aid programs related to retirement plans or retirement coverage.

This Commission staff memorandum reviews the experiences of other states in establishing and operating relief funds for consolidating local retirement plans or retirement plans in fiscal distress or otherwise attempting to deal with financially distressed municipal pension systems.

Subsequent Commission staff memoranda on the topic would be an identification of local Minnesota retirement plans currently with funding problems and a review and discussion of options for the creation of the Minnesota local pension plan consolidation fund.

Other State Experiences with Plan Consolidation or Fiscal Distress Relief in General

To the best research ability of the Commission staff, it has identified no state that has established a local retirement plan consolidation assistance fund as contemplated in the House version of the 2009 Omnibus Retirement Bill, H.F. 723, second engrossment.

Other states have implemented or have proposed legislation that encouraged or mandated pension plan consolidations, identified fiscally distressed retirement plans, and extended resources to those consolidating or fiscally distressed retirement plans. Ten enacted programs or proposed programs in other states, one proposed program in Canada, and one potential program proposed previously in Minnesota that deal with financially distressed municipal pension systems are summarized below.

Commonwealth of Pennsylvania: Financially Distressed Municipal Pension System Recovery Program (Act 205 of 1984)

The Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, Act 205 of 1984, 16 Pennsylvania Consolidated Statutes, Chapter 201, was developed by the Pennsylvania Public Employee Retirement Commission. The Pennsylvania Public Employee Retirement Commission was created in 1981 (Act 66 of 1981) and is composed of nine members, five of whom are appointed by the governor with the advice and consent of the Senate and four of whom are appointed by the leaders of the General Assembly. Originally, the commission was responsible for formulating proposed legislation to establish an actuarial funding standard for all municipal pension systems and to implement a

comprehensive recovery program for financially distressed municipal pension systems, for issuing actuarial notes on proposed pension legislation, and for studying public employee retirement system policy. In 1984, three additional responsibilities were assigned to the commission with the enactment of the Municipal Pension Plan Funding Standard and Recovery Act:

1) to administer the actuarial valuation reporting program for municipal retirement systems, which entailed monitoring and enforcing compliance with the statutorily mandated actuarial funding standard;
2) to certify annual municipal pension cost data used in allocating the General Municipal Pension System state aid money of over $129 million, which was funded from proceeds of the tax on the premiums of casualty and fire insurance policies sold by out-of-state insurance companies in Pennsylvania, and
3) to administer the Financially Distressed Municipal Pension Recovery Program that involves the annual determination of distress data used in allocating the supplemental state assistance of up to $35 million, which was financed by state general fund revenue.

In 1984, on the eve of the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, Pennsylvania had an estimated 2,334 public employee pension plans, covered 114,431 active members, had an aggregate unfunded actuarial accrued liability of $2.5 billion, had an overall funding ratio of 42.9 percent, had an average normal cost of 13.69 percent of covered pay, had an amortization requirement of 12.25 percent of covered pay, and had an annual total contribution support deficiency of 6.02 percent of covered pay. The municipal pension plan funding problems in Pennsylvania included significantly unfunded public pension plans such as the McKeesport City Nonuniformed Employees Retirement Plan (0.0 percent funded), the Pittsburgh City Firefighters Retirement Plan (0.16 percent funded), and the Clairton City Firefighters Retirement Plan (0.51 percent funded).

As part of the recovery program for municipal pension plans determined to be financially distressed, Act 205 of 1984 provided both overall and specific revisions. The overall revision restructured the prior fire and police state aid programs into a single comprehensive (police, fire, and general employees) General Municipal Pension System State Aid Program based on the general cost of pension coverage for employee groups and capped at actual total employer pension cost. The specific revisions for particular financially distressed municipal pension systems included:

- a lengthened amortization period;
- a phase in over time of the increased funding requirement;
- the elimination of statutory tax levy limits and a dedication of any additional levy revenue to offset pension costs;
- the implementation of minimum member contribution rates;
- the temporary provision of state general fund funding to supplement local municipal support through a financially distressed municipal pension system assistance program;
- mandated implementation of a scaled-back pension benefit plan for newly employed plan members;
- a limitation on granting any benefit increases during the financial distress period;
- a requirement that the assets of all pension trust funds in a financially distressed municipality be aggregated to avoid a pension benefit payment default; and
- a requirement that financially distressed municipal pension systems implement improved administrative procedures.

The financially distressed municipal pension system recovery program was elective by municipalities and had three levels, with the aggregation of local pension plan trust assets a mandatory part of the remedies for minimally distressed municipal pension systems, moderately distressed municipal pension systems, or severely distressed municipal pension systems and a receipt of supplemental state assistance. The supplemental state assistance was funded by a $35 million annual appropriation from the Pennsylvania General Fund to continue until 2003 or until the first year in which no municipalities are entitled to receive supplemental assistance.

Supplemental state assistance was payable through 2003. The supplemental state assistance was allocated based on the municipality's financial distress determination score, which was a function of both public pension funded condition and funding costs and municipal revenue resources, reduced by an amount equal to 25 percent of the maximum possible determination score, and the result expressed as a percentage of the maximum possible determination score and applied to the difference between the municipality's aggregate actual contribution and the municipality's aggregate required contribution. If the total calculated supplemental state assistance exceeded the $35 million appropriation, the amounts of all recipient municipalities would be reduced proportionately. The financial distress determination score pension plan component was a composite of seven items, which were:

1) the aggregate amount of current pension plan benefits payable as a percentage of the current market value of aggregate plan assets;
2) the aggregate actuarial value of plan assets as a percentage of the aggregate accrued actuarial liability;

3) the aggregate amount of normal cost expressed as a percentage of covered payroll reduced by the aggregate amount of any member contributions expressed as a percentage of covered payroll and added to the aggregate amount of any employer contributions to the federal Old Age, Survivors, Disability and health Insurance Program expressed as a percentage of covered payroll;
4) the aggregate requirement to amortize the unfunded actuarial accrued liability on a level annual dollar basis according to the applicable amortization schedule divided by the aggregate normal cost requirement;
5) the difference between the aggregate amount of normal cost plus the requirement to amortize the unfunded actuarial accrued liability on a level annual dollar basis according to the applicable amortization schedule and the total aggregate amount of ember contributions, state allocations dedicated for pension purposes and municipal contributions received for the previous year computed and expressed as a percentage of covered payroll;
6) the compound annual percentage rate of increase in the aggregate amount of the unfunded accrued actuarial liability over the most recent four-year period is computed, unless the amount of the unfunded accrued actuarial liability equals less than ten percent of the amount of assets in either the first or fourth year; and
7) the compound annual percentage rate of increase in the aggregate amount of municipal contributions over the most recent four-year period.

The financial distress determination score municipal finance component was a composite of eight items, which were:

1) the total amount of taxes collected by the municipality for the current year divided by the population of the municipality as of the last federal census, and the percentage increase in the amount of municipal taxes collected per capita in the most recent five-year period;
2) the municipal tax rate on the market value of real property (adjusted mill rate) in the municipality for the most recent year and the percentage increase in the amount of that adjusted mill rate in the most recent five-year period;
3) for the most recent year, the result of the total municipal bonded debt plus the total municipal floating debt less the total municipal credits against municipal debt divided by the population of the municipality as of the last federal census;
4) for the most recent year, the result of the total municipal bonded debt plus the total municipal floating debt less the total municipal credits against municipal debt as a percentage of the assessed value of real property in the municipality;
5) for the most recent year, the result of the total municipal bonded debt plus the total municipal floating debt less the total municipal credits against municipal debt as a percentage of the market value of real property in the municipality;
6) for the most recent year, the municipal bonded debt retired during the preceding 12 months plus the interest paid during the preceding 12 months on all municipal debt as a percentage of the total taxes collected by the municipality for the same period;
7) the market value of real property in the municipality for the current year divided by the population of the municipality as of the last federal census, and the percentage increase in the amount of market value per capita in the most recent five-year period; and
8) for the most recent year, adjusted total municipal expenditures (total municipal expenditures less any municipal urban renewal expenditures and less any municipal enterprise expenditures) divided by the population of the municipality as of the last federal census and the percentage increase in the amount of adjusted total municipal expenditures per capita in the most recent year over the amount of adjusted total municipal expenditures per capita in the most recent five-year period.

During the period 1988-2003, 30 Pennsylvania municipalities received supplemental state assistance during one or more years, as follows:

Municipality	No. of Years of Receipt	Total 1988-2003 Aid Paid
Aliquippa City	2	$2,831.43
Allentown City	7	$404,368.81
Ambridge Borough	1	$1,147.75
Arnold City	10	$100,524.43
Bensalem Township	1	$1,652.03
Bethlehem City	1	$43,572.37
Bradford City	2	$8,443.31
Carbondale City	14	$93,929.12
Charleroi Borough	1	$1,280.93
Chester City	7	$641,767.11
Clairton City	7	$171,384.60
Colwyn Borough	4	$14,312.19
Duquesne City	12	$243,326.31
Easton City	11	$882,977.22
Erie City	10	$6,571,913.02
Harrisburg City	4	$698,572.56

Municipality	No. of Years of Receipt	Total 1988-2003 Aid Paid
Hazleton City	5	$83,859.48
Jeannette City	2	$5,184.12
Johnstown City	13	$565,048.11
McKeesport City	13	$1,883,591.39
New Castle City	11	$692,323.43
New Kensington City	2	$5,231.15
Oil City City	2	$4,740.05
Philadelphia City	8	$51,686,537.33
Pittsburgh City	10	$22,412,821.60
Reading City	1	$17,908.47
Scranton City	12	$2,170,756.42
Sunbury City	1	$3,711.47
Washington City	12	$754,121.19
York City	13	$1,531,691.25
Total		$91,699,528.65

Commonwealth of Pennsylvania: Financially Distressed Municipalities Act (Act 47 of 1987)

The Pennsylvania Financially Distressed Municipalities Act, Act 47 of 1987, 53 P.S. Section 11701.101, empowered the Pennsylvania Department of Community and Economic Development to declare certain municipalities as financially distressed, provided for the restructuring of debt of financially distressed municipalities, limited the ability of financially distressed municipalities to obtain government funding, authorized municipalities to participate in federal debt adjustment actions and bankruptcy actions under certain circumstances, and provided for consolidation or merger of contiguous municipalities to relieve financial distress.

The Financially Distressed Municipalities Act was the Pennsylvania General Assembly's response to the collapsing industrial base of the Commonwealth, especially in the western part of the state in Allegheny County. Coal, steel, and heavy manufacturing no longer provided the high wages and stable tax based that had built many of the Commonwealth's communities. Act 47 of 1987 was created to offer local governments the opportunity to restructure and reorganize for the purpose of staving off insolvency.

Under Act 47 of 1987, the Pennsylvania Department of Community and Economic Development gathers information on the fiscal status of municipalities, provides an early warning notification when municipal financial emergencies loom, and determines if municipalities are financially distressed. A financial distress determination request can be initiated by the Department of Community and Economic Development, the municipal governing body by majority vote, a creditor with a mature $10,000 or greater claim, a petition from ten percent of the electorate, a petition from ten percent of the beneficiaries of a municipal pension plan that has not received its minimum municipal obligation payment, a petition from ten percent of municipal employees unpaid for at least 30 days, municipal bond trustees, a municipal auditor or controller, a municipal pension plan trustee or actuary if the minimum municipal obligation to the plan is unpaid, or the municipal chief executive.

A municipality is financially distressed if:

- the municipality has maintained a deficit over a three-year period, with a deficit of one percent or more in each of the previous fiscal years;
- the municipality's expenditures have exceeded revenues for a period of three years or more;
- the municipality has defaulted in payment of principal or interest on any of its bonds or notes or in payment of rentals due any authority;
- the municipality has missed a payroll for 30 days;
- the municipality has failed to make required payments to judgment creditors for 30 days beyond the date of the recording of the judgment;
- the municipality, for a period of at least 30 days beyond the due date, has failed to forward taxes withheld on the income of employees or has failed to transfer employer or employee contributions for Social Security;
- the municipality has accumulated and has operated for each of two successive years a deficit equal to five percent or more of its revenue;
- the municipality has failed to make the budgeted payment of its minimum municipal obligation as required by section 302, 303, or 602 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, with respect to a pension fund during the fiscal year for which the payment was budgeted and has failed to take action within that time period to make required payments;
- a municipality has sought to negotiate resolution or adjustment of a claim in excess of 30 percent against a fund or budget and has failed to reach an agreement with creditors;
- a municipality has filed a municipal debt readjustment plan pursuant to Chapter 9 of the federal Bankruptcy Code; or
- the municipality has experienced a decrease in a quantified level of municipal service from the preceding fiscal year which has resulted from the municipality reaching its legal limit in levying real estate taxes for general purposes.

Financially distressed municipalities are granted the right to petition the court of common pleas in its county to increase the tax rates on earned income, real property, or both, beyond current statutory maximums. A financial distress coordinator is appointed by the Department of Community and Economic Development for a financially distressed municipality, who is required to formulate a recovery plan, which must be published and must be the subject of a public meeting, reviewed by the coordinator and appropriately revised, and adopted by the municipality unless the chief executive officer or governing body of the distressed municipality formulates an alternative plan. An alternative plan is subject to review by the Secretary of the Department of Community and Economic Development. Emergency loans or grants from the Commonwealth of Pennsylvania are available for financially distressed municipalities, payable from a Municipal Financial Recovery Revolving Aid Fund in the State Treasury, funded by a $5 million state general fund appropriation. From 1987 until 1994, the consolidation or merger of

economically nonviable municipalities was a recovery remedy, but the consolidation authority was repealed in 1994.

Out of 2,567 municipalities across the state, 24 municipalities (Aliquippa, Ambridge, Braddock, Chester, Clairton, Duquesne, East Pittsburgh, Farrell, Franklin, Greenville, Homestead, Johnstown, Millbourne, Nanticoke, New Castle, North Braddock, Pittsburgh, Plymouth, Rankin, Scranton, Shenandoah, West Hazleton, Westfall Township, and Wilkinsburg), or fewer than one percent, found it necessary to seek the assistance offered by Act 47. Many of those 24 were in the hard-hit, hardhat, western part of the state, including the state's second largest city, Pittsburgh.

Commonwealth of Pennsylvania: Local Government Pension Plan Financial Relief Act (Act 44 of 2009; House Bill 1828)

The Pennsylvania Local Government Pension Plan Financial Relief Act, Act 44 of 2009, amending the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, 16 Pennsylvania consolidated Statutes, Chapter201, was passed by the Pennsylvania House of Representatives on September 11, 2009, was passed by the Pennsylvania Senate on September 17, 2009, and was signed by Governor Edward Rendell on September 18, 2009.

The legislation was initially proposed to assist the City of Philadelphia in resolving its pension funding crisis. It was broadened to provide financial relief to local government pension plan sponsors in the wake of significant financial losses in 2008. Some of the provisions of the legislation offer widespread financial relief to plan sponsors statewide, while others are targeted at the most distressed, underfunded plans.

Act 44 of 2009 included:

- Assignment of new distress scoring system based on the aggregated funding ratio of all of a municipality's pension plans (total actuarial value of assets divided by total actuarial accrued liabilities) at the last valuation
  - Distress Level 0 – funding ratio of 90% or more
  - Distress Level 1 – funding ratio of 70% - 89%
  - Distress Level 2 – funding ratio of 50% - 69%
  - Distress Level 3 – funding ratio of less than 50%
- An increase in the maximum value that can be used for the actuarial value of assets in the 2009 valuation from 120% of market value to 130%; extension of this provision to the 2011 valuation for Level 1 and to the 2013 valuation for Levels 2 and 3
- A decrease in the amortization periods for discretionary changes that increase or decrease the plan's unfunded liability (such as assumption changes or locally modified benefits)
- An increase in the assumption periods for non-discretionary changes that increase or decrease the plan's unfunded liability (such as actuarial losses, actuarial gains, and state mandated benefit enhancements)
- Permit payment of the minimum municipal obligation with 75% of amortization payment for distressed municipalities for up to 6 years, depending on Distress Level
- Mandatory aggregation of plan assets for municipalities with more than one defined benefit plan that are Level 2 or 3 Distress, and voluntary aggregation for Level 1
- Mandatory submission of a plan for administrative improvement for Level 2 and 3 municipalities (voluntary for Level 1)
- Provides special taxing authority for Level 2 and 3 Distress municipalities
- Mandatory establishment of a new plan for new hires for Level 3 Distress plans (voluntary for Level 2)
- Permit counties to use new alternative methodologies to value their pension funds, including a new smoothing technique that, unlike the five-year averaging methodology most commonly used by counties, changes how returns are reflected in the account in a manner that smoothes contributions over the long term, essentially lowering the peaks and raising the valleys.
- Authorization of Deferred Retirement Option Plan (DROP) provisions for all pension plans
- Standardized DROP provisions for all new DROPs
- Specific relief measures for Pittsburgh and Philadelphia:
  - For Pittsburgh, with a 31 percent overall municipal pension plan funding ratio, the city has two years to bring its pension system funding ratio to 50 percent, is permitted to lease or sell its parking garages to a private operator, and permits the city to increase its parking tax to 40 percent from 37.5 percent if it sells or leases "parking garages" rather than "parking facilities."
  - Philadelphia is allowed to raise its sales tax from 7 to 8 percent to fill $340 million of a $700 million budget shortfall, is allowed to change how it accounts for city employee pensions, is allowed to utilize a 30-year amortization period for its pension fund instead of a 20-year period, is allowed to defer a portion of city pension contributions in fiscal year 2010 and fiscal year 2011, is allowed to defer $150 million of

more than $447 million in city pension contributions in fiscal year 2010, is allowed to defer $80 million of more than $538 million in city pension contributions in fiscal year 2011, is allowed to repay deferred amounts with interest in total by fiscal year 2014, is allowed to repay the entire $230 million deferral amount in fiscal year 2013 and fiscal year 2014, and is allowed to pay 8.25 percent interest on the amounts deferred during fiscal year 2010 through fiscal year 2014.

- New regulations on professional services contracting to reduce "pay to play" arrangements.

If the legislation had not been enacted, the City of Philadelphia was prepared to implement an alternative budget plan that would have included layoffs of 3,000 city employees, including 700 police officers and hundreds of firefighters and emergency medical services employees, the closure of the Free Library, the Department of Recreation, the Department of Commerce, and the Fairmount Park System, and the reduction of trash collection to twice weekly.

Commonwealth of Pennsylvania: House Bill 1874 (Caltagirone) and House Bill 1884 (Harhai): Mandated Administration of Financially Distressed Municipal Pension Plans by the Pennsylvania Municipal Retirement System

In July 2009, the Committee on Appropriations of the Pennsylvania House of Representatives reported out two legislative bills, HB 1874, which revised the 1984 Municipal Pension System Funding Standard and Recovery Program legislation, and HB 1884, which amended the Pennsylvania Municipal Retirement System (PMRS) law. The Pennsylvania General Assembly has taken no further action on the proposed legislation as of October 1, 2009.

HB 1874:

- modifies the actuarial reporting requirements and minimum funding requirements for municipal pension plans;
- reduces the actuarial factors for the Pennsylvania Public Employee Retirement Commission to determine financial distress from seven to one, the relative funding ratio;
- eliminates the municipal financial indicators for determining financial distress;
- mandates the aggregation of pension trust funds, the formulation of administrative improvement plans, and provides a two-year relaxation of minimum municipal funding obligations for moderately financially distressed municipal systems;
- adds a lengthened amortization period remedy;
- eliminates percentage of covered payroll amortization;
- requires the use of an interest assumption fixed by the Pennsylvania Municipal Retirement Board, plus one percent, in future actuarial reporting;
- requires the transfer of plan administration and plan asset investment functions for the municipal plan to the Pennsylvania Municipal Retirement System (PMRS);
- freezes the pension plan to current benefit and related provisions for existing employees;
- requires that newly hired employees be covered by a Cooperative Municipal Pension and Security Program operated by PMRS for severely financially distressed municipal pension systems; and
- implements an elective special funding program for the City of Philadelphia, without the PMRS assumption of plan administration and investment or new retirement plan coverage for newly hired employees, but with the creation of special taxing authority.

HB 1884:

- establishes the Municipal Pension Recovery Program mandated by HB 1874, effectuating the transfer of municipal pension plans that are deemed to be "severely distressed" from local administration to the Pennsylvania Municipal Retirement System (PMRS) administration;
- establishes the Cooperative Municipal Pension and Security Program mandated by HB 1874 implementing a uniform pension plan applicable to all newly hired employees of municipalities with severely distressed pension plans;
- addresses significant federal tax qualification issues affecting the administration of PMRS; and
- makes various technical or editorial changes to the Pennsylvania municipal retirement law.

State of Ohio: Ohio Police and Firemen's Disability and Pension Fund (Laws 1965, Chapter 131)

Prior to 1967, police and firefighters were members of local pension funds rather than a statewide fund. In the mid-1960s, many of Ohio's 454 local police and fire pension funds faced financial disaster. They had routinely disregarded the financial impact of benefit increases and, as a result, many were close to financial insolvency. As a result, they were consolidated into a statewide fund in 1967 under Ohio Laws 1965, Chapter 131 (Ohio Revised Code Sections 742.26 to 742.99). In 1967, the local pension funds transferred assets totaling approximately $75 million to the Ohio Police and Fire Disability and Pension Fund and transferred accrued liabilities of approximately $490 million. The cities were given a 67-year amortization period, beginning in 1969, to pay off their unfunded accrued liabilities. The 1965 legislation

also redirected a state contribution of $1.2 million previously payable to the 454 local police and fire pension funds to the Ohio Police and Firemen's Disability and Pension Fund. Additional state funding of approximately $2 million was provided since 1981 to cover the actuarial cost of pre-7/1/1981 survivor benefits. Member and employer contributions to the Ohio Police and Firemen's Disability and Pension Fund have increased since 1967, the effective date for the consolidated retirement plan, from 6.0 percent and 13.5 percent (police) or 13.13 percent (fire) respectively to 10.0 percent and 19.5 percent (police) and 24.0 percent (fire) respectively. The 2008 unfunded actuarial accrued liability for the Ohio Police and Firemen's Disability and Pension Fund was $2.074 billion.

The legislative act creating the Ohio Police and Firemen's Disability and Pension Fund was challenged in the Ohio courts and was held constitutional, as has the provision establishing and requiring the payment of the employer accrued liability, in State ex rel. Board of Trustees v. Board of Trustees, 12 Ohio St. 2d 105, 233 N.E.2d 135 (1967).

The Ohio Retirement Study Council was created in 1968 to assist the state legislature, governor, and other public officials in the formation of sound public policy. The Ohio Retirement Study Council was created primarily in response to the financial crises involving local police and fire pension funds.

State of Arkansas Local Police and Fire Retirement System (Act 364 of 1981)

In 1981, the Arkansas General Assembly enacted Act 364 of 1981, which created the Arkansas Local Police and Fire Retirement System. The Arkansas Local Police and Fire Retirement System is a nonprofit entity and an agent public employee retirement system providing defined benefit plan coverage for post-1982 police and fire hires and for pre-1983 police officers and firefighters if the local pension fund has consolidated with the Local Police and Fire Retirement System, as follows:

1. Political subdivisions that had a local pension fund for police and/or fire employees as of July 1, 1981:
   a. Employees hired after January 1, 1983, who would have previously participated in the local pension fund become members of the Local Police and Fire Retirement System.
   b. For those employees covered by a local pension fund prior to January 1, 1983, arrangements can be made for such pension funds to be administered by the Local Police and Fire Retirement System. This can be done by a voluntary mutual agreement between the political subdivision's governing body and the Local Police and Fire Retirement System board. This arrangement is not mandatory and does not change the pension fund benefit provisions. It is only an assignment of administrative duties.

2. Political subdivisions that did not have a local pension fund for police and/or fire employees as of July 1, 1981:
   a. Effective July 1, 1981, no new local pension funds may be established.
   b. The governing body of a political subdivision may elect to cover police and/or fire employees under the Local Police and Fire Retirement System. Membership becomes effective the first day of the month after the Local Police and Fire Retirement System is notified that the local governing body has elected to provide such coverage.

Before 1981, when authority for municipalities to create new local police or fire retirement plans was terminated, Arkansas cities and towns had the option under 1921 and 1937 legislation to establish retirement and relief fund programs. As of December 31, 2008, 113 Arkansas municipalities have consolidated their local retirement plans with the Local Police and Fire Retirement System and 460 political subdivisions participate in the Local Police and Fire Retirement System. The consolidated local retirement plans administered by the Local Police and Fire Retirement System are 17 police retirement plans, 18 paid fire retirement plans, and 78 volunteer firefighter retirement plans (including 12 municipalities with both paid fire and volunteer fire retirement plans).

No new or additional state financial aid is triggered by the consolidation of a local police or fire retirement fund and the applicable municipality is responsible for funding the actuarial cost of its consolidated Local Police and Fire Retirement System-administered retirement plan independently, without any accrued liability pooling, after consolidation. The normal cost of the consolidated retirement plans for police or paid firefighters currently range from a low of 9.31 percent of covered pay (North Little Rock Police) to 15.82 percent of covered pay (Hot Springs Village Fire) and the total employer contribution rates of the consolidated retirement plans for police or paid firefighters ranges from 9.04 percent of covered pay (Bald Knob Police) to 56.01 percent of covered pay (Hot Springs Fire).

State of Colorado: Denver Public Schools Retirement System Merger with the Colorado Public Employees Retirement Association

In May 2009, the Colorado General Assembly enacted Laws 2009, Chapter 288 (Senate Bill 09-282), which merges the Denver Public Schools Retirement System (DPSRS) into the Colorado Public Employees Retirement Association (PERA), effective January 1, 2010. The merger was sought by the Denver Public School System. Prior merger arrangements were considered in 2004, but did not proceed in the Colorado General Assembly.

As of January 1, 2010, DPSRS will no longer exist as a stand-alone retirement system and DPSRS-covered employers will become PERA-covered employers in a separate Denver Public Schools Division of PERA. This includes Denver Public Schools (DPS) and schools chartered by DPS. All benefits associated with employees of these DPSRS-covered employers will be accounted for in the new DPS Division of PERA. At the point of merger and thereafter, the new DPS Division of PERA will include the existing DPSRS membership, existing hourly and part-time DPS employees, and all future DPS employees. Post-merger, the Colorado General Assembly will assume the responsibilities of setting employer and employee contribution rates and determining benefit provisions. The PERA Board of Trustees will be responsible for plan operation, administration, and investments. Current DPSRS employees will become employed by PERA as of January 1, 2010. Retiree health insurance is to be provided under PERA's retiree health program. Retirees from either DPSRS or PERA and actively working for an employer under the other system at the time of the merger will be grandfathered and exempt from PERA's "working after retirement" hour/day limits as long as the retiree continues to work for the same employer without a break in service. A retiree of either DPSRS or PERA who returns to work for a PERA-covered employer, including DPS, after the merger date, will be subject to PERA's "working after retirement" rules. Members of DPSRS prior to January 1, 2010, who continue to be employed by DPS after the merger will become a member of the DPS Division of PERA and continue to accrue a benefit under the existing DPSRS benefit provisions. Current active members will be allowed to make a one-time irrevocable choice of which benefit the member would like to accrue if there is a change in employment to another PERA-covered employer after the merger; however, a change of employment is required to trigger this opportunity. A DPSRS deferred retirement allowance will not be affected by the merger and will continue to be governed by the plan provisions associated with the amount of contributions on deposit. A former DPSRS member who is not working for DPS or any other PERA-covered employer still will be eligible for a refund of contributions, but if the person has an inactive account with both DPSRS and PERA, a refund of both contribution balances must be taken.

As of December 31, 2008, the Denver Public Schools Retirement System was reported to have been 84.3 percent funded, with an unfunded actuarial accrued liability of almost $550 million. As of December 31, 2008, the Colorado Public Employees Retirement Association was reported to have been 67.9 percent funded, with an unfunded actuarial accrued liability of almost $6.6 billion.

State of Connecticut: Connecticut Public Act 07-204; Municipal Pension Solvency Loan Program

In 2007, the Connecticut Legislature enacted Public Act 07-204, which created a municipal pension solvency loan program. The enactment created a municipal pension solvency account and created a municipal pension solvency loan program.

The municipal pension solvency account was established in the state general fund and is funded by debt securities issued by the Connecticut State Bond Commission, which can be full faith and credit general obligation bonds, revenue bonds, or grant anticipation notes, repayment amounts from municipalities, interest earnings, and any additional monies designated for the account. The solvency account has two subaccounts, a bond receipts subaccount and an additional monies subaccount, with authority for the State Treasurer to create additional subaccounts for segregating portions of the account corpus or earnings. The solvency account is required to be invested in short-term debt and cash equivalent investments.

The municipal pension solvency loan program is funded from the municipal pension solvency account to make loans for a period of up to 20 years at the interest rate charged to the state on its issued debt securities funding the account plus payments for insurance costs, required reserves and administrative expenses for the program. Loans are to be made to eligible municipalities based on a ranking to be determined by the State Treasurer on factors that the State Treasurer deems to be relevant, including the size of each municipality's unfunded actuarial accrued liability, the ability of the municipality to eliminate its unfunded actuarial accrued liability by taking a solvency loan, the state's interest in assisting the maximum number of communities, and the financial management factors causing the municipal pension plan's unfunded actuarial accrued liability and the likelihood that those practices would continue.

To receive a solvency account loan, a municipality must apply for the loan and must enter into a solvency account agreement. The application by a municipality must be accompanied by the most recent actuarial valuation of the retirement plan, an actuarial analysis of the method of the municipality to pay its unfunded actuarial accrued liability that is not funded by the solvency loan, an explanation of the municipal investment strategic plan for the pension fund, a three-year municipal financial plan, a comparison of the effects of funding the unfunded actuarial accrued liability with a solvency loan compared to funding the unfunded actuarial accrued liability through paying the full actuarial recommended funding contribution, documentation of municipal authorization for the application, documentation of current municipal authority to fund the municipal plan at its actuarial requirements, the actuarial methodology and assumptions used to calculate the actuarial funding costs, and any other information that is required by the State Treasurer. The State Treasurer is authorized to retain an actuary or other professional to review the municipal application. The solvency account agreement is required to include a penalty on the municipality if it fails to repay the solvency loan, to include a general obligation pledge by the municipality and a tax revenue intercept, and must include the repayment of solvency loan program administration expenses.

Once a solvency loan is taken, for the duration of the loan, the municipality is required to appropriate the full actuarially determined pension fund contribution, to notify the State Treasurer of the rate of municipal contributions annually, to file the actuarial valuation of the pension fund annually, to identify any actuarial assumption changes and compare them to the prior actuarial assumptions, to provide Governmental Accounting Standards Board Statement Number 27 footnote and supplementary information disclosures for the municipal pension fund, and to submit an annual review of pension fund investments, including asset allocations and asset class performance. If the municipality fails to make the full required municipal pension fund contribution amount, the contribution payment from the municipality is subsequently made by the operation of state law.

The program does not appear to have been implemented. The Connecticut Treasurer's website and the Fiscal Year 2008 annual financial report for the State of Connecticut contain no information on the program. The 2009 Connecticut General Assembly was considering proposed legislation that would permit the State Bond Commission to issue $250 million in state bonds to fund the program.

Commonwealth of Massachusetts: Acts of 2007 Chapter 68; State Management of Local Government Pension Systems Failing Actuarial Funding and Investment Performance Standards

In 2007, the Massachusetts Legislature enacted Chapter 68 of Acts of 2007, which was legislation intended to produce a greater return on investments by transferring the investment responsibility for the assets of underperforming local pension systems into the state's pension fund, the Pension Reserves Investment Trust Fund, managed by the Pension Reserves Investment Management Board. The law allows the state to review the investment performance of local pension funds. The assets of those funds will be rolled into the state system if their assets are less than 65 percent of their liabilities, and if the funds have an average 10-year rate of annualized time-weighted return at least 2 percent less than the state's current rate for the same period. The determination of the funding level and investment return results is made by the Public Employee Retirement Administration Commission. The Public Employee Retirement Administration Commission provides a notice to the underperforming retirement system and also establishes the schedule for the transfer of ownership and control of the retirement system assets to the Pension Reserves Investment Trust Fund. The transfer of assets and their control, if ordered to do so by the Public Employee Retirement Administration Commission, is permanent, but the retirement board of the retirement system continues to administer the system. Upon an asset transfer order, the retirement system has 30 days to appeal the order to a review board. The review board is the executive director of the Pension Reserves Investment Management Board, the Secretary of Administration and Finance or a designee, a member selected by the State Treasurer from a list of three provided by the Massachusetts Association of Contributory Retirement Systems, and one member of a municipal union appointed by the Governor. The review board may grant the exemption of the system's return exceeded that of Pension Reserves Investment Trust in the last two-year period or if the return was impacted by extenuating circumstances. The review board may consider the system's management costs, risk/return ratio and other factors. A judicial review of a decision by the review board can be requested by the retirement system.

A local pension plan board had an option under the 2007 law to voluntarily transfer its assets to the Pension Reserves Investment Trust Fund through October 1, 2007, where the transfer of assets would not be permanent and the transfer could be revoked after five years.

The Public Employee Retirement Administration Commission is a seven-member board made up of the Governor, the Commonwealth Auditor, a retired state district court judge, an investment professional, an active police officer, a firefighters union official, and a former town manager.

The Pension Reserves Investment Trust Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest in the Fund. The Pension Reserves Investment Trust Fund was created by the Legislature in 1983 under Chapter 661 of the Acts of 1983 with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement systems in meeting their future pension obligations. The Pension Reserves Investment Trust Fund merged with the Massachusetts State Teachers' and Employees' Retirement System Trust under Chapter 315 of the Acts of 1996. The Pension Reserves Investment Trust Fund consists of two investment funds: the Capital Fund and the Cash Fund. Cash, deposited and invested on a temporary basis, is transferred monthly from the Cash Fund to the Capital Fund. Once in the Capital Fund, funds are invested and reinvested across all assets classes under the Pension Reserves Investment Management Board's long-term investment guidelines and asset allocation plan. The Capital Fund serves as the long-term asset portfolio and consists of nine accounts: General Allocation Account, Domestic Equity, Fixed Income, High-Yield Debt, International Equity (EAFE), Emerging Markets Equity, Core Real Estate, Timber/Natural Resources, Absolute Return and Alternative Investments.

The Pension Reserves Investment Management Board is the board established to oversee the management of the Pension Reserves Investment Trust Fund and consists of the Massachusetts Treasurer, the Governor of Massachusetts or a designee, a private citizen with an investment background, a public employee, a public safety employee union representative, a member of the Massachusetts State Teachers' Retirement Plan, a Massachusetts State Teachers' Retirement Plan board member, a member of the Massachusetts State Employees' Retirement System, and a Massachusetts State Employees' Retirement Plan board member.

State of Missouri: Laws 2007 SB 406; Local Government Public Pension Plan Funding Standards

In 2007, the Missouri Legislature enacted legislation, Missouri Revised Statutes, Section 105.683, which provides funding standards for local government public pension plans. Those funded below 60 percent of the pension liability and whose contributory government fails to make 100 percent of the actuarially recommended contribution for five consecutive years are deemed to be delinquent and the state is required to place a first lien on the sponsoring government's funds. The retirement board of the retirement plan is permitted to seek a court mandamus order to require payment. The state treasurer and the director of the state department of revenue must withhold 25 percent of the contribution delinquency from the total state money due the local government until the contribution delinquency, plus interest, is satisfied. The provision does not apply to the Missouri Public School Retirement System or to the Missouri Public Education Employee Retirement System.

Additionally, in 2007, the Missouri Legislature enacted legislation, Missouri Revised Statutes, Section 105.684, that prohibits any local government public pension plan from adopting or implementing any additional benefit increase, supplement, enhancement, lump sum benefit payments, or post-retirement adjustment beyond the plan provisions in effect on August 27, 2007, unless the actuary of the pension plan determines that the funded ratio of the pension plan before the benefit change adoption or implementation is at least 80 percent and will not be less than 75 percent after adoption or implementation. Any unfunded actuarial accrued liability associated with a post-August 27, 2009, benefit change is required to be amortized over a period of no longer than 20 years for purposes of determining municipal contribution levels. Any local government public pension plan with a funding ratio of less than 60 percent is required to have its actuary prepare an accelerated contribution schedule based on a descending amortization period of inclusion in actuarial valuations of the local retirement plan.

Province of Ontario, Canada: Proposed Consolidation of the Province's Pension Industry

In October 2007, in the Ontario Municipal Employees Retirement System (OMERS) submission to the Ontario Expert Commission on Pensions entitled Closing the Gap Between Pension Regulation and Best Practices and in response to the report of the Ontario Expert Commission on Pension, A Fine Balance, in February 2009, entitled Turning Recommendations Into Actions: The Time For Moving Ahead Is Now and in a speech in April 2009 by Michael Nobrega, President and Chief Executive Officer of OMERS, a consolidation of private sector pension plans into OMERS was proposed. OMERS currently is a multi-employer retirement system, with a primary pooled liability defined benefit plan, with supplemental plan

coverage for members for whom the primary plan was not well suited, and with third party management under contract of other retirement plans.

In its conceptual proposal, OMERS presents itself as a model for the operation of a multi-employer defined benefit plan, argues that a large pension plan can offer small employers with sophisticated technology and enhanced efficient plan administration at reasonable costs, cites its history in growing from 160 employers and 8,000 active members when created in 1963 to 906 employers, 237,000 active members, and 100,000 retirees in 2006, provides portability to plan members, achieves high investment rates of return at a low cost and with a high efficiency, enjoys various economies of scale, and has the asset size to compete with other pension funds globally.

To implement its proposal, OMERS called for the Parliament of the Provence of Ontario to mandate through legislation the consolidation of private and public sector pension funds into one or more super-funds, with OMERS as one of the super-funds. As of June 2009, no proposed legislation matching or encompassing the OMERS proposal has been introduced or acted upon.

State of Minnesota: Public Pension Benefit Default Insurance Pool (2005 Amendment LCPR05-307 (Omnibus Retirement Bill II, Article 4))

As part of the deliberations by the Minnesota Legislative Commission on Pensions and Retirement leading up to the 2006 consolidation of the Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA), various alternative potential solutions were considered, including the creation of a public pension benefit default insurance pool. (See May 13, 2005, Legislative Commission on Pensions and Retirement Agenda Item 1 (www.commissions.leg.state.mn.us/lcpr/meetings/agendas/2005/051305agenda.htm), Document LCPR05-307 (www.commissions.leg.state.mn.us/lcpr/documents/mtgmaterials/2005/lcpr05-307.htm), and Summary (www.commissions.leg.state.mn.us/lcpr/documents/mtgmaterials/2005/lcpr05-307summ.pdf).

The potential public pension benefit default insurance pool was intended as a "tide-over" mechanism to provide a financially distressed Minnesota public pension plan with some available assets to be used to defray benefit payments as they come due for a period of time long enough to permit the Commission and the Legislature to fashion a longer-term remedy. The potential default insurance pool approaches the problem of a financially distressed public pension plan from a need to avoid its worst aspect, a benefit default. The potential default increase would be a type of user fee on public employees and employers to reduce the potential for or the impact of a pension plan default, akin to the creation of the Pension Benefit Guarantee Corporation by the federal government in 1974, an amount could be collected from each statewide or major local public retirement plan for each active member and/or benefit recipient, deposited in a special fund operated by the State Board of Investment, invested, and disbursed to forestall or ameliorate a default by any contributing public pension plan. The fee could shut off when the fund achieves a specified dollar amount. A charge of $1 per month on all statewide and major local retirement plan active members and benefit recipients would be about $5 million per year. A charge of $1 per month on all statewide and major local plan active members only would raise about $3.5 million per year. The pension default insurance pool would be managed by the commissioner of finance and would revise the default insurance charge based on the potential risk of a future retirement plan benefit default utilizing an actuarial assessment of the relative default probability included in each retirement plan's actuarial valuation report. The chief administrative officer of a Minnesota public pension plan facing imminent default would apply to the commissioner of finance for an asset transfer to forestall the benefit default.

The potential public pension benefit default insurance pool provision was forwarded by the Legislative Commission on Pensions and Retirement on to the Senate and House Governmental Operations Committees without recommendation on May 13, 2005, as an amendment to 2005 S.F. 1057 (Pogemiller); 2005 H.F. 1120 (Powell). The provision was not included in the final legislative action on the MTRFA funding problem, Laws 2006, Chapter 277.

Evaluation of Other Jurisdiction Consolidation/Financial Distress Relief Programs

In an attempt to ease the task of analyzing the programs from other jurisdictions to assist in public pension plan consolidations or provide relief for financially distressed public pension plans, the following is a comparison of the 12 summarized programs as to the stated or implicit purpose of the program, the program's measure of financial distress, the program's determiner of financial distress, the program's use of pension plan consolidation as a remedy, the program's use of additional local revenues as a remedy, the program's use of additional state funding as a remedy, and the program's use of any other remedies:

	PA Act 205 of 1984	PA Act 47 of 1987	PA Act 44 of 2009	PA HBs 1874/1884	OH Laws 1965, Ch 131	AR Act 364 of 1981	CO Laws 2009, Ch. 288	CT Public Act 07-204	MA Acts of 2007 Ch. 68	MO Laws 2007 SB 406	Ontario Mun. Employees Ret. Plan	MN LCPR05-307
Stated Purpose of the Program	Implement comprehensive recovery program for financially distressed municipal pension systems.	Offer local governments an opportunity for restructure and reorganize to stave off insolvency.	Assist Philadelphia and other local governmental units to cope with 2008 financial losses.	Mandated state administration of financially distressed municipal pension systems.	Mandated consolidation of local police and fire pension plans to avert financial insolvency.	Provide option of statewide pension plan administration for local police and fire retirement plans.	Transfers the administration of the Denver Public Schools Retirement System to the Colorado Public Employees Retirement Association.	Permit local governments to borrow to pay off unfunded actuarial accrued liabilities at the state's borrowing rate of interest.	Transfers investment authority to the state for municipal pension plans underperforming the state investment performance rate.	Establishes funding standard for very underfunded local retirement plans, with state redirection of local revenue.	Proposed consolidation of province's public and private sector pension plans into a multiple-employer defined benefit plan.	Proposed the creation of a public pension benefit default insurance pool to tide over potential pension plan benefit payment defaults.
Measure of Financial Distress	Used combined 7-component measure of pension plan distress and 8-component measure of municipal financial distress.	Used an 11-factor measure of municipal budgetary financial distress.	Reduced the Act 205 of 1984 scoring system factors to one component, the pension plan funded ratio.	Reduces the Act 205 of 1984 scoring system factors to one component, the pension plan funded ratio.	No determination of financial distress was used by the legislation.	No determination of financial distress was used by the legislation.	No determination of financial distress was used by the legislation.	Ranking system to be developed by the State Treasurer, including five mandated components.	Two-factor measure based on pension fund funded ratio and investment underperformance over time.	Two-factor measure based on pension fund funded ratio and underpayment of annual financial requirements.	No determination of financial distress was included in the proposal.	Imminent inability of pension fund to pay retirement benefits when due
Determiner of Financial Distress	Pennsylvania Public Employee Retirement Commission.	Pennsylvania Department of Community and Economic Development.	Pennsylvania Public Employee Retirement Commission.	Pennsylvania Public Employee Retirement Commission.	None specified.	None specified.	None specified.	Connecticut State Treasurer.	Public Employee Retirement Administration Commission.	Missouri State Treasurer and the Director of the Missouri Department of Revenue.	None specified.	Applicable public employee retirement plan.
Consolidation Remedy	Aggregation of all pension funds of a governmental unit into a simple pension fund required of most financially distressed municipal pension systems.	Consolidation of economically nonviable municipalities was recovery remedy from 1987 until 1994, when the remedy was repealed.	Aggregation of all pension funds of a governmental unit into a simple pension fund required of most financially distressed municipal pension systems.	Requires plan administration and investment function consolidation for financially distressed municipalities into the Pennsylvania Municipal Retirement System.	Mandatory total consolidation of all police and fire plans into the Ohio Police and Firemen's Disability and Pension Fund.	Permits plan administration and investment function consolidation into the Arkansas Local Police and Fire Retirement System.	Mandatory plan administration and investment function consolidation of the Denver Public Schools Retirement System to the Colorado Public Employees Retirement Association	Plan consolidation is not a remedy in the legislation.	Mandatory investment function consolidation to the Massachusetts Public Retirement Investment Trust and the Massachusetts Public Retirement Investment Management Board.	Plan consolidation is not a remedy in the legislation.	Voluntary total consolidation of all public and private sector pension plans into a single multiple-employer defined benefit plan.	Plan consolidation is not a remedy in the legislation.

	PA Act 205 of 1984	PA Act 47 of 1987	PA Act 44 of 2009	PA HBs 1874/1884	OH Laws 1965, Ch 131	AR Act 364 of 1981	CO Laws 2009, Ch. 288	CT Public Act 07-204	MA Acts of 2007 Ch. 68	MO Laws 2007 SB 406	Ontario Mun. Employees Ret. Plan	MN LCPR05-307
Additional Local Revenue Remedy	Statutory tax levy limits were eliminated and minimum member contribution rates were required for distressed municipal pension systems.	Tax levies and rates in excess of statutory maximums were permitted for financially distressed municipalities.	Special additional taxing authority was permitted for Level 2 or 3 financially distressed pension systems; parking tax increases were permitted for Pittsburgh and sales tax increases were permitted for Philadelphia.	Special taxing authority was permitted for Philadelphia.	No special additional local revenue raising provisions.	No special additional local revenue raising provisions.	No special additional local revenue raising provisions.	No special additional local revenue raising provisions.	No special additional local revenue raising provisions.	No special additional local revenue raising provisions.	No special additional local revenue raising provisions.	Default pool would be funded by an annual charge on plan members and on participating employer units.
State Funding Remedy	$35 million annual state general fund appropriation through 2003 to a supplemental state assistance fund, for subsequent allocation.	Emergency loan or grant from $5 million financial recovery revolving fund.	No additional state funding provided as financial distress remedy.	No additional state funding provided as financial distress remedy.	Additional state funding of $2 annually has been provided since 1981.	No additional state funding provided as financial distress remedy.	No additional state funding provided as financial distress remedy.	No additional state funding provided as financial distress remedy.	No additional state funding provided as financial distress remedy.	No additional state funding provided as financial distress remedy.	No additional state funding provided as financial distress remedy.	Program anticipated to be "stop gap" measure likely to be followed up by yet-to-be-determined additional state funding.
Other Remedies	For moderately and severely financially distressed municipal pension systems, other remedies included lengthened amortization period, phase-in of increased funding requirement, scaled-back pension coverage for new hires, prohibition on increases for current benefit plan, and improved administrative procedures implementation plan requirement.	No additional financial distress remedies provided.	For financially distressed municipal pension systems, permitted greater difference between the actuarial value of assets and the market value of assets until 2011 or 2013, lengthened amortization periods for actuarial losses, and deferral of payment of full minimum municipal obligation for up to six years.	For financially distressed municipal pension systems, would permit longer amortization period, would eliminate percentage of any amortization requirements, would limit interest rate assumption, and would freeze current benefit plan.	Prompted the creation of the Ohio Retirement Study Commission to assist in formulating pension policy.	No additional financial distress remedies provided.	No additional financial distress remedies provided.	No additional financial distress remedies provided.	No additional financial distress remedies provided.	For financially distressed municipal systems, state enforces a priority on local revenues for pension funding and prohibits benefit plan changes that cause an unfunded actuarial accrued liability of more than five percent decrease in the funding ratio.	No additional financial distress remedies provided.	No additional financial distress remedies provided.

Conclusion

This Commission staff issue memorandum is intended to provide the Commission with a sense of potentially innovative approaches utilized by other states in handling and assisting financially distressed local pension plans and local government units that could become a model in whole or in part for the development of a potential local pension plan consolidation assistance fund in the State Treasury to assist financially distressed local Minnesota public pension plans.

The next Commission staff issue memorandum on the topic will use the January 1, 2009, or July 1, 2009, actuarial valuation results to identify Minnesota public pension plans that may be considered to be suffering from significant financial distress.