



S.F. 1100
(Dibble/Hayden)

H.F. xxxx

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): PERA-MERF Division
Relevant Provisions of Law: Minnesota Statutes, Section 353.50, Subdivision 7, Paragraph (h)
General Nature of Proposal: Clarifying Metropolitan Council employer contribution obligation.
Date of Summary: October 17, 2013

Specific Proposed Changes

- Specifies that the Metropolitan Council has an ongoing future obligation to pay a portion of the total employer supplemental contribution for the MERF Division, notwithstanding the 2010 legislation provision or any pre-January 1, 2010, agreement, and sets the Metropolitan Council's share at 1.74% of the total, reducing the City of Minneapolis share by an identical amount.

Policy Issues Raised by the Proposed Legislation

1. Accuracy of premise; Extent of Metropolitan Council obligation with respect to MERF Division unfunded pension liability.
2. Question of the correct identification of Any Metropolitan Council share.
3. Impact of Metropolitan Council obligation to offset part of Minneapolis share or part of all of the employing units' shares.
4. Retroactivity of the employer supplemental contribution obligation clarification.

Potential Amendments

S1100-1A removes the Minneapolis-specific offset from the imposed Metropolitan Council MERF Division employer supplemental contribution obligation, meaning that the Metropolitan Council supplemental contribution will proportionally reduce the supplemental contributions of all MERF Division-covered employing units.

S1100-2A makes the Metropolitan Council MERF Division employer supplemental contribution obligation retroactive to 2010, with PERA directed to bill for any obligation that is unpaid by the Metropolitan Council to date, plus interest, which will be credited against the Fiscal Year 2014 Minneapolis employer supplemental contribution to the MERF Division.





TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JLM*
RE: S.F. 1100 (Hayden); H.F. xxxx; PERA-MERF Division: Clarifying the Metropolitan Council Employer Contribution Obligation
DATE: March 7, 2013

Summary of MERF Division Metropolitan Council Employer Contribution Obligation Proposed Legislation

S.F. 1100 (Hayden); H.F. xxxx amends Minnesota Statutes, Section 353.50, Subdivision 7, Paragraph (h), the provision governing the allocation between the various former MERF-covered employing units of the employer supplemental contribution to the MERF Division of PERA, by indicating that the Metropolitan Council has an ongoing future obligation to pay a portion of the total employer supplemental contribution for the MERF Division, notwithstanding the 2010 legislation provision or any pre-January 1, 2010, agreement, and sets the Metropolitan Council's share at 1.74% of the total, reducing the City of Minneapolis share by an identical amount.

City of Minneapolis-Metropolitan Council MERF Division of PERA Pension Obligation Allocation Problem

The former Minneapolis Employees Retirement Fund (MERF), administratively consolidated into the Public Employees Retirement Association (PERA) in 2010, provided retirement coverage for at least six employing units, the City of Minneapolis, Special School District No. 1, the Minnesota State Colleges and Universities System (MnSCU), Hennepin County, the Metropolitan Council, and the Metropolitan Airport Commission, with the employer contributions allocated between those employing units by the MERF administration based on some long-established internal accounting procedures. When, in 2010, MERF consolidated administratively into PERA, as an agent public employee retirement plan retaining its pension liabilities and assets separate from PERA, the legislation provided for an annual supplemental contribution to adequately fund the retirement plan. The allocation of that employer supplemental contribution in statute was based on the last actuarial valuation results of the freestanding MERF retirement plan. Because the City of Minneapolis, MERF, and the Metropolitan Council reached a separate arrangement whereby the Metropolitan Council made a special lump sum employer contribution, the Metropolitan Council had no MERF unfunded actuarial accrued liability indicated in the 2009 actuarial valuation and the Metropolitan Council has reportedly declined to make any MERF Division employer supplemental contributions since the administrative consolidation.

Background Information

The following attachments provide background information on topics relevant to the proposed legislation:

- **Attachment A:** Background information on the 2010 administrative consolidation of MERF into PERA.
- **Attachment B:** Breakdown of MERF-Division contributions under Minnesota Statutes, Section 353.50, Subdivision 7, prepared by the Public Employees Retirement Association.

Discussion and Analysis

S.F. 1100 (Hayden); H.F. xxxx would require the Metropolitan Council to pay a portion (1.74%) of the remaining cost of the MERF Division of PERA.

The proposed legislation raises several pension and related public policy issues for consideration and possible discussion by the Commission, including the following:

1. Accuracy of Premise: Extent of Metropolitan Council Obligation with Respect to MERF Division Unfunded Pension Liability. The policy issue is whether or not the proposed legislation is based on a valid premise that there is a remaining obligation of the Metropolitan Council for a portion of the unfunded pension liability and ongoing funding costs of the MERF Division. The Metropolitan Council had a small number of employees with MERF coverage, the remainder of Minneapolis City Sewer Department workers that were transferred to the Metropolitan Council and the Metropolitan Waste Control Commission when the waste disposal systems of the Twin Cities were consolidated and regionalized. Minnesota Statutes, Section 353.50, Subdivision 7, in specifying the employer additional contribution to the MERF Division after July 1, 2010, named all of the various employing units who employed MERF members, including the Metropolitan Council, and provided for an allocation of the total employer additional contribution on the basis of having MERF actuarial accrued

liability as of July 1, 2009, as calculated by the consulting actuary retained to prepare that actuarial valuation. As summarized by PERA, to which the MERF records were transferred upon the 2010 consolidation, the Metropolitan Council had a portion of the 2009 MERF Division actuarial accrued liability. In 2002, the Metropolitan Council, MERF, and the City of Minneapolis reached an agreement whereby it made a lump sum payment to MERF in an amount calculated by the consulting actuary then retained by the Legislative Commission on Pensions and Retirement, and thereafter discontinued making regular annual contributions to MERF.

2. Question of the Correct Identification of Any Metropolitan Council Share. If issue #1 is resolved and the Metropolitan Council is determined to have a remaining obligation to participate in the funding of the unfunded pension liability of the MERF Division, the issue then is the appropriate share of that MERF Division unfunded pension liability to be borne by the Metropolitan Council. Minnesota Statutes, Section 353.50, Subdivision 7, requires that the employer additional contribution to the MERF Division be allocated in proportion to their share of actuarial accrued liability of the former Minneapolis Employees Retirement Fund as of July 1, 2009, as calculated by the MERF consulting actuary under law and the Commission Standards for Actuarial Work. The July 1, 2009, MERF actuarial valuation report filed with the Commission did not allocate the entire actuarial accrued liability of MERF between the various MERF-covered employers, although it did allocate the active fund (Deposit Accumulation Fund) between the various MERF-covered employers. PERA, to which the records of the prior MERF were transferred, has prepared a summary of the actuarial accrued liability of the MERF Division as of July 1, 2009, using the PERA interest rate assumption and the MERF-actuary-recommended mortality table, which indicated the following:

Employing Unit	Act. Accr. Liability	AAL Share
City of Minneapolis	\$818,252,237	54.78%
Hennepin County	\$47,327,333	3.17%
Metropolitan Council	\$25,954,320	1.74%
Minneapolis Park Board	\$134,239,906	10.33%
Minneapolis Public Schools	\$344,054,244	23.04%
Minnesota State Colleges and Universities System	\$1,538,870	0.10%
Municipal Building Commission	\$85,967,233	5.76%
TOTAL	\$1,457,334,143	98.92%

3. Impact of Metropolitan Council Obligation to Offset Part of Minneapolis Share or Part of All of the Employing Units' Shares. The policy issue, if issues #1 and #2 are resolved to the disadvantage of the Metropolitan Council, is whether or not that it is appropriate that any annual Metropolitan Council employer supplemental contribution amount reduces the MERF Division share that the City of Minneapolis would otherwise pay. If the result of the revised allocation after the revision replicates the allocation summarized by PERA and indicated as part of the discussion of issue #2, the City of Minneapolis will return to paying 54.78% of the total MERF Division annual employer supplemental contribution instead of 56.52%. Without the specification that the inclusion of the Metropolitan Council as a MERF Division contributor reduces the Minneapolis share, the Metropolitan Council inclusion would reduce the allocation of all contributing employing units proportionally.

Amendment S1100-1A removes the Minneapolis-specific offset from the imposed Metropolitan Council MERF Division employer supplemental contribution obligation, meaning that the Metropolitan Council supplemental contribution will proportionally reduce the supplemental contributions of all MERF Division-covered employing units.

4. Retroactivity of the Employer Supplemental Contribution Obligation Clarification. Because the administrative consolidation of MERF into PERA occurred three years ago and there have been subsequent payments of the MERF Division employer supplemental contribution by the various former MERF-covered employing units other than the Metropolitan Council, the issue is whether this clarification of the allocation of that obligation should be only prospective or should be retroactive back to calendar year 2010. The proposed legislation would be effective prospectively only as drafted. If made retroactive, the proposed legislation would increase the initial financial impact on the Metropolitan Council and would be to the financial advantage of the City of Minneapolis. The City of Minneapolis has not yet determined whether or not it is seeking retroactivity.

Amendment S1100-2A makes the Metropolitan Council MERF Division employer supplemental contribution obligation retroactive to 2010, with PERA directed to bill for any obligation that is unpaid by the Metropolitan Council to date, plus interest, which will be credited against the Fiscal Year 2014 Minneapolis employer supplemental contribution to the MERF Division.

**Background Information on the
2010 Minneapolis Employees Retirement Fund
Administrative Consolidation into PERA-General**

1. PERA Included/Excluded Employees Provisions Revised to Reference MERF Members. The PERA included employee definition was revised to include members of the MERF division created in PERA and the excluded employee definition was revised by removing the reference to MERF-covered employees. *Laws 2010, Ch. 359, Art. 11, Sec. 1-2. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
2. MERF Division and MERF Division Account Definitions Created. The PERA definition section was revised by adding a definition of the MERF division, meaning the separate retirement plan within PERA-General governed by MERF plan laws, and the MERF division account was defined as the account within PERA containing MERF's assets and liabilities. *Laws 2010, Ch. 359, Art. 11, Sec. 3-4. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
3. Custodian of Funds Provision Revised. The PERA custodian of funds provision was revised in recognition that PERA is obligated to administer the MERF plan and its assets. *Laws 2010, Ch. 359, Art. 11, Sec. 5. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
4. PERA/SBI Investment Provision Revised. The PERA/State Board of Investment retirement funds investment provision was revised to clearly give State Board of Investment authority to invest the MERF account assets within PERA. *Laws 2010, Ch. 359, Art. 11, Sec. 6. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
5. PERA-General Retirement Fund Provision Revised. The PERA-General retirement fund provision was revised to:
 - Include the MERF division account in the general employees retirement fund provision and providing for its revenues (existing assets, new contributions, aid, and investment return) and disbursements (payment of expenses, annuities, and benefits).
 - Clarify that the existing law member contribution provision, employer contribution provision, and employer additional contribution provision applies to PERA-General members and their employing units, and not to the MERF account.
 - Clarify that the PERA employee and employer contribution rate change authority applies to PERA-General and not the MERF division, and excludes the MERF division actuarial results from the contribution change trigger mechanism.
 - Clarify that the employer reporting requirements provision applies to PERA-General and to the Public Employees Police and Fire Retirement Plan (PERA-P&F), and not to the MERF account.
 - Clarify that the erroneous receipts or disbursements provision applies to PERA-General and PERA-P&F, and not to the MERF account.
 - Clarify that the erroneous deductions transmission provision applies to PERA-General, PERA-P&F, and PERA-Correctional.
 - Provide that the recovery of overpayments provision applies to PERA-General, PERA-P&F, and PERA-Correctional.
 - Clarify that the current provision governing the timing of contributions by elected or appointed public employees, who are members of PERA-General for their service, applies PERA-General.
 - Clarify that the current employer exclusion report provision applies to PERA-General.
 - Specify that the current payroll data request response provision, omitted salary deduction collection provision, terminated employee omitted deduction provision, retiring member omitted deduction provision, canceled warrants provision, and uncovered pre-membership service credit acquisition provision apply to PERA-General, PERA-P&F, and PERA-Correctional. *Laws 2010, Ch. 359, Art. 11, Sec. 7. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
6. Refund or Deferred Annuity Provision Revised. The terminated employee refund or deferred annuity provision was clarified to also apply to the MERF division. *Laws 2010, Ch. 359, Art. 11, Sec. 8. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
7. Additions to Fund Provision Revised. The current additions to fund (through donations, gifts, bequests) provision was clarified by indicating it applies to PERA-General. *Laws 2010, Ch. 359, Art. 11, Sec. 9. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
8. Revision to Reemployed Annuitant Provision. The reemployed annuitant provision (the subdivisions dealing with reemployed annuitant maximum exempt salary limits, suspension or reduction of annuity, resumption of annuity, and effect on annuity) was clarified to apply to PERA-General,

PERA-P&F, and PERA-Correctional, but not to the MERF division. *Laws 2010, Ch. 359, Art. 11, Sections 10-14. Source: SF 2644 (Betzold); HF 2922 (Thissen).*

9. Deferred Annuitant Rights Provision Clarified. The deferred annuitant annuity entitlement provision was clarified to apply to PERA-General, the MERF division, PERA-P&F, and PERA-Correctional. *Laws 2010, Ch. 359, Art. 11, Sec. 15. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
10. Deferred Annuitant Rights Provision Revision. The current benefit computation provision for former consolidated MERF coordinated program members was restructured and revised to accommodate the creation of a MERF division in PERA. *Laws 2010, Ch. 359, Art. 11, Sec. 16. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
11. MERF Consolidation Account Establishment and Operation. New Minnesota Statutes, Section 353.50, established the MERF account and its administration, as follows:
 - The MERF division and MERF division consolidation account were to be administered by PERA.
 - The current MERF membership, liabilities and service credit, records, and asset legal title are transferred to the MERF division.
 - The member and employer contributions to MERF division were specified, with the employee and employer contribution amounts based on existing MERF law except that the minimum total employer contributions is \$27 million with a maximum of \$34 million, and if additional amounts are needed to cover benefit payouts the employers were required to provide sufficient assets to cover those obligations.
 - The PERA board was permitted to enter into an agreement with any MERF employing unit to permit that employer to transfer sufficient assets to PERA-General to pay off the unfunded actuarial accrued liability of its employees, allowing those permitting the employees to become PERA-General members rather than MERF account members.
 - The legislation provides for an eventual full consolidation of the MERF division and MERF account into PERA-General when the MERF division is 80 percent funded, with specifications for determining contributions to retire the remaining unfunded. *Laws 2010, Ch. 359, Art. 11, Sec. 17. Source: SF 2644 (Betzold); HF 2922 (Thissen); House Finance Amendment H3281-12A and House Ways and Means Amendment H3281-14A.*
12. MERF Division Account Employer Contributions Clarified. Dates were specified for MERF Division account employer contributions. The first half is payable before July 31 and the second before December 15. The amounts were based on official actuarial valuation results occurring 18 months earlier. *Laws 2012, Ch. 286, Art. 6, Sec. 3. Source: HF 2266 (Lanning); SF 1891 (Rosen).*
13. Metropolitan Airports Commission Public Safety Employees Exemption Provision Updated. An outdated retirement coverage exemption for Metropolitan Airports Commission police and firefighters was revised to reflect that MERF no longer exists separately from PERA. *Laws 2010, Ch. 359, Art. 11, Sec. 18. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
14. MERF Removed from Interest and Salary Economic Assumption Provision. Because it no longer exists as a free-standing entity, MERF was removed from the interest and salary assumption provision in Minnesota Statutes, Chapter 356. *Laws 2010, Ch. 359, Art. 11, Sec. 19. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
15. Amortization Contribution Provision Revised. The amortization contribution provision in Minnesota Statutes, Chapter 356, was revised by eliminating references to MERF, by implementing a 2031 amortization date for the MERF division, and by clarifying that the amortization provisions applicable to PERA do not include the MERF division. *Laws 2010, Ch. 359, Art. 11, Sec. 20. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
16. Increased State Contributions to MERF Division. The state aid to MERF was redirected to the MERF account within PERA, state aid remained at \$9 million, plus the cost of some supplemental benefits, with an additional \$13.75 million provided on September 15, 2011, and another additional \$13.75 million paid on September 15, 2012, and \$15 million paid annually thereafter until the full funding date, September 15, 2031. The provision also was moved from the MERF chapter (422A) to the PERA chapter (353). *Laws 2010, Ch. 359, Art. 11, Sect. 21, 26. Source: SF 2644 (Betzold); HF 2922 (Thissen), as revised by the conference committee.*
17. PERA Coverage Provision Revised for Conformity. A PERA coverage provision applicable to Minneapolis employees was revised by removing obsolete references to MERF and to the Minneapolis Teachers Retirement Fund Association (MTRFA), since they no longer exist. The

provision was moved from the MERF chapter (422A) to the PERA chapter (353). *Laws 2010, Ch. 359, Art. 11, Sec. 22, 26. Source: SF 2644 (Betzold); HF 2922 (Thissen).*

18. Determination Procedure for MERF Division Actuarial Assumptions. In an uncoded section, the MERF actuary was required to compare and review the July 1, 2010, PERA actuarial valuation assumptions with those used in the July 1, 2009, MERF actuarial valuation report and to recommend to the PERA actuary the actuarial assumptions deemed appropriate for the MERF division. *Laws 2010, Ch. 359, Art. 11, Sec. 23. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
19. Continuation of MERF Association Permitted. The MERF Association was permitted to continue in operation following the MERF administrative consolidation, but the MERF Association was not entitled to any tax-derived revenue and PERA was not obligated to extend any special privileges to the MERF Association. *Laws 2010, Ch. 359, Art. 11, Sec. 24. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
20. Disposition of MERF Employees. An existing MERF employee was transferred to the City of Minneapolis and another MERF employee was transferred to PERA. *Laws 2010, Ch. 359, Art. 11, Sec. 25. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
21. Repealers. Other than provisions that were moved to the PERA chapter, the majority of the MERF chapter was repealed, along with some MERF-specific provisions in other statute chapters. *Laws 2010, Ch. 359, Art. 11, Sec. 27. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
22. Elimination of References or Cross-References to MERF. Numerous statutory provisions were revised by eliminating references to the Minneapolis Employees Retirement Fund or cross-references to MERF statutes, or by identifying the relevant organization as the MERF division rather than MERF, or by indicating that PERA is the successor of MERF and citing PERA provisions rather than the obsolete MERF provisions. In some cases, revisions in these sections also included changes of a technical nature involving entities other than MERF. The sections in Minnesota statutes in which these MERF deletions or revisions were made were:
- 6.67, Public Accountants; Reports of Possible Misconduct;
 - 13D.01, Subdivision 1, provision of the Open Meeting Law specifying covering application to state and local government units
 - 43A.17, Subdivision 9, a political subdivision compensation limit provision;
 - 69.011, Subdivision 1, a definition provision;
 - 69.021, Subdivision 10, reduction in police state aid apportionment;
 - 69.031, Subdivision 5, deposit of state aid;
 - 126C.41, Subdivision 3, a retirement levies provision;
 - 256D.21, Continuation of Benefits; Former Minneapolis Employees;
 - 352.01, Subdivision 2b, the MSRS excluded employees provision;
 - 354.71, MERF State Aid Rededication;
 - 354A.011, Subdivision 27, the first class city teacher plan definition of “teacher;”
 - 354A.39, Service in Other Retirement Funds; Annuity;
 - 356.20, Subdivision 2, a financial reporting covered plans provision;
 - 356.214, Subdivision 1, an actuary retention provision;
 - 356.30, Subdivision 3, the combined service annuity covered plans provision;
 - 356.302, Subdivision 1, the combined service disability definition provision;
 - 356.302, Subdivision 7, the combined service disability covered plans provision;
 - 356.3030, Subdivision 4, the combined service survivor benefit covered plan provision;
 - 356.32, Subdivision 2, the proportionate-annuity-at-age-65 covered plan provision;
 - 356.401, Subdivision 3, the exempt from process covered plan provision;
 - 356.407, Subdivision 2, the restoration of survivor benefits covered plans provision;
 - 356.415, Subdivision 2, the post retirement adjustments; statewide plans covered plans provision;
 - 356.465, Subdivision 3, the supplemental needs trust statewide covered plans provision;
 - 356.64, real estate investments;
 - 356.65, Subdivision 2, a disposition of abandoned accounts provision;
 - 356.91, voluntary membership dues deduction;
 - 475.52, Subdivision 6, a bond issues provision; and
 - 480.181, Subdivision 2, an election of insurance provision. *Laws 2010, Ch. 359, Art. 12, Sec. 1, 3-4, 6-11, 19-21, 23-32, 34-37, 41-42. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
23. Correcting PERA References. The name of the PERA-General fund or plan, or the name of the association, were corrected in the following:
- 11A.23, Subdivision 4, an SBI investment of retirement funds covered plan provision;
 - 353.03, Subdivision 1, the PERA board management, composition provision;

- 353.71 Subdivision 4, a PERA refund repayment provision;
 - 353.86, Subdivision 1, a volunteer ambulance service personnel PERA participation provision;
 - 353.86 Subdivision 2, a volunteer ambulance service personnel PERA election provision;
 - 353.87 Subdivision 1, a volunteer firefighter PERA participation provision;
 - 353.87 Subdivision 2, a volunteer firefighter PERA option provision;
 - 353.88, a PERA membership miscertification provision. *Laws 2010, Ch. 359, Art. 12, Sections 2, 12-18. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
24. Public Employees Insurance Program Revised for Conformity. The Public Employees Insurance Program continuation of coverage provision was revised conform to the creation of the MERF division and the end of MERF as a separate organization. *Laws 2010, Ch. 359, Art. 12, Sec. 5. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
25. Optional Medicare Coverage Agreement Provision Revision. A Medicare coverage agreement provision in Minnesota Statutes, Chapter 355, was revised to clarify that former MERF members are PERA-General members for benefit coverage and not for Social Security coverage, maintaining their basic program status. *Laws 2010, Ch. 359, Art. 12, Sec. 22. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
26. Deletion of Cross-Reference to Repealed MERF Supplemental Lump Sum Benefit Provision. A cross-reference to Minnesota Statutes, Section 356.43, a repealed MERF supplemental lump sum benefits provision, was removed from a lump-sum post-retirement payment conversion provision. *Laws 2010, Ch. 359, Art. 12, Sec. 33. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
27. Correction of Cross-References Major Pension Plan Appeal Procedure. Cross-references in the MSRS, PERA, TRA appeals procedure definition provision. Minnesota Statutes, Section 356.96, Subdivision 1. were revised to conform to changes in an investment financial reporting provision due to the deletion of MERF. *Laws 2010, Ch. 359, Art. 12, Sec. 38. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
28. Metropolitan Government Sewer Employees Provision Revised by Removing MERF Reference. A metropolitan government sewer employees provision was revised by removing reference to MERF in a 1994 plan coverage membership election provision. *Laws 2010, Ch. 359, Art. 12, Sec. 39. Source: SF 2644 (Betzold); HF 2922 (Thissen).*
29. Metropolitan Airports Commission Mandatory Retirement Age Provision Amended. A Metropolitan Airports Commission employee appointment provision was revised by eliminating an obsolete mandatory retirement age procedure that referenced MERF and other plans. *Laws 2010, Ch. 359, Art. 12, Sec. 40. Source: SF 2644 (Betzold); HF 2922 (Thissen).*

MERF Contributions
Updated 7/1/2012

Member Contributions (353.50, Subd. 7(b))

- 9.75% of total salary (salary is defined in 353.01, subdivision 10).
- Contributions must be made by payroll deduction in accordance with 353.27, subd. 4 and must be paid within 14 calendar days.

Employer Contributions

1. Employer Regular Contributions (353.50, Subd. 7(c))

- 9.75% of total salary (salary is defined in 353.01, subdivision 10).
- Contributions must be made by payroll deduction in accordance with 353.27, subd. 4 and must be paid within 14 calendar days.

2. Employer Additional Contribution (353.50, Subd. 7(d))

- 2.68% of total salary (salary is defined in 353.01, subdivision 10).
- Plus employing unit's share of \$3.9 million that was paid/payable during calendar year 2009 under 422A.101, subdivision 1a, 2, or 2a. Those amounts were based on the 7/1/07 actuarial valuation, billed in February 2008 and paid on or before 6/30/09. Those amounts and employing units are as follows:

City of Minneapolis	\$ 2,763,437
Minneapolis Schools	\$ 731,125
Metropolitan Airports Commission	\$ 402,512
MnSCU	\$ 2,926
Grand Total:	\$ 3,900,000

- Contributions must be made through the PERA prescribed format for reporting employee and employer contributions in accordance with 353.27, subd. 4, which states the employer will remit payment for "*the aggregate amount of the employee contributions, the employer contributions and the additional employer contributions to be received within 14 calendar days of the date the employees are paid.*"
 - MERF allowed employers to pay their share of the \$3.9 million annually rather than bi-weekly. Minneapolis Schools paid it biweekly; the others paid it by June 30 each year. Although the \$3.9 million contribution is called an "additional" contribution, it is not based on biweekly payroll amounts. Because of that, we have allowed employers to continue making that payment either biweekly or annually as they did when they paid MERF.
- 3. Employer Supplemental Contribution (353.50, Subd. 7(e))**
- Paid annually by all of MERF's employers.
 - The first contribution is not due until after June 30, 2012.
 - The amount is calculated annually and is the larger of:
 - Total actuarial required contributions less member contributions less employer regular and additional contributions less the State contribution; or
 - \$27,000,000

- The total employer contribution (regular, additional and supplemental) can not exceed \$34,000,000.
- The actuary will calculate required supplemental contributions using projected payroll and projected member/employer regular and additional contributions.
- M.S. 353.50, subd. 7(f) was added in 2012 to clarify the due dates.

Activity	Due Date
PERA's actuary determines the total actuarial required contribution for fiscal year 2012 and determines projected employee contributions that will be paid in FY12; projected employer regular and additional contributions that will be paid in FY12; and the State contribution that will be paid 9/15/12 (FY13).	December 31, 2010 (Actuarial Valuation for July 1, 2010)
Calculate Supplemental Contribution: total actuarial required contribution for FY12 less projected member contributions payable in FY12 less projected employer regular and additional contributions payable in FY12 less the State contribution paid on September 15, 2012 (FY13). Allocate the supplemental contribution between the employers based on their share of MERF's actuarial accrued liability on 7/1/09. Notices will be sent out a year early notifying employers of the amount that will be due the following calendar year. The actual invoice numbers will be sent in the spring of the year in which the amount is due.	March 2011 <i>Note: PERA is required to notify employers of their amount due by January 31, 2012, but we plan to notify employers early for levy purposes.</i>
Supplemental contribution is due from each of the employers without interest. <i>Note: we do not have authority to charge interest.</i>	July 31, 2012 December 15, 2012

- The supplemental contribution is allocated between the employers in proportion to their share of the actuarial accrued liability of MERF on July 1, 2009 as prepared by MERF's actuary during legislative hearings as follows:

Employer	Allocation *
City of Minneapolis	54.78%
Minneapolis Park Board	10.33%
Met Council	1.74%
Metropolitan Airport Commission	5.76%
Municipal Building Commission	1.08%
Minneapolis School District No. 1	23.04%
Hennepin County	3.17%
MnSCU	0.10%
Total:	100.00%

**Note: The original allocation for the City of Minneapolis was 54.21% and for Hennepin County was 3.74%. Hennepin County & Minneapolis had signed an agreement making*

Minneapolis responsible for 17 employees who used to work in the Minneapolis Library before it merged with Hennepin. The two agreed that Minneapolis would pay any future liabilities for those 17 employees, so the allocation was changed after we received the request co-signed by Hennepin County and the City of Minneapolis on April 29, 2011. The new allocation was calculated by Gabriel, Roeder, Smith & Co. on 2/7/11.

4. Employer Special Additional Contribution (353.50, Subd. 7(g))

- This contribution is calculated by PERA staff every August 1st and any amount due is payable on or before the following June 30.
- The special additional contribution is only due if expected benefit payments will likely exceed assets during the year.
- The special additional contribution is equal to the amount of benefit payments paid during the prior year multiplied by 1.035, less the market value of assets on the most recent June 30, less state aid that will be paid during the present fiscal year, less the amount of member and employer contributions (regular, additional and supplemental) paid during the prior year multiplied by 1.035. If the calculation result is negative, a special additional contribution is not due the following June 30.
- The special additional contribution is allocated between the employers in proportion to their share of the actuarial accrued liability of MERF on July 1, 2009 as prepared by MERF's actuary during legislative hearings as follows:

Employer	Allocation *
City of Minneapolis	54.78%
Minneapolis Park Board	10.33%
Met Council	1.74%
Metropolitan Airport Commission	5.76%
Municipal Building Commission	1.08%
Minneapolis School District No. 1	23.04%
Hennepin County	3.17%
MnSCU	0.10%
Total:	100.00%

5. State of Minnesota Contribution (422A.101, Subd. 3, renumbered 353.505)

- The actuary calculates the total required annual actuarial contribution (financial requirements) each year.
- The State's annual contribution is equal to the financial requirements for the year, less employee contributions expected to be paid this year, less employer regular and additional contributions expected to be paid this year.
- Payments are calculated by the actuary in December and due to PERA on the following September 15th each year.

- The State's contribution can not exceed the following amounts:

Due Date	Maximum State Contribution
September 15, 2010	\$ 9,000,000
September 15, 2011	\$ 22,750,000
September 15, 2012	\$ 22,750,000
September 15, 2013 and beyond	\$ 24,000,000

- State contributions end on September 15, 2031, or on September 1 following the first date on which current assets of the MERF division equal or exceed the actuarial accrued liability, whichever occurs earlier.

FILE - MERF

February 4, 2002

Mr. Patrick Born
Finance Director
City of Minneapolis
350 S. 5th Street
Minneapolis, MN 55415-1316

RE: MERF – Intergovernmental Agreement

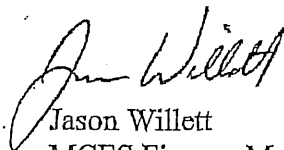
Dear Pat:

Enclosed for your records is a copy of the intergovernmental agreement related to our MERF buyout. I've also sent one of the fully executed originals to Lee Larson in your contracts area.

The Metropolitan Council much appreciates the City's willingness to enter into this agreement and spare us future administrative costs and uncertainty about MERF payments. This is an excellent example of an intergovernmental partnership clearly benefiting the public at large and, specifically, our wastewater ratepayers.

I also appreciate your personal efforts in this matter. Thanks very much.

Sincerely,



Jason Willett
MCES Finance Manager

cc: Don Madore, Director of Administration and Business Planning
Beth Widstrom-Anderson, CFO

Enclosure

017568

INTERGOVERNMENTAL AGREEMENT

This intergovernmental agreement is made and entered into by and between the Metropolitan Council (hereinafter "Council"), the City of Minneapolis (hereinafter "City"), and the Minneapolis Employees Retirement Fund (hereinafter "MERF").

WHEREAS:

1. Prior to 1969, wastewater treatment for the city of Minneapolis was provided by the Minneapolis-St. Paul Sanitary District ("District"). Certain employees of that entity were eligible for membership and participated in the Minneapolis Employees Retirement Fund.
2. The Metropolitan Sewer Board, later renamed the Waste Control Commission ("MWCC"), was established in 1969. Pursuant to law, on January 1, 1971 the Minneapolis-St. Paul Sanitary District ("District") was abolished and the Metropolitan Sewer Board assumed ownership and control of all facilities owned by the District.
3. Pursuant to law: a) all persons regularly employed by the District became employees of the Metropolitan Sewer Board; and b) former employees of the District could at their option continue to be members of MERF and retain pension rights under that retirement plan. A number of such employees elected to continue to be members of MERF.
4. In 1994, the Council became the successor entity to the MWCC with respect to all the MWCC's property, interests, obligations, and rules. As such, several employees of the Council continued to be members of MERF.
5. All employees of the Council eligible for membership in MERF have now retired, or are no longer employed but are not yet receiving retirement benefits (referred to in this agreement as on "deferred retirement status"). However, the Council has continuing obligations under state law to MERF relative to the retirement of those employees.
6. The City has a substantial ongoing liability to MERF and is willing to assume the future liability of the Council to MERF for the Council's retired MERF employees. An assumption of these liabilities by the City is in the public interest as it reduces administrative costs for the Council and the MERF, without a material increase in administrative cost to the City.
7. A proposed amount to be paid to the City for assuming the Council's obligations has been developed based on an independent actuarial analysis of the expected remaining Council liability. The actuarial analysis takes into account the expected mortality of the beneficiaries and also discounts the expected payments to a present value.

NOW, THEREFORE, it is agreed:

ARTICLE I METROPOLITAN COUNCIL

- 1.01 Council Payment.** In consideration of the undertakings by the other parties under this Agreement, the Council shall pay to MERF, for the benefit of the City's account with MERF, the sum of \$1,307,264.
- 1.02 Time of Payment.** Payment of the sum specified in section 1.01 shall be made by the Council on or before December 31, 2001, or within 10 working days after this agreement becomes effective, whichever is later.
- 1.03 Definition of Term "Council's MERF Obligations".** For the purposes of this agreement, the term "Council's MERF Obligations" shall mean all past, present or future liability or obligations which the Council, its governing board or employees, or their predecessors or successors, may have to the City, MERF, or any other person, related to the payment of retirement pay to former employees of the Council, or its predecessors, who are eligible for retirement pay of any kind from MERF, and which liability or obligations arise under state or other law including, without limitation, any obligations arising under Minnesota Statutes, section 473.511, subdivision 3, and Minnesota Statutes, Chapter 422A.

ARTICLE II CITY OF MINNEAPOLIS

In consideration of the Council's undertakings under this agreement, the City agrees to the following obligations:

- 2.01 Assumption of Council's MERF Obligations.** Upon payment by the Council to MERF of the amount specified in section 1.01, the City shall assume and be responsible for all of the Council's MERF Obligations as defined in section 1.03.
- 2.02 Indemnification.** Upon payment by the Council to MERF of the amount specified in section 1.01, the City shall indemnify and hold harmless the Council, its governing board, agents, and employees against any and all claims by, or amounts owed to, any person which arise out of the Council's MERF Obligations as defined in section 1.03.

ARTICLE III MERF

- 3.01 Receipt of Council Payment.** MERF agrees that upon receipt of the Council's payment in accordance with section 1.01, MERF shall: a) credit the Council's payment to the City's account with MERF; b) record a consolidation of the Council's MERF account into the City's MERF account; c) consolidate assets held in the Council's account with the assets in the City's account; and d) dissolve the Council's account. These changes will be effective on January 1, 2002 or upon receipt of the Council's payment, whichever is later.

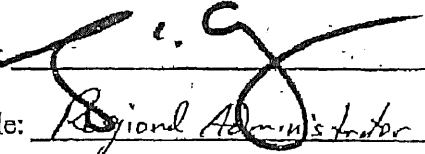
3.02 **No Recourse against Council.** MERF further agrees that upon receipt of the Council's payment in accordance with section 1.01, MERF agrees that: a) it will look only to the City for any of the Council's MERF Obligations as defined in section 1.03; and b) it will have no further recourse of any kind against the Council for the Council's MERF Obligations as defined in section 1.03.

ARTICLE IV GENERAL PROVISIONS.

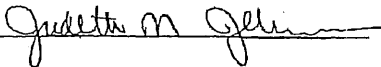
- 4.01 **Assignment.** No party to this agreement shall assign, delegate, or transfer any rights or obligations under this agreement without the prior written consent of the other parties.
- 4.02 **Amendments.** Any amendments or modifications to this agreement shall be in writing and shall not be effective until executed by the parties to this agreement.
- 4.03 **Governing Law, Jurisdiction and Venue.** This agreement, and executed amendments thereto, shall be governed by the laws of the State of Minnesota.
- 4.04 **Complete Agreement.** This agreement, and amendments and supplements, constitutes the entire agreement between the parties.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their duly authorized officer(s) on the dates set forth below. This agreement shall be effective upon execution by, and delivery to, all of the parties.

METROPOLITAN COUNCIL

By: 
Title: Regional Administrator
Date: 1/31/02

MINNEAPOLIS EMPLOYEES RETIREMENT FUND

By: 
Title: Executive Director
Date: Dec. 28, 2001

CITY OF MINNEAPOLIS

BY: _____


MAYOR

DATE: _____

Jan 8, '03

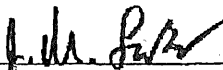
ATTEST: _____


CITY CLERK

COUNTERSIGNED: _____

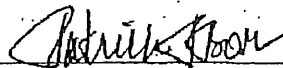

FINANCE OFFICER

APPROVED AS TO FORM



ASSISTANT CITY ATTORNEY

APPROVED: _____



DEPARTMENT HEAD
RESPONSIBLE FOR CONTRACT
MONITORING FOR THIS
CONTRACT

- 1.1 moves to amend S.F. No. 1100; H.F. No., as follows:
- 1.2 Page 3, line 17, delete everything after "percent" and insert a period
- 1.3 Page 3, delete line 18

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

1.2 Page 3, line 23, after "effective" insert "retroactively from" and delete "2013" and
1.3 insert "2010. The executive director of the Public Employees Retirement Association
1.4 shall calculate the amounts that the Metropolitan Council would have paid as an employer
1.5 supplemental contribution before the date of enactment of this section if the employer
1.6 supplemental contribution allocation under this section had been implemented during
1.7 fiscal years 2011, 2012, and 2013, shall bill the Metropolitan Council for that amount, plus
1.8 8.5 percent compound interest on the annual subtotals of the amount from the date that
1.9 each subtotal amount would have been paid until the date that the total is paid, and shall
1.10 revise the billing to the city of Minneapolis for fiscal year 2014 accordingly"

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE

S.F. No. 1100

(SENATE AUTHORS: HAYDEN)

DATE	D-PG	OFFICIAL STATUS
03/06/2013	620	Introduction and first reading Referred to State and Local Government

1.1 A bill for an act
 1.2 relating to retirement; MERF division of PERA; clarifying the supplemental
 1.3 employer contribution obligation of the Metropolitan Council; amending
 1.4 Minnesota Statutes 2012, section 353.50, subdivision 7.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2012, section 353.50, subdivision 7, is amended to read:

1.7 Subd. 7. **MERF division account contributions.** (a) After June 30, 2010, the
 1.8 member and employer contributions to the MERF division account are governed by this
 1.9 subdivision.

1.10 (b) An active member covered by the MERF division must make an employee
 1.11 contribution of 9.75 percent of the total salary of the member as defined in section 353.01,
 1.12 subdivision 10. The employee contribution must be made by payroll deduction by the
 1.13 member's employing unit under section 353.27, subdivision 4, and is subject to the
 1.14 provisions of section 353.27, subdivisions 7, 7a, 7b, 12, 12a, and 12b.

1.15 (c) The employer regular contribution to the MERF division account with respect
 1.16 to an active MERF division member is 9.75 percent of the total salary of the member as
 1.17 defined in section 353.01, subdivision 10.

1.18 (d) The employer additional contribution to the MERF division account with respect
 1.19 to an active member of the MERF division is 2.68 percent of the total salary of the member
 1.20 as defined in section 353.01, subdivision 10, plus the employing unit's share of \$3,900,000
 1.21 that the employing unit paid or is payable to the former Minneapolis Employees
 1.22 Retirement Fund under Minnesota Statutes 2008, section 422A.101, subdivision 1a, 2,
 1.23 or 2a, during calendar year 2009, as was certified by the former executive director of the
 1.24 former Minneapolis Employees Retirement Fund.

2.1 (e) Annually after June 30, 2012, the employer supplemental contribution to
2.2 the MERF division account by the city of Minneapolis, Special School District No. 1,
2.3 Minneapolis, a Minneapolis-owned public utility, improvement, or municipal activity,
2.4 Hennepin county, the Metropolitan Council, the Metropolitan Airports Commission, and
2.5 the Minnesota State Colleges and Universities system is the larger of the following:

2.6 (1) the amount by which the total actuarial required contribution determined under
2.7 section 356.215 by the approved actuary retained by the Public Employees Retirement
2.8 Association in the most recent actuarial valuation of the MERF division and based on a
2.9 June 30, 2031, amortization date, after subtracting the contributions under paragraphs (b),
2.10 (c), and (d), exceeds \$22,750,000 or \$24,000,000, whichever applies; or

2.11 (2) the amount of \$27,000,000, but the total supplemental contribution amount
2.12 plus the contributions under paragraphs (c) and (d) may not exceed \$34,000,000. Each
2.13 employing unit's share of the total employer supplemental contribution amount is equal
2.14 to the applicable portion specified in paragraph (h). The initial total actuarial required
2.15 contribution after June 30, 2012, must be calculated using the mortality assumption
2.16 change recommended on September 30, 2009, for the Minneapolis Employees Retirement
2.17 Fund by the approved consulting actuary retained by the Minneapolis Employees
2.18 Retirement Fund board.

2.19 (f) Before January 31, each employing unit must be invoiced for its share of the
2.20 total employer supplemental contribution amount under paragraph (e). The amount is
2.21 payable by the employing unit in two parts. The first half of the amount due is payable
2.22 on or before the July 31 following the date of the invoice, and the second half of the
2.23 amount due is payable on or before December 15. Each invoice must be based on the
2.24 actuarial valuation report prepared under section 356.215 and the standards for actuarial
2.25 work promulgated by the Legislative Commission on Pensions and Retirement as of the
2.26 valuation date occurring 18 months earlier.

2.27 (g) Notwithstanding any provision of paragraph (c), (d), or (e) to the contrary, as of
2.28 August 1 annually, if the amount of the retirement annuities and benefits paid from the
2.29 MERF division account during the preceding fiscal year, multiplied by the factor of 1.035,
2.30 exceeds the market value of the assets of the MERF division account on the preceding
2.31 June 30, plus state aid of \$9,000,000, \$22,750,000, or \$24,000,000, whichever applies,
2.32 plus the amounts payable under paragraphs (b), (c), (d), and (e) during the preceding
2.33 fiscal year, multiplied by the factor of 1.035, the balance calculated is a special additional
2.34 employer contribution. The special additional employer contribution under this paragraph
2.35 is payable in addition to any employer contribution required under paragraphs (c), (d), and

3.1 (e), and is payable on or before the following June 30. The special additional employer
3.2 contribution under this paragraph must be allocated as specified in paragraph (h).

3.3 (h) The employer supplemental contribution under paragraph (e) or the special
3.4 additional employer contribution under paragraph (g) must be allocated between the city of
3.5 Minneapolis, Special School District No. 1, Minneapolis, any Minneapolis-owned public
3.6 utility, improvement, or municipal activity, the Minnesota State Colleges and Universities
3.7 system, Hennepin County, the Metropolitan Council, and the Metropolitan Airports
3.8 Commission in proportion to their share of the actuarial accrued liability of the former
3.9 Minneapolis Employees Retirement Fund as of July 1, 2009, as calculated by the approved
3.10 actuary retained under section 356.214 as part of the actuarial valuation prepared as of
3.11 July 1, 2009, under section 356.215 and the Standards for Actuarial Work adopted by the
3.12 Legislative Commission on Pensions and Retirement. Notwithstanding any provision to
3.13 the contrary of this paragraph or of any agreement or agreements between MERF-covered
3.14 employing units entered into before January 1, 2010, the proportional share of the MERF
3.15 division actuarial accrued liability attributable to the Metropolitan Council for determining
3.16 the employer supplemental contribution or a special additional employer contribution under
3.17 this paragraph is 1.74 percent and the proportional share of the MERF division actuarial
3.18 accrued liability attributable to the city of Minneapolis is reduced by that same amount.

3.19 (i) The employer contributions under paragraphs (c), (d), (e), and (g) must be paid as
3.20 provided in section 353.28.

3.21 (j) Contributions under this subdivision are subject to the provisions of section
3.22 353.27, subdivisions 4, 7, 7a, 7b, 11, 12, 12a, 12b, 13, and 14.

3.23 **EFFECTIVE DATE.** This section is effective July 1, 2013.

