

November 2011

Minneapolis Employees Retirement Fund

Actuarial Valuation Report as of July 1, 2011

MERCER

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November 2011

Public Employees Retirement Association of Minnesota
Minneapolis Employees Retirement Fund
St. Paul MN

Dear Trustees of the Minneapolis Employees Retirement Fund:

Submitted in this report are the July 1, 2011 actuarial valuation results for the Minneapolis Employees Retirement Fund. The purposes of this report are to:

- Present Mercer's actuarial estimates of the Plan's liabilities and expenses as required by Minnesota Statutes, Section 356.215 and the Standards for Actuarial Work established by the State of Minnesota Legislative Commission on Pensions and Retirement (LCPR) for the Public Employees Retirement Association of Minnesota (PERA) to incorporate, as PERA deems appropriate, in its financial statements; and
- Provide the actuarially required contribution rate for the fiscal year beginning July 1, 2011.

To the best of our knowledge and belief, the valuation was performed in accordance with the requirements of Minnesota Statutes, Section 356.215, and the requirements of the Standards for Actuarial Work established by the LCPR, including one modification regarding decrement timing. The LCPR approved this modification prior to the preparation of this report in order to ensure consistency and comparability. For more information about the decrement timing methodology, please refer to the *Actuarial Basis* section.

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. Moreover, this report contains a Glossary of certain terms referenced in the report, which you may wish to consult before reviewing the report. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. In addition, Mr. Dickson meets the requirements of "approved actuary" under Minnesota Statutes, Section 356.215, Subdivision 1, Paragraph (c). We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.

Respectfully submitted,



Gary D. Dickson, FSA, EA, MAAA



Bonita J. Wurst, ASA, EA, MAAA

Highlights

The following table summarizes important contribution information as described in the *Development of Costs* section.

Contributions	Actuarial Valuation as of	
	July 1, 2011	July 1, 2010
Statutory Contributions – Chapter 353 (% of Payroll)	817.32%	322.21%
Required Contributions – Chapter 356 (% of Payroll)	525.50%	538.76%
Sufficiency / (Deficiency)	291.82%	(216.55%)
Statutory Contributions – Chapter 353 (000's)	\$ 55,147	\$ 28,620
Required Contributions – Chapter 356 (000's)	35,457	47,858
Sufficiency / (Deficiency)	19,690	(19,238)

The comparison between statutory and required contribution levels changed from a \$19 million deficiency to a \$20 million sufficiency. The primary reasons for the year-over-year improvement are the better than expected asset return and the addition of the employer supplemental contribution, which is payable for the first time after June 20, 2012.

If the actuarial accrued liability funding ratio of this plan reaches 80%, the MERF Division will be merged with the PERA general employees retirement plan. Upon consolidation, the remaining unfunded liability will be amortized as a level dollar amount through June 30, 2031. The amortization payment will be based on the assumptions of the PERA general employees retirement plan.

The *Plan Assets* section provides detail on the plan assets used for the valuation including a development of the actuarial value of assets (AVA). The market value of assets (MVA) earned approximately 23% for the plan year ending June 30, 2011.

Participant reconciliation and statistics are detailed in the *Membership Data* section. The *Actuarial Basis* section includes a summary of plan provisions and actuarial methods and assumptions used for the calculations in this report. The *Plan Accounting* sections detail the required accounting information for the Plan under GASB Statement No. 25 (as amended by GASB 50).

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in plan provisions, actuarial assumptions or valuation methods and procedures between the two valuations are described after the summary.

	Actuarial Valuation as of	
	July 1, 2011	July 1, 2010
Contributions (% of Payroll)		
Statutory – Chapter 353	817.32%	322.21%
Required – Chapter 356	525.50%	538.76%
Sufficiency / (Deficiency)	291.82%	(216.55%)
Contributions (Dollars in Thousands)		
Statutory Contributions – Chapter 353	\$ 55,147	\$ 28,620
Required Contributions – Chapter 356	35,457	47,858
Sufficiency / (Deficiency)	19,690	(19,238)
Funding Ratios (Dollars in Thousands)		
Accrued Benefit Funding Ratio		
– Current assets (AVA)	\$ 910,987	\$ 844,033
– Current benefit obligations	1,237,339	1,284,153
– Funding ratio	73.62%	65.73%
Accrued Liability Funding Ratio		
– Current assets (AVA)	\$ 910,987	\$ 844,033
– Market value of assets (MVA)	910,987	844,033
– Actuarial accrued liability	1,238,703	1,286,151
– Funding ratio (AVA)	73.54%	65.62%
– Funding ratio (MVA)	73.54%	65.62%
Projected Benefit Funding Ratio		
– Current and expected future assets*	\$ 1,239,963	\$ 1,287,974
– Current and expected future benefit obligations	1,239,963	1,287,974
– Projected benefit funding ratio	100.00%	100.00%

* Per the Actuarial Standards, the present value of expected future statutory supplemental contributions is the balancing item needed to attain a projected benefit funding ratio of 100%. Actual statutory contributions may be significantly different.

Principal Valuation Results

	Actuarial Valuation as of	
	July 1, 2011	July 1, 2010
Participant Data		
Active members		
– Number	107	143
– Projected annual earnings (<i>000s</i>)	\$ 6,747	\$ 8,883
– Average annual earnings (<i>projected</i>)	\$ 63,058	\$ 62,116
– Average age	60.7	60.1
– Average service	36.6	35.5
Service retirements	3,256	3,360
Survivors	806	840
Disability retirements	131	143
Deferred retirements	88	102
Total	4,388	4,588

Valuation of Future Post-Retirement Benefit Increases

A very important assumption affecting the valuation results is the expectation of future post-retirement benefit increases. Currently, post-retirement increases are 1%. The accrued liability funding ratio of the General Employees Retirement Plan (on a market value of assets basis and assuming 1.0% benefit increases) is currently 76.1%. If the General Employees Retirement Plan (PERA General) reaches a funding ratio of 90% (on a market value of assets basis) in the future, post-retirement increases in the Minneapolis Employees Retirement Fund will change to the 2.5% level.

We performed a projection of PERA General liabilities and assets, using the 2011 valuation results as a baseline and assuming future experience follows the valuation assumptions (including future investment returns of 8.5%). In addition, the projection utilized the following methods and assumptions:

- Liabilities and normal cost assume future COLAs at 2.5% level payable for all years
- Cash flow assuming future COLAs at current 1% level
- Level normal cost as a percent of pay (assuming total payroll increases as assumed in the valuation for purposes of amortizing the unfunded liability)
- Current statutory contribution levels (i.e. not including potential contribution increases under the contribution stabilizer statutes).

Based on these assumptions and methods, the projection indicates that the funded status of this plan is not expected to reach 90% within the 15 year projection period.

The liabilities in this report are calculated assuming 1.0% annual increases for all future years. This approach was prescribed by PERA based on their interpretation of applicable Minnesota Statutes (and their consultation with the LCPR). If we had assumed annual increases of 2.5% instead of 1.0%, the liability would have been approximately \$1,378 million instead of approximately \$1,238 million, resulting in an actuarial accrued liability funded ratio of 66.0% (on a market value basis).

Important Notices

Mercer has prepared this report exclusively for the the Public Employees Retirement Association of Minnesota (PERA) and the Legislative Commission on Pensions and Retirement (LCPR); Mercer is not responsible for reliance upon this report by any other party. Subject to this limitation, PERA may direct that this report be provided to its auditors in connection with audits of the Plan or its sponsoring entities.

The only purposes of this report are to:

- Present Mercer's actuarial estimates of the Plan's liabilities and expenses as required by Minnesota Statutes, Section 356.215 and the Standards for Actuarial Work established by the State of Minnesota LCPR for PERA to incorporate, as PERA deems appropriate, in its financial statements; and
- Provide the actuarial required contribution rate for the fiscal year beginning July 1, 2011.

This report may not be used for any other purpose; Mercer is not responsible for the consequences of any unauthorized use.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

The State Board of Investment (SBI) is solely responsible for selecting the plan's investment policies, asset allocations and individual investments. Mercer's actuaries have not provided any investment advice to the Board of Directors or the SBI.

A valuation report is only a snapshot of a Plan's estimated financial condition at a particular point in time; it does not predict the Plan's future financial condition or its ability to pay benefits in the future and does not provide any guarantee of future financial soundness of the Plan. Over time, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the period of time over which benefits are paid, plan expenses and the amount earned on any assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

To prepare the valuation report, actuarial assumptions, as described in the *Actuarial Basis* section of this report, are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which

Important Notices

results would be different if you substitute alternative assumptions within the range of possibilities for those utilized in this report. We have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in this report. At PERA's request, Mercer is available to perform such a sensitivity analysis.

Actuarial assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable when made.

The calculation of actuarial liabilities for valuation purposes is based on a current estimate of future benefit payments. The calculation includes a computation of the "present value" of those estimated future benefit payments using an assumed discount rate; the higher the discount rate assumption, the lower the estimated liability will be. For purposes of estimating the liabilities (future and accrued) in this report, you selected an assumption based on the expected long term rate of return on plan investments. Using a lower discount rate assumption, such as a rate based on long-term bond yields, could substantially increase the estimated present value of future and accrued liabilities.

Because valuations are a snapshot in time and are based on estimates and assumptions that are not precise and will differ from actual experience, contribution calculations are inherently imprecise. There is no uniquely "correct" level of contributions for the coming plan year.

Valuations do not affect the ultimate cost of the Plan, only the timing of contributions into the Plan. Plan funding occurs over time. Contributions not made this year, for whatever reason, including errors, remain the responsibility of the Plan sponsor and can be made in later years. If the contribution levels over a period of years are lower or higher than necessary, it is normal and expected practice for adjustments to be made to future contribution levels to take account of this with a view to funding the plan over time.

Data, computer coding and mathematical errors are possible in the preparation of a valuation involving complex computer programming and thousands of calculations and data inputs. Errors in a valuation discovered after its preparation may be corrected by amendment to the valuation or in a subsequent year's valuation.

Actuarial assumptions, including discount rates, mortality tables and others identified in this report, are prescribed by Minnesota Statutes Section 356.215, the LCPR, and the Trustees. These parties are responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in the *Actuarial Basis* section of this report. PERA is solely responsible for communicating to Mercer any changes required thereto.

To prepare this report Mercer has used and relied on financial data and participant data supplied by PERA and summarized in the *Plan Assets* and *Membership Data* sections of this report. PERA is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the plan or otherwise entitled to benefits as of the valuation date that is sufficiently comprehensive and accurate for the purposes of this report. Although Mercer has reviewed the data in accordance with Actuarial Standards of Practice No. 23, Mercer has not verified or audited any of the data or information provided.

Mercer has also used and relied on the summary of plan provisions, including amendments, and interpretations of plan provisions, supplied by PERA as summarized in the *Actuarial Basis* section of this report and on plan provisions stipulated by statute. The Trustees are solely responsible for the validity, accuracy and

Important Notices

comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a later revision of this report. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and that the different interpretations could lead to different valuation results.

PERA should notify Mercer promptly after receipt of the valuation report if PERA disagrees with anything contained in the valuation report or is aware of any information that would affect the results of the valuation report that has not been communicated to Mercer or incorporated therein. The valuation report will be deemed final and acceptable to PERA unless PERA promptly provides such notice to Mercer.

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

Supplemental Information

The remainder of the report includes information supporting the results presented in the previous sections.

- **Plan assets** presents information about the plan's assets as reported by the Public Employees Retirement Association and the Minnesota State Board of Investments. The assets represent the portion of total fund liabilities that has been funded.
- **Membership data** presents and describes the membership data used in the valuation.
- **Development of costs** shows the liabilities for plan benefits and the derivation of the contribution amount.
- **Actuarial basis** describes the plan provisions, as well as the methods and assumptions used to value the plan. The valuation is based on the premise that the plan is ongoing.
- **Plan accounting under GASB 25 (as amended by GASB 50)** shows the disclosures required by GASB Statement No. 25 as amended by GASB Statement No. 50.
- **Glossary** defines the terms used in this report.

Plan Assets

Statement of Plan Net Assets for Year Ended June 30, 2011 *(Dollars in Thousands)*

	Market Value
Assets in Trust	
▪ Cash, equivalents, short term securities	\$ 24,416
▪ Fixed income	195,364
▪ Equity	535,516
▪ SBI Alternative	129,364
Total assets in trust	\$ 884,660
Assets Receivable*	26,567
Amounts Payable	(240)
Net assets held in trust for pension benefits	\$ 910,987

* Includes \$22.75 million contribution paid September 15, 2011.

Plan Assets

Reconciliation of Plan Assets

The following exhibit shows the revenue, expenses and resulting assets of the Fund as reported by the Public Employees Retirement Association for the Plan's Fiscal Year July 1, 2010 to June 30, 2011.

Change in Assets (<i>Dollars in Thousands</i>)	Market Value
1. Fund balance at market value at July 1, 2010*	\$ 844,033
2. Contributions	
a. Member	767
b. Employer	5,105
c. State	22,750
d. Total contributions	<u>28,622</u>
3. Investment income	
a. Investment income	\$ 183,897
b. Investment expenses	<u>(1,237)</u>
c. Net subtotal	182,660
4. Other	44
5. Total income (2.d. + 3.c. + 4.)	\$ 211,326
6. Benefits Paid	
a. Annuity benefits	(143,961)
b. Refunds	<u>(178)</u>
c. Total benefits paid	\$ (144,139)
7. Expenses	
a. Other	0
b. Administrative	<u>(233)</u>
c. Total Expenses	(233)
8. Total distributions (6.c. + 7.c.)	\$ (144,372)
9. Fund balance at market value at June 30, 2011** (1. + 5. + 8.)	\$ 910,987

* Includes \$9 million contribution paid September 15, 2010.

** Includes \$22.75 million contribution paid September 15, 2011.

Plan Assets

Actuarial Asset Value

Actuarial Asset Value is equal to Market Value, including receivable contributions and reduced by amounts payable at the valuation date.

Membership Data

Distribution of Active Participants

Age	Years of Service as of June 30, 2011										Total
	<3	3 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
<25											0
Avg. Earnings											N/A
25 – 29											0
Avg. Earnings											N/A
30 – 34											0
Avg. Earnings											N/A
35 – 39											0
Avg. Earnings											N/A
40 – 44											0
Avg. Earnings											N/A
45 – 49											0
Avg. Earnings											N/A
50 – 54								11	3		14
Avg. Earnings								53,458	63,364		55,581
55 – 59								16	25	1	42
Avg. Earnings								57,502	67,697	42,215	63,206
60 – 64								9	12	9	30
Avg. Earnings								77,318	59,409	51,678	62,462
65 – 69								2	5	5	12
Avg. Earnings								47,386	63,269	61,430	59,855
70+									4	5	9
Avg. Earnings									44,478	56,975	51,421
Total	0	0	0	0	0	0	0	38	49	20	107
Avg. Earnings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	60,492	63,055	54,967	60,633

In each cell, the top number is the count of active participants for the age/service combination and the bottom number is the amount of average annual earnings.

Membership Data

Distribution of Service Retirements

Age	Years Since Retirement as of June 30, 2011							Total
	<1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25+	
<45								0
Avg. Benefit								N/A
45 – 49								0
Avg. Benefit								N/A
50 – 54	1	9	14					24
Avg. Benefit	27,665	39,874	35,949					37,076
55 – 59	8	74	153	22				257
Avg. Benefit	45,119	34,213	37,838	35,944				36,859
60 – 64	27	111	216	201	12			567
Avg. Benefit	25,742	32,319	40,544	42,752	36,524			38,927
65 – 69	11	45	182	192	45	2	1	478
Avg. Benefit	26,095	30,475	29,669	43,593	49,027	55,184	17,342	37,159
70 – 74	3	11	67	204	90	25		400
Avg. Benefit	11,462	29,412	24,404	31,616	50,397	44,260		35,212
75 – 79		5	28	88	228	50	29	428
Avg. Benefit		24,924	27,428	23,384	32,138	51,448	49,649	33,388
80 – 84			7	30	157	182	103	479
Avg. Benefit			33,338	25,683	31,446	31,108	51,921	35,387
85 – 89			2	5	33	136	216	392
Avg. Benefit			14,445	23,312	21,801	28,891	34,780	31,394
90+			2	1	5	12	211	231
Avg. Benefit			25,558	14,036	21,944	21,703	26,867	26,425
Total	50	255	671	743	570	407	560	3,256
Avg. Benefit	28,102	32,529	34,525	36,558	35,568	33,515	35,690	34,991

In each cell, the top number is the count of retired participants for the age/years retired combination and the bottom number is the average annual benefit amount.

Membership Data

Distribution of Survivors*

Age	Number	Average Benefit
<45	9	\$ 14,415
45 – 49	5	14,673
50 – 54	9	30,845
55 – 59	27	28,689
60 – 64	42	30,251
65 – 69	51	25,885
70 – 74	78	33,682
75 – 79	105	31,319
80 – 84	175	30,737
85 – 89	192	32,251
90+	113	24,982
Total	806	\$ 29,970

* *Years since death/retirement not available.*

Membership Data

Distribution of Disability Retirements

Age	Years Disabled as of June 30, 2011							Total
	<1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25+	
<45								0
Avg. Benefit								N/A
45 – 49								0
Avg. Benefit								N/A
50 – 54								0
Avg. Benefit								N/A
55 – 59			3	3	1	6		13
Avg. Benefit			24,520	16,464	28,113	26,513		23,857
60 – 64				7	8	7	10	32
Avg. Benefit				25,300	39,950	28,072	21,091	28,253
65 – 69			1	9	4	6	4	24
Avg. Benefit			35,447	27,289	28,823	34,371	23,965	29,101
70 – 74				2	2	2	14	20
Avg. Benefit				29,001	25,205	27,501	32,673	31,042
75 – 79					4	3	11	18
Avg. Benefit					40,503	30,891	20,935	26,943
80 – 84						2	10	12
Avg. Benefit						24,262	17,454	18,588
85 – 89							10	10
Avg. Benefit							15,235	15,235
90+							2	2
Avg. Benefit							22,094	22,094
Total	0	0	4	21	19	26	61	131
Avg. Benefit	N/A	N/A	27,252	25,243	35,549	29,154	22,386	26,245

In each cell, the top number is the count of disabled participants for the age/years since disability combination and the bottom number is the average annual benefit amount.

Membership Data

Reconciliation of Members

	Actives	Terminated	Recipients			Total
		Deferred Retirement	Service Retirements	Disability Retirements	Survivors	
Members on 6/30/2010	143	102	3,360	143	840	4,588
New entrants	0	N/A	N/A	N/A	N/A	0
Return to active	0	0	0	0	N/A	0
Terminated non-vested	0	N/A	N/A	N/A	N/A	0
Service retirements	(33)	(23)	56	N/A	N/A	0
Terminated deferred	(2)	2	N/A	N/A	N/A	0
Terminated refund	0	0	N/A	N/A	N/A	0
Deaths	(1)	0	(162)	(12)	(73)	(248)
New beneficiary	N/A	N/A	N/A	N/A	41	41
Disabled	0	0	N/A	0	N/A	0
Benefits expired	N/A	N/A	N/A	N/A	(2)	(2)
Service buy back	0	7	2	0	0	9
Data correction	0	0	0	0	0	0
Net change	(36)	(14)	(104)	(12)	(34)	(200)
Members on 6/30/2011	107	88	3,256	131	806	4,388

Terminated deferred retirement statistics

- Average age 60.5 years
- Average service 7.8 years
- Average annual benefit, including augmentation \$5,569

Development of Costs

Actuarial Valuation Balance Sheet *(Dollars in Thousands)*

The actuarial balance sheet is based on the principle that the long-term projected benefit obligations of the plan should ideally be equal to the long-term resources available to fund those obligations. The resources available to meet projected obligations for current members consist of current fund assets plus the present value of anticipated future contributions intended to fund benefits for current members. In the exhibit below, B.2 is the estimated present value of contributions to fund the normal cost rate for current members until their respective termination dates, and B.1. is the balance required to cover the remainder of the funding requirements.

The contributions made in excess of amounts required for current benefit payments are accumulated as a reserve to help meet benefit payments in later years. It is this reserve system which permits the establishment of a level rate of contribution each year.

				June 30, 2011
A.	Actuarial Value of Assets			\$ 910,987
B.	Present value of expected future assets			
1.	Present value of expected future statutory supplemental contributions*			\$ 327,716
2.	Present value of future normal cost contributions			1,260
3.	Total present value of future contributions (1. + 2.)			\$ 328,976
C.	Total current and expected future assets (A. + B.3.)			\$ 1,239,963
D.	Current benefit obligations	<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>
1.	Benefit recipients			
a.	Service retirements	\$ 0	\$ 989,768	\$ 989,768
b.	Disability	0	33,238	33,238
c.	Survivors	0	157,109	157,109
2.	Deferred retirements with augmentation	0	5,759	5,759
3.	Former members without vested rights	0	0	0
4.	Active Members	0	51,465	51,465
5.	Total Current Benefit Obligations	\$ 0	\$ 1,237,339	\$ 1,237,339
E.	Expected Future Benefit Obligations			2,624
F.	Total Current and Expected Future Benefit Obligations (D.5. + E.)			\$ 1,239,963
G.	Unfunded Current Benefit Obligations (D.5. – A.)			\$ 326,352
H.	Unfunded Current and Future Benefit Obligations (F. – C.)			\$ 0

* Per the Actuarial Standards, this represents the balancing item needed so that C. equals F. Actual statutory contributions may be significantly different.

Development of Costs

Determination of Unfunded Actuarial Accrued Liability and Supplemental Contribution Rate *(Dollars in Thousands)*

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability (AAL)			
1. Active Members			
a. Retirement annuities	\$ 50,830	\$ 482	\$ 50,348
b. Disability benefits	1,917	308	1,609
c. Survivor's benefits	298	34	264
d. Deferred retirements	964	55	909
e. Refunds	80	381	(301)
f. Total	\$ 54,089	\$ 1,260	\$ 52,829
2. Deferred retirements with future augmentation	5,759	0	5,759
3. Annuitants	1,180,115	0	1,180,115
4. Total	\$ 1,239,963	\$ 1,260	\$ 1,238,703
B. Determination of Unfunded Actuarial Accrued Liability (UAAL)			
1. Actuarial accrued liability			\$ 1,238,703
2. Current assets (AVA)			910,987
3. Unfunded actuarial accrued liability <i>(1. – 2.)</i>			\$ 327,716
C. Determination of Supplemental Contribution Rate*			
1. Current unfunded actuarial accrued liability to be amortized by July 1, 2031			\$ 327,716
2. Supplemental contribution amount			\$ 34,630

* *The amortization factor as of July 1, 2011 is 9.4634.*

Development of Costs

Changes in Unfunded Actuarial Accrued Liability (UAAL) (Dollars in Thousands)

	Year Ending June 30, 2011
A. Unfunded actuarial accrued liability at beginning of year	\$ 442,118
B. Changes due to interest requirements and current rate of funding	
1. Normal cost and actual administrative expenses	\$ 754
2. Contributions	(28,622)
3. Interest on A., B.1. and B.2.	36,396
4. Total (B.1. + B.2. + B.3.)	\$ 8,528
C. Expected unfunded actuarial accrued liability at end of year (A. + B.4.)	\$ 450,646
D. Increase (decrease) due to actuarial losses (gains) because of experience deviations from expected	
1. Salary increases	\$ (645)
2. Investment return	(115,637)
3. Mortality of benefit recipients	(3,140)
4. Other items	(3,508)
5. Total	\$ (122,930)
E. Unfunded actuarial accrued liability at end of year before plan amendments and changes in actuarial assumptions (C. + D.5.)	\$ 327,716
F. Change in unfunded actuarial accrued liability due to changes in plan provisions	\$ 0
G. Change in unfunded actuarial accrued liability due to changes in actuarial assumptions	\$ 0
H. Change in unfunded actuarial accrued liability due to changes in actuarial methods	\$ 0
I. Unfunded actuarial accrued liability at end of year (E. + F. + G. + H.)	\$ 327,716

Development of Costs

Determination of Contribution Sufficiency/(Deficiency) (Dollars in Thousands)

The annual required contribution (ARC) is the sum of normal cost, a supplemental contribution to amortize the Unfunded Actuarial Accrued Liability, and an allowance for expenses.

	Percent of Payroll		Dollar Amount
A. Statutory contributions – Chapter 353			
1. Employee contributions	9.75%	\$	658
2. Employer regular contributions	9.75%		658
3. Employer additional contributions [2.68% plus \$3,900,000 (57.80%)]	60.48%		4,081
4. Employer supplemental contribution*	400.16%		27,000
5. Employer special additional contribution**	0%		0
6. State contributions	337.18%		22,750
7. Total	817.32%	\$	55,147
B. Required contributions – Chapter 356			
1. Normal cost			
a. Retirement benefits	2.27%	\$	153
b. Disability benefits	1.39%		94
c. Survivors	0.16%		11
d. Deferred retirement benefits	0.26%		17
e. Refunds	1.51%		102
f. Total	5.59%	\$	377
2. Supplemental contribution amortization by July 1, 2031 of Unfunded Actuarial Accrued Liability	513.25%		34,630
3. Allowance for administrative expenses	3.60%	\$	243
4. Allowance for 1992 investment expenses	3.06%		207
5. Total	525.50%	\$	35,457
C. Contribution Sufficiency/(Deficiency) (A.7. – B.5.)	291.82%	\$	19,690

Note: Projected annual payroll for fiscal year beginning on the valuation date: \$6,747.

* Calculated assuming the first payment, which is due after June 30, 2012, is based on the valuation as of July 1, 2011.

** Based on current assets and expected benefit payments, not applicable for 2011-2012.

Actuarial Basis

Actuarial Cost Method

Actuarial Accrued Liabilities and required contributions in this report are computed using the Individual Entry Age Normal Cost Method. This method is prescribed by Minnesota Statutes.

The objective under this method is to fund each member's benefits under the Plan as payments which are level as a percentage of salary, starting at original participation date (or employment date), and continuing until the assumed date of retirement, termination, disability or death. For valuation purposes, entry age for each member is determined as the age at valuation minus years of service as of the valuation date.

At any given date, a liability is calculated equal to the contributions which would have been accumulated if this method of funding had always been used, the current plan provisions had always been in place, and all assumptions had been precisely accurate. The difference between this liability and the assets (if any) which are held in the fund is the unfunded liability. The unfunded liability is typically funded over a chosen period in accordance with the amortization schedule.

A detailed description of the calculation follows:

The normal cost for each active member under the assumed retirement age is determined by applying to full-career earnings the level percentage of salary which, if contributed each year from date of entry into the Plan until the assumed retirement (termination, disability or death) date, is sufficient to provide the full value of the benefits expected to be payable.

- The present value of future normal costs is the total of the discounted values of all active members' normal cost, assuming these to be paid in each case from the valuation date until retirement (termination, disability or death) date.
- The present value of projected benefits is calculated as the value of all benefit payments expected to be paid to the Plan's current members, including active and retired members, beneficiaries, and terminated members with vested rights.
- The accrued liability is the excess of the present value of projected benefits over the present value of future normal costs.
- The unfunded liability is the excess of the accrued liability over the assets of the fund, and represents that part of the accrued liability which has not been funded by accumulated past contributions.

Current Benefit Obligation is computed under the Projected Unit Credit cost method.

Decrement Timing

All decrements are assumed to occur on the anniversary of the valuation date, beginning on the valuation date. Decrement timing is a fundamental part of the computer programming underlying actuarial calculations. Mercer's valuation systems use beginning of year decrements, a generally accepted actuarial practice. The LCPR approved this modification to the Standards for Actuarial Work prior to the preparation of this report in order to ensure consistency and comparability.

Actuarial Basis

Asset Valuation Method

Market value of assets.

Payment on the Unfunded Actuarial Accrued Liability

A level dollar amount each year to the statutory amortization date (June 30, 2031).

Benefits included or excluded

To the best of our knowledge, all material benefits have been included in the liability.

IRC Section 415(b): The limitations of Internal Revenue Code Section 415(b) have been incorporated into our calculations. Annual benefits may not exceed the limits in IRC Section 415. This limit is indexed annually. For 2011, the limit is \$195,000.

IRC Section 401(a)17: The limitations of Internal Revenue Code Section 401(a)(17) have been incorporated into our calculations. Compensation for any 12-month period used to determine accrued benefits may not exceed the limits in IRC Section 401(a)(17) for the calendar year in which the 12-month period begins. This limit is indexed annually. For 2011, the limit is \$245,000.

Changes in methods since prior valuation

None.

Actuarial Basis

Summary of Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the plan. All actuarial assumptions are prescribed by Statutes, the LCPR or the Board. These parties are responsible for selecting the assumptions used for this valuation. The assumptions prescribed are based on the last experience study, dated September 30, 2009.

The *Allowance for Combined Service Annuity* was based on a recommendation by a former actuary. We are unable to judge the reasonableness of this assumption without performing a substantial amount of additional work beyond the scope of the assignment.

<i>Investment return:</i>	8.5% compounded annually.
<i>Benefit increases after retirement</i>	Payment of 1% annual cost-of-living adjustments after retirement accounted for explicitly.
<i>Salary increases</i>	Total reported pay for prior calendar year increased 1.98% (half year of 4.00%, compounded) to prior fiscal year and 4.00% annually for each future year.
<i>Mortality</i>	
<i>Healthy mortality</i>	RP 2000 healthy sex distinct annuitant mortality table, white collar adjustment, projected to 2018 according to scale AA. The RP 2000 non-annuitant mortality table as published by the Society of Actuaries (SOA) contains mortality rates for ages 15 to 70 and the annuitant mortality table contains mortality rates for ages 50 to 95. We have applied the non-annuitant mortality table for annuitants younger than age 50. Similarly, the SOA's white collar adjustment is published for ages 30 to 70 for employees and ages 50 to 95 for annuitants; we have applied the age 30 adjustment to active members younger than 30 and made no adjustment for annuitants past age 95.
<i>Disabled mortality</i>	RP 2000 healthy sex distinct annuitant mortality table, white collar adjustment, reduced by 20%. The table adopted by the LCPR on July 8, 2010 differs from the table recommended in GRS's experience study report dated September 30, 2009, and in some cases, reflects lower mortality than the table used for healthy members.
<i>Retirement</i>	Active members are assumed to retire at age 61, or immediately if currently age 61 or older.
<i>Withdrawal</i>	Rates are shown in rate table.
<i>Disability</i>	Rates are shown in rate table.
<i>Allowance for Combined Service Annuity</i>	Liabilities for active members are increased by 0.2% and liabilities for former members (not in payment status) are increased by 30.0% to account for the effect of some participants having eligibility for a Combined Service Annuity.
<i>Administrative expenses</i>	Prior year administrative expenses (excluding investment expenses) increased by 4.00% expressed as a percentage of projected annual payroll.

Actuarial Basis

<i>Investment expenses</i>	Investment expenses for the fiscal year ending June 30, 1992 are being amortized as follows:						
	<table border="0"> <thead> <tr> <th style="text-align: center;"><u>Beginning Balance</u></th> <th style="text-align: center;"><u>Fixed Annual Payment</u></th> <th style="text-align: center;"><u>Years Remaining</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">\$2,849,000</td> <td style="text-align: center;">\$207,000</td> <td style="text-align: center;">9</td> </tr> </tbody> </table>	<u>Beginning Balance</u>	<u>Fixed Annual Payment</u>	<u>Years Remaining</u>	\$2,849,000	\$207,000	9
<u>Beginning Balance</u>	<u>Fixed Annual Payment</u>	<u>Years Remaining</u>					
\$2,849,000	\$207,000	9					
<i>Refund of contributions</i>	All employees withdrawing after becoming eligible for a deferred benefit are assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.						
<i>Commencement of Deferred Benefits</i>	Current terminated deferred members are assumed to begin receiving benefits at age 60.						
<i>Percentage married</i>	67% of members are assumed to be married.						
<i>Age of spouse</i>	Wives are assumed to be three years younger than their husbands. For members in payment status, actual spouse date of birth is used.						
<i>Form of Payment</i>	Members are assumed to elect a life annuity.						
<i>Unknown data for participants</i>	<p>To prepare this report, Mercer has used and relied on participant data supplied by the Fund. Although Mercer has reviewed the data in accordance with Actuarial Standards of Practice No. 23, Mercer has not verified or audited any of the data or information provided.</p> <p>In cases where submitted data was missing or incomplete, the following assumptions were applied:</p> <p><u>Data for vested terminated members</u></p> <p>We calculated benefits for these members using the reported Average Salary and credited service unless a specific benefit amount was provided (ten people). If termination date was not reported (one member), we used credited service to determine the termination date.</p>						
<i>Changes in actuarial assumptions</i>	None.						

Actuarial Basis

Summary of Actuarial Assumptions *(continued)*

Summary of Rates

Age	Healthy Mortality		Disability Mortality	
	Male	Female	Male	Female
20	0.02%	0.02%	0.02%	0.02%
25	0.02	0.02	0.02	0.02
30	0.03	0.02	0.03	0.02
35	0.05	0.04	0.05	0.04
40	0.08	0.05	0.07	0.05
45	0.11	0.08	0.11	0.08
50	0.14	0.12	0.48	0.20
55	0.23	0.22	0.43	0.28
60	0.43	0.44	0.53	0.45
65	0.86	0.80	0.93	0.73
70	1.47	1.40	1.54	1.21

Age	Withdrawal		Disability	
	Male	Female	Male	Female
20	21.00%	21.00%	0.21%	0.21%
25	11.00	11.00	0.21	0.21
30	5.00	5.00	0.23	0.23
35	1.50	1.50	0.30	0.30
40	1.00	1.00	0.41	0.41
45	1.00	1.00	0.61	0.61
50	1.00	1.00	0.93	0.93
55	1.00	1.00	1.60	1.60
60	1.00	1.00	0.00	0.00
65	0.00	0.00	0.00	0.00

Actuarial Basis

Summary of Plan Provisions

Following is a summary of the major plan provisions used in the valuation of this report. PERA is solely responsible for the validity, accuracy and comprehensiveness of this information. If any of the plan provisions shown below are not accurate and complete, the valuation results may differ significantly from those shown in this report and may require a revision of this report. Moreover, these plan provisions may be susceptible to different interpretations, each of which could be reasonable, and that the different interpretations could lead to different valuation results.

<i>Plan year</i>	July 1 through June 30
<i>Eligibility/Employee rule</i>	<p>An employee of the City of Minneapolis, the Metropolitan Airports Commission, the Met Council/Environmental Services, the Municipal Employees Retirement Fund, and Special School District No. 1 if covered prior to July 1, 1978. New employees are covered by the Public Employees Retirement Association (PERA) Plan.</p> <p>Effective July 1, 1992, licensed peace officers and firefighters who are employed by the Metropolitan Airports Commission and covered by the Minneapolis Employees Retirement Fund will receive the greater of retirement, disability, or survivor benefits under:</p> <ul style="list-style-type: none"> a) The Minneapolis Employees Retirement Fund; or b) The Public Employees Retirement Association (PERA) Police & Fire Plan
<i>Full Consolidation</i>	<p>Per Statute, if the actuarial accrued liability funding ratio of this plan reaches 80%, the MERF Division will be merged with the PERA general employees retirement plan, effective the first day of the month after the actuarial valuation report that triggers the consolidation is provided to the LCPR. Upon consolidation, the remaining unfunded liability will be amortized as a level dollar amount through June 30, 2031. The amortization payment will be based on the assumptions of the PERA general employees retirement plan.</p>

Actuarial Basis

Summary of Plan Provisions *(continued)*

Contributions

<i>Member</i>	9.75% of salary
<i>Employer</i>	9.75% of salary (Employer Regular Contributions) 2.68% of salary plus employing unit’s share of \$3.9 million (Employer Additional Contribution)

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

Employer Regular and Additional Contributions will be paid as long as there are active members.

Employer Supplemental Contribution – first due after June 30, 2012 and paid until full consolidation. Equal to the larger of:

- Total actuarial required contributions minus member and employer regular and additional contributions less the maximum State contribution; or
- \$27,000,000

The total employer contribution (Regular, Additional and Supplemental) can not exceed \$34,000,000.

Employer Special Additional Contribution – required if expected benefit payments will likely exceed assets during the year (prior to full consolidation).

Contributions

The Supplemental and Special Additional Contributions are allocated to the employers in proportion to their share of the actuarial accrued liability of MERF on July 1, 2009, 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%

Actuarial Basis

Summary of Plan Provisions *(continued)*

<i>State Contributions</i>	<p>Equal to the actuarial required contribution minus expected member and employer regular and additional contributions. The State’s contribution can not exceed the following amounts:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Due Date</th> <th></th> </tr> </thead> <tbody> <tr> <td>September 15, 2010</td> <td style="text-align: right;">\$ 9,000,000</td> </tr> <tr> <td>September 15, 2011</td> <td style="text-align: right;">\$ 22,750,000</td> </tr> <tr> <td>September 15, 2012</td> <td style="text-align: right;">\$ 22,750,000</td> </tr> <tr> <td>September 15, 2013 and beyond</td> <td style="text-align: right;">\$ 24,000,000</td> </tr> </tbody> </table> <p>The State’s contributions end on the earlier of September 15, 2031, or in the year following the first date on which MERF assets equal or exceed MERF actuarial accrued liability.</p>	Due Date		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
Due Date											
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										
<i>Allowable service</i>	Service during which member contributions were made. Allowable Service may also include certain leaves of absence, military service and service prior to becoming a member. Allowable service also includes time on duty disability provided that the member returns to active service if the disability ceases.										
<i>Salary</i>	All amounts of salary, wages or compensation										
<i>Average Salary</i>	Average of the five highest calendar years of salary out of the last ten calendar years.										
<i>Retirement</i>											
<u><i>Normal retirement benefit</i></u>											
<i>Age/Service requirements</i>	Age 60 and 10 years of employment. Any age with 30 years of employment. Proportionate retirement annuity is available at age 65 and 1 year allowable service. Retirement is mandatory at age 70.										
<i>Amount</i>	2.00% of average salary for the first 10 years of allowable service plus 2.50% of average salary for each subsequent year of allowable service.										

Actuarial Basis

Summary of Plan Provisions *(continued)*

Disability

Disability benefit

Age/Service requirements

Total and permanent disability before age 60 with five years of allowable service, or no allowable service if a work-related disability.

Amount

2.00% of average salary for the first 10 years of disability service plus 2.50% of average salary for each subsequent year of disability service. Disability service is the greater of (a) or (b) where:

- (a.) equals allowable service plus service projected to age 60, subject to a maximum of 22 years, and
- (b.) equals allowable service.

Benefit is reduced by Workers' Compensation benefits.

Payments stop at age 60 or earlier if disability ceases or death occurs.

Benefits may be reduced on resumption of partial employment.

Disability after separation

Age/Service requirements

Total and permanent disability after electing to receive a retirement benefit but before age 60.

Amount

Actuarial equivalent of total credit to member's account.

Retirement after disability

Age/Service requirements

Total and permanent disability after electing to receive a retirement benefit but before age 60. Employee is still disabled after age 60.

Amount

Benefit continues according to the option selected.

Actuarial Basis

Summary of Plan Provisions *(continued)*

Death

Pre-Retirement Survivor's Spouse Benefit

Age/Service requirements

Active member with 18 months of allowable service.

Amount

30% of salary averaged over the last six months to the surviving spouse plus 10% of salary averaged over the last six months to each surviving child. Minimum benefit is \$900 per month.

Pre-Retirement Survivor's Spouse Annuity

Age/Service requirements

Active member or former member who dies before retirement with 20 years of allowable service.

Amount

Actuarial equivalent of a single life annuity which would have been paid as a retirement benefit on the date of death without regard to eligibility age for retirement benefit. If there is no surviving spouse, the designated beneficiary may be a dependent child or dependent parent.

Refund of accumulated city contributions

Age/Service requirements

Active member or former member dies after 10 years of allowable service and prior to retirement.

Amount

Present value of the City's annual installments of \$60 or, in the case of a former member, the net accumulation of city deposits. This benefit is not payable if survivor's benefits are paid.

Lump sum

Age/Service requirements

Death prior to service or disability retirement without an eligible surviving beneficiary.

Amount

\$750 with less than 10 years allowable service, or \$1,500 with 10 or more years of allowable service.

Refund of member contributions at death

Age/Service requirements

Active member or former member dies before retirement.

Amount

The excess of the member's contributions (exclusive of the contributions to the survivor's account) plus interest to the date of death.

Actuarial Basis

Summary of Plan Provisions *(continued)*

Termination	
<u>Deferred benefit</u>	
Age/Service requirements	Three years of allowable service.
Amount	Benefit computed under law in effect at termination and increased by the following percentage (augmentation), compounded annually: (a.) 0.00% prior to July 1, 1971, and (b.) 5.00% from July 1, 1971 to January 1, 1981, and (c.) 3.00% thereafter until the annuity begins. Amount is payable at or after age 60.
<u>Refund of member's contributions upon termination</u>	
Age/Service requirements	Termination of public service.
Amount	Member's contributions with interest.
Form of payment	<ul style="list-style-type: none"> ▪ Life annuity. ▪ Life annuity with 3, 5, 10 or 15 years guaranteed ▪ Joint & Survivor (with or without bounce back feature)
Optional form conversion factors	1986 PET mortality table with a one year setback, blended 50% male and 50% female, and 5% interest.
Two Dollar Bill and Annuity	Optional Two Dollar Bill money purchase annuity available at age 55 with 20 years of service if member had service prior to June 28, 1973. According to PERA, this option is rarely utilized. We have assumed that remaining active members will not elect this optional benefit.
Benefit increases	Benefit recipients receive future annual 1.0% benefit increases. If the accrued liability funding ratio of the General Employees Retirement Plan reaches 90% (on a Market Value of Assets basis), the benefit increase will change to 2.5%.
Changes in Plan Provisions	The employer contribution allocation percentage for Hennepin County and the City of Minneapolis changed from 3.74% and 54.21% to 3.17% and 54.78%, respectively.

Plan Accounting Under GASB 25 (as amended by GASB 50)

Provided below is information required under GASB Statement No. 25 as amended by GASB Statement No. 50 – Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans as amended by GASB Statement No. 50.

Schedule of Funding Progress¹ (Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Liquidity Trigger Adjustment (LTA) (c)	Unfunded (Overfunded) AAL (UAAL) (b) + (c) – (a)	Funded Ratio (a)/[(b)+(c)]	Actual Covered Payroll (Previous FY) (d)	UAAL as a Percentage of Covered Payroll (b) + (c) – (a) (d)
07/01/2002	\$1,540,221	\$1,667,871	N/A	\$127,650	92.35%	\$43,461	293.71%
07/01/2003	1,519,421	1,645,921	N/A	126,500	92.31%	40,537	312.06%
07/01/2004	1,513,389	1,643,140	N/A	129,751	92.10%	33,266	390.04%
07/01/2005	1,489,713	1,624,355	N/A	134,642	91.71%	27,479	489.98%
07/01/2006	1,490,280	1,617,653	N/A	127,373	92.13%	21,669	587.82%
07/01/2007	1,383,742	1,610,881	N/A	227,139	85.90%	17,296	1,313.27%
07/01/2008	1,214,305	1,576,855	\$12,135	374,685	76.42%	13,957	2,684.64%
07/01/2009	880,133	1,551,099	23,912	694,878	55.88%	10,979	6,328.96%
07/01/2010 ²	844,033	1,286,151	N/A	442,118	65.62%	11,090 ³	3,986.64%
07/01/2011	910,987	1,238,703	N/A	327,716	73.54%	7,869 ³	4,164.65%

¹ Information prior to 2010 provided by Gabriel Roeder Smith & Company (GRS).

² Actuarial value of assets set equal to market value.

³ Assumed equal to actual member contributions divided by 9.75%.

Plan Accounting Under GASB 25 (as amended by GASB 50)

Schedule of Contributions from the Employer and Other Contributing Entities¹ (Dollars in Thousands)

The GASB Statement No. 25 (as amended by GASB 50) required and actual contributions are as follows:

Plan Year Ended June 30	Actuarially Required Contribution Rate (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Contributions [(a)x(b)] – (c) =(d)	Actual Employer Contributions (e)	Percentage Contributed (e)/(d)
2002	41.78%	\$ 43,461	\$ 4,780	\$ 13,378	\$ 21,158	158.16%
2003	46.64%	40,537	4,167	14,739	40,199	272.73%
2004	52.49%	33,266	3,343	14,118	45,459	321.98%
2005	63.95%	27,479	3,087	14,478	19,395	133.96%
2006	75.07%	21,669	2,312	13,955	44,953	322.14%
2007	95.33%	17,296	1,665	14,823	28,545	192.58%
2008	187.33%	13,957	1,431	24,714	15,272	61.79%
2009	374.32%	10,979	1,072	40,026	15,646	39.09%
2010	833.55%	11,090 ²	1,081	91,360	13,798	15.10%
2011	538.76%	7,869 ²	767	41,628	27,855	66.91%

¹ Information prior to 2010 provided by Gabriel Roeder Smith & Company(GRS).

² Assumed equal to actual member contributions divided by 9.75%.

Glossary

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method. The goal of an asset valuation method is to produce a relatively stable asset value thereby reducing year-to-year volatility in contribution requirements.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the Annual Required Contribution (ARC) calculated for plan financial reporting is established by the actuarial cost method and comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Annual Pension Cost. A measure of the periodic cost of an employer’s participation in a defined benefit pension plan.

Annual Required Contribution (ARC). The employer’s recommended annual contribution to a defined benefit pension plan, calculated in accordance with the parameters of GASB 25 (as amended by GASB 50) or GASB 27. The ARC for a given fiscal reporting period is affected by the specific actuarial cost method selected by the plan sponsor.

ASA. Associate of the Society of Actuaries.

Augmentation. Annual increases to deferred benefits.

Current Benefit Obligations. The present value of benefits earned to the valuation date, based on current service and including future salary increases to retirement.

EA. Enrolled Actuary.

FSA. Fellow of the Society of Actuaries.

MAAA. Member of the American Academy of Actuaries.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use.

Present Value. Sometimes called “actuarial present value,” the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Statement No. 25 of the Governmental Accounting Standards Board (GASB 25). The accounting standard governing the financial reporting for defined benefit pension plans and note disclosures for defined contribution plans.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer’s accounting for pensions.

Statement No. 50 of the Governmental Accounting Standards Board (GASB 50). The accounting standard amending both GASB 25 and GASB 27 to require a schedule of funding progress under the Entry Age Normal method for plans that use the aggregate funding method to determine the Annual Required Contribution.

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