S.F. 686 (Pappas) H.F. xxxx

Executive Summary of Commission Staff Materials

Affected Pension Plan(s):	St. Paul Teachers Retirement Fund Association (SPTRFA)
Relevant Provisions of Law:	Minnesota Statutes, Section 354A.29
General Nature of Proposal:	Revises SPTRFA post-retirement adjustment procedures
Date of Summary:	March 4, 2009

Specific Proposed Changes

- Replaces the St. Paul Teachers Retirement Fund Association (SPTRFA) post-retirement adjustment as found in statutes and in a two-year pilot program enacted in 2007 with a post-retirement adjustment procedure presumably intended to match inflation up to five percent.

Policy Issues Raised by the Proposed Legislation

1. Need for the change.
2. Drafting issues.
3. Nature of Social Security match.
4. Implications of proposed change.
5. Deflation issue.
6. Cost.
7. Lack of consistency with TRA; fairness issues.
8. Generous proposed treatment by poorly funded plan.
9. DTRFA post-retirement adjustment issue.

Potential Amendments

Technical Amendment

S0686-1A clarifies the computation of the post-retirement adjustment and revises the language.

Substantive Amendments

S0686-2A can be used to revise SPTRFA employee and employer contribution provisions to percentages of salary to be determined by the Commission.

S0686-3A would index SPTRFA benefit adjustments to those provided by the Social Security Administration, except with a five percent cap. If this amendment is adopted, S0686-1A is not necessary since S0686-3A also includes the technical revisions.

S0686-4A, an alternative to S0686-3A, revises the bill to provide SPTRFA post-retirement adjustments which match those currently provided by law to TRA retirees, 2.5 percent per year. If this amendment is adopted, S0686-1A is not necessary.

S0686-5A, an alternative to S0686-3A or S0686-4A, revises the bill to provide SPTRFA post-retirement adjustments which match inflation up to 2.5 percent. If this amendment is adopted, S0686-1A is not necessary.

Substantive Amendments related to the Duluth Teachers Retirement Fund Association (DTRFA)

S0686-6A makes the changes provided by the bill as drafted also apply to the DTRFA.

S0686-7A is comparable to S0686-6A, but also revises DTRFA employee and employer contribution rates to percentages of salary to be determined by the Commission.

S0686-8A, an alternative to the other DTRFA amendments, indexes DTRFA post-retirement adjustments to those provided by the Social Security Administration, except with a five percent cap.

S0686-9A, an alternative to the other DTRFA amendments, would revise DTRFA post-retirement adjustments to match TRA's 2.5 percent annual increases.

S0686-10A, an alternative to the other DTRFA amendments, would revise DTRFA post-retirement adjustments to match inflation up to 2.5 percent.

State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director EB

RE: S.F. 686 (Pappas); H.F. xxxx: SPTRFA: Revising Post-Retirement Adjustment Procedures; Repealing Investment Performance Trigger; Revising Bylaws

DATE: March 4, 2009

Summary of S.F. 686 (Pappas); H.F. xxxx

S.F. 686 (Pappas); H.F. xxxx amends Minnesota Statutes 2008, Section 354A.29, Subdivision 3, the post-retirement adjustment provision for the St. Paul Teachers Retirement Fund Association (SPTRFA), replacing the post-retirement adjustment as found in statutes and in a two-year pilot program enacted in 2007 (Laws 2007, Chapter 134, Article 7, Sections 1 and 2) with a post-retirement adjustment procedure presumably intended to match inflation up to five percent.

Background Information

A. Information on the post-retirement adjustment provided by the St. Paul Teachers Retirement Fund Association (SPTRFA) and various other plans, including the plans managed by the State Board of Investment, is found in **Attachment A**.
B. Detailed information on the SPTRFA actuarial condition over time is found in **Attachment B**.

Discussion and Analysis

For many years prior to 1997, the St. Paul Teachers Retirement Fund Association (SPTRFA) had a post-retirement adjustment mechanism consisting solely of a thirteenth check. If the association's pension fund earned a level of yield (interest, dividends) exceeding a percentage specified in its law, the plan was authorized to distribute one half percent of its assets to its retirees.

This thirteenth check approach was replaced in 1997. In Laws 1997, Chapter 233, Article 3, the SPTRFA thirteenth check post-retirement adjustment mechanism was eliminated and was replaced by a post-retirement adjustment mechanism that combined an automatic annual two percent adjustment with an additional investment performance related adjustment. The recipients eligible for adjustments were those who had received a retirement annuity or benefit for at least 12 months as of the adjustment date. These individuals received an automatic two percent increase in the annuity or benefit amount, and could receive an addition investment performance based adjustment if certain conditions were met. The investment performance related adjustment was payable if the five-year annualized time-weighted total rate of return for the plan's assets exceeded the pre-retirement interest actuarial assumption rate, which for this plan in 8.5 percent. The adjustment is the amount by which the five-year annualized time-weighted rate of return exceeded 8.5 percent, after being downwardly modified by any contribution deficiency disclosed in the most recent actuarial valuation.

The post-retirement adjustment mechanism created in 1997 for SPTRFA was identical to the procedure created two years earlier for the Duluth Teachers Retirement Fund Association (DTRFA), and the Minneapolis Teachers Retirement Fund Association (MTRFA). Unfortunately, that procedure has two serious flaws. If retirees are to be kept whole, they need increases which match the inflation rate, ideally an inflation rate applicable to retirees. The adjustment procedures do not keep retirees whole. They either under compensate for inflation or overcompensate. The adjustments will match inflation only by chance. The second flaw is that the investment performance related component can create disaster for the fund, because it pays out increases based on recent rates of return without any recognition of the plan's funding level. The investment related procedure would not cause harm if the plan is fully funded. If the plan is less than fully funded, the increases paid to retirees increase the unfunded liability of the fund, which can further lower the plan funding level, creating a steadily worsening effect.

The MTRFA reached the point where its assets failed to fully cover the required reserves to the retiree annuities. Once that point is reached, it is impossible to improve the plan's financial condition through investment performance. The plan's investment performance, even if the returns were extraordinarily high, would simply be paid out to the retirees in the form of post-retirement adjustments, leaving no gain to address the funding level and unfunded liabilities. Given the MTRFA's condition, there were two ways to improve the plan's funding condition. One was to force feed it with additional assets, through additional contributions from the active employees, the employer, and the state. The second was to merge the MTRFA into a larger fund, the statewide Teachers Retirement Association (TRA). The Legislature first attempted to feed the plan additional assets. The plan was given over $17 million per year in direct state aid, and the employing units also contributed additional amounts. However, due to long standing investment problems and continued bleeding through the post-retirement adjustment mechanisms, the Legislature in 2006 merged the MTRFA into the TRA.

The SPTRFA funding condition since the plan's post-retirement provisions were revised in 1997 from a thirteenth check approach to the compounded adjustments provided by the automatic two percent increase plus the possible additional increase based on investment performance in excess of 8.5 percent is provided in **Attachment B**. The plan's funding ratio has been relatively constant over time. The plan has received direct state funding each year generally between $4 million and $5 million. The plan's contribution deficiency has been growing since 2001. As of 2007, the plan contribution deficiency was 8.03 percent of payroll, $18.7 million. That indicates the additional funding needed on an annual basis to fully fund the plan by the full funding date, which in the 2007 actuarial valuation was the year 2021. The reported contribution deficiency in 2008 was noticeably less, 1.9 percent of payroll or $4.7 million. However, that drop from a year earlier does not indicate a real improvement in the SPTRFA funding situation. Rather, it largely reflects a change to a rolling 25-year amortization period for this pension fund. This caused the computed amortization contribution requirement to change from 14.75 percent of payroll in 2007 to 8.68 percent of payroll in 2008. Because of this revised procedure even if total contributions equaled the contribution requirements, this plan is unlikely to ever reach full funding.

In 2007, the SPTRFA began to move away from the post-retirement provisions as stated in its statutes. There are several likely contributing factors. In 2006 (Laws 2006, Chapter 277, Article 1, Section 2), an uncoded provision passed which required a five percent cap on SPTRFA post-retirement adjustments after July 1, 2010. The plan administrators also recognize the dangers of its post-retirement adjustment procedures, especially given the plan's funding condition and persistent contribution deficiencies, and the inability of those procedures to match inflation. Under Laws 2007, Chapter 134, Article 7, Sections 1 and 2, the procedure in statute governing SPTRFA post-retirement adjustments was suspended for two years (2008 and 2009), replace by a move in the direction of a capped inflation match. Under these procedures, the plan matched inflation up to 2.5 percent, notwithstanding investment returns or funding levels. An inflation match up to five percent is permitted if both the one-year and five-year time weighted rate of return is at least 8.5 percent.

Since the 2007 provisions are no longer effective after 2009, at this point the SPTRFA could take no action and thus revert back to the procedure in its statutes (capped at five percent given the 2006 law), or the association can suggest another alternative. S.F. 686 (Pappas); H.F. xxxx is an effort to implement the alternative preferred by the SPTRFA. The drafting of the bill is somewhat ambiguous, a problem which the Commission may wish to address if the bill is recommended to pass in any form. It appears to be an attempt to replace the procedure in existing statutes and the 2007 temporary revisions with a procedure matching inflation up to five percent, without regard to investment results. All those in benefit status for a full year receive a full increase, while those in benefit status for at least three months as of the end of the prior calendar year receive prorated increases.

S.F. 686 (Pappas); H.F. xxxx raises several pension and related public policy issues, as follows:

1. Need for the Change. The issue is whether there is sufficient need for the Commission to take action. If no action is taken, SPTRFA post-retirement adjustments will be made under the provision in its statutes, Minnesota Statutes, Section 354A.29, which provides an automatic two percent increase plus possible additional increases if the five-year time weighted rate of return exceeds 8.5 percent, capped at a five percent total increase due to the 2006 uncoded law.

2. Drafting Issues. The issue is the drafting of the bill, specifically, the statement of the adjustment and its calculation. Since the bill will impact the benefits of retirees if it is enacted, the Commission may wish to ensure there is a clear statement specifying the annual benefit adjustment. The bill appears to provide a five percent capped inflation match, where inflation is to be measured from the third quarter of one calendar year to the next, but language on page 1, line 22, causes confusion when it refers to "quarter-to-quarter index changes."

3. Nature of Social Security Match. According to SPTRFA Executive Director Phil Kapler, the language in the bill measuring inflation is the same as that currently used by the Social Security Administration to revise Social Security benefit over time. The bill lays out the detail of that procedure because the SPTRFA believes it is an appropriate measure of inflation, which should match the percentage increase which coordinated plan SPTRFA retirees are receiving in the Social Security benefits, given the procedure currently used by the Social Security Administration. But the SPTRFA does not want to be tied to any future changes which the Social Security Administration may implement. An issue for the Commission is whether to revise the bill to index the SPTRFA increase to the increase paid by the Social Security Administration. If the SPTRFA is troubled by a change in procedures which the Social Security Administration implements, it could come in with legislation to revise its law.

4. Implications of Proposed Change. The issue is the advantages and disadvantages of the proposed policy change. The proposed change has the policy merit of keeping retirees whole, providing certain conditions are met. The Commission's Principles of Pensions Policy, Principle II.C.8.a., states:

> II.C.8.a. Retirement benefits should be increased during the period of retirement to offset the impact of economic inflation over time in order to maintain a retirement benefit that was adequate at the time of retirement.

The proposal is generally consistent with this policy statement, provided there is inflation rather than deflation, and provided that inflation does not exceed five percent.

5. Deflation Issue. The issue is that the provision ignores the possibility of deflation. The bill is a provision to increase benefits (see page 1, lines 17 and 21), and further declares on page 2, line 5, that the adjustment may not be less than zero. If we have a period of deflation, or periods where deflationary years are interspersed with years of inflation, this provision can overcompensate individuals. By providing an inflation match in years where inflation occurs without reducing benefits in years of deflation (or providing an increase in an inflationary year which is reduced to compensate for one or more previous deflationary years), over time the mechanism will provide benefits which more than compensation for the net change in the price level.

6. Cost. While guaranteed inflation matches have policy merit, they also impose liabilities on a plan. The issue is the unknown cost of this proposal and the lack of any provision in the bill to cover this cost, through either more aid or employee/employer contribution increases. The Commission Policy Principle II.C.8.b., states:

> II.C.8.b. The system of periodic post retirement increases should be funded on an actuarial basis.

For decades, however, the Legislature has been reluctant to provide inflation matches, due to its concern about the actuarial cost of these proposals and the resulting need to fund them, and the risk that inflation may be much higher than expected. Instead, the Legislature has relied largely on post-retirement increase mechanisms in whole or part based on investment returns, permitting post-retirement increases when they could at least partly be paid for by the investment markets rather than the taxpayer. Unfortunately, the adjustments have not matched inflation, and any system where increases depend on investment results is now seriously impaired due to the collapse of the investment markets.

Attached is a report from Gabriel Roeder Smith and Company, the actuarial consultant used by the SPTRFA, providing information about a study of the SPTRFA 2007 post-retirement provisions, comparing the expected cost of continuing those provisions compared to continuing under the provisions in that plan's statutes. However, while the study concludes that the 2007 approach is likely to provide a savings over the previous approach, the proposal before the Commission is not the 2007 approach but a revised version of it. The 2007 approach permitted inflation matches above 2.5 percent, not to exceed five percent, only if the most recent annual return and the five-year annualized return exceeded 8.5 percent. The proposal currently before the Commission is different, matching inflation up to five percent regardless of investment results. In practice, this is likely to impose more liabilities on the plan without matching assets, because there may be no investment gains to help cover those additional liabilities.

7. Lack of Consistency with TRA; Fairness Issues. The issue is the lack of consistency between this SPTRFA proposal and the statewide teachers plan regarding the treatment of retired teachers and retirees from other statewide plans. The Minnesota Post Retirement Investment Fund (Post Fund), which generated post-retirement adjustments for retirees from the plans of the Minnesota State Retirement System (MSRS), Public Employees Retirement Association (PERA), and the Teachers Retirement Association (TRA), has recently been dissolved under legislation that required the Post Fund to be dissolved if the funding ratio fell below 80 percent. Following that action, all retirees previously covered by the Post Fund will receive future adjustments of 2.5 percent per year regardless of the inflation rate. The total number of retirees and survivors in TRA exceeds 45,000. Retirees and survivors from MSRS plans exceed 25,000, and the PERA plans exceed 65,000. In contrast, there are about 2,700 benefit recipients in the SPTRFA. Consistency and fairness would suggest that the SPTRFA post-retirement adjustments should be the same as those provided to retired TRA members. Retired MSRS, PERA, and TRA members may question the appropriateness of addressing the SPTRFA post-retirement provision, providing them with full protection, provided inflation does not exceed five percent, when all pension funds, including the SPTRFA, have been devastated by the implosion of the investment markets, and state and local government lacks the resources to address the needs of the retirees from the big plans.

8. Generous Proposed Treatment by Poorly Funded Plan. The issue is that the SPTRFA is proposing a more generous post-retirement provision than the statewide plans, although the SPTRFA is in worse actuarial condition than the statewide plans. The SPTRFA proposes to match inflation up to five percent, while the statewide plans cannot provide any increase above 2.5 percent. The SPTRFA has a

much lower funding ratio TRA or MSRS-General, and considerably higher contribution deficiencies. (As discussed previously, the SPTRFA 2008 contribution deficiency is understated compared what it would be if that plan were using amortization procedures comparable to the statewide plans, because of a recent change in procedures for the SPTRFA's permitting it to use 25-year rolling amortization periods.) The 2007 and 2008 actuarial presentations for SPTRFA, MSRS-General, PERA-General, and TRA appear below.

	SPTRFA				MSRS-General			
	2008		2007		2008*		2007*	
Membership								
Active Members		4,142		3,999		48,823		48,379
Service Retirees		2,514		2,413		21,736		20,880
Disabilitants		26		24		1,620		1,547
Survivors		290		284		3,090		2,919
Deferred Retirees		1,695		1,693		14,951		14,751
Nonvested Former Members		1,403		1,538		6,865		7,007
Total Membership		10,070		9,951		97,085		95,483
Funded Status								
Accrued Liability		$1,432,040,000		$1,391,297,918		$9,994,602,000		$9,627,304,704
Current Assets		$1,075,951,000		$1,015,722,034		$9,013,456,000		$8,904,516,772
Unfunded Accrued Liability		$356,089,000		$375,575,884		$981,146,000		$722,787,932
Funding Ratio	75.13%		73.01%		90.18%		92.49%	
Financing Requirements								
Covered Payroll		$247,291,000		$233,099,133		$2,378,816,000		$2,241,738,286
Benefits Payable		$88,272,000		$82,809,201		$418,757,000		$392,058,387
Normal Cost	8.66%	$21,396,000	9.05%	$21,099,816	7.78%	$185,140,000	8.40%	$188,716,922
Administrative Expenses	0.29%	$717,000	0.30%	$699,297	0.23%	$5,471,000	0.23%	$5,155,998
Normal Cost & Expense	8.95%	$22,113,000	9.35%	$21,799,113	8.01%	$190,611,000	8.63%	$193,872,920
Normal Cost & Expense	8.95%	$22,113,000	9.35%	$21,799,113	8.01%	$190,611,000	8.63%	$193,872,920
Amortization	8.68%	$21,465,000	14.75%	$34,382,122	4.38%	$104,192,000	3.13%	$70,166,408
Total Requirements	17.63%	$43,578,000	24.10%	$56,181,235	12.39%	$294,803,000	11.76%	$264,039,328
Employee Contributions	5.61%	$13,864,000	5.64%	$13,139,595	4.50%	$107,047,000	4.25%	$95,273,877
Employer Contributions	8.48%	$20,972,000	8.52%	$19,861,736	4.50%	$107,047,000	4.25%	$95,273,877
Employer Add'l Cont.	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Direct State Funding	1.64%	$4,057,000	1.91%	$4,451,216	0.00%	$0	0.00%	$0
Other Govt. Funding	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Administrative Assessment	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Total Contributions	15.73%	$38,893,000	16.07%	$37,452,547	9.00%	$214,094,000	8.50%	$190,547,754
Total Requirements	17.63%	$43,578,000	24.10%	$56,181,235	12.39%	$294,803,000	11.76%	$264,039,328
Total Contributions	15.73%	$38,893,000	16.07%	$37,452,547	9.00%	$214,094,000	8.50%	$190,547,754
Deficiency (Surplus)	1.90%	$4,685,000	8.03%	$18,728,688	3.39%	$80,709,000	3.26%	$73,491,574

	PERA-General				TRA			
	2008*		2007*		2008*		2007*	
Membership								
Active Members		145,238		146,226		76,515		77,694
Service Retirees		54,855		52,554		43,041		42,679
Disabilitants		2,046		1,988		641		636
Survivors		6,979		6,894		3,299		3,223
Deferred Retirees		42,308		39,722		12,168		12,636
Nonvested Former Members		116,805		109,599		22,115		22,914
Total Membership		368,231		356,983		157,779		159,782
Funded Status								
Accrued Liability		$17,729,847,000		$17,705,626,649		$22,230,841,000		$21,470,314,497
Current Assets		$13,048,970,000		$12,985,324,048		$18,226,985,000		$18,794,389,076
Unfunded Accrued Liability		$4,680,877,000		$4,720,302,601		$4,003,856,000		$2,675,925,421
Funding Ratio	73.60%		73.34%		81.99%		87.54%	
Financing Requirements								
Covered Payroll		$4,952,751,000		$4,957,789,826		$3,846,190,000		$3,814,373,772
Benefits Payable		$824,372,000		$784,013,433		$1,330,837,000		$1,273,093,384
Normal Cost	7.74%	$383,111,000	7.77%	$385,359,657	8.77%	$337,281,000	9.37%	$357,343,265
Administrative Expenses	0.19%	$9,410,000	0.19%	$9,419,801	0.27%	$10,385,000	0.29%	$11,061,684
Normal Cost & Expense	7.93%	$392,521,000	7.96%	$394,779,458	9.04%	$347,666,000	9.66%	$368,404,949
Normal Cost & Expense	7.93%	$392,521,000	7.96%	$394,779,458	9.04%	$347,666,000	9.66%	$368,404,949
Amortization	6.29%	$311,528,000	5.35%	$265,241,756	6.04%	$232,310,000	3.78%	$144,183,329
Total Requirements	14.22%	$704,049,000	13.31%	$660,021,214	15.08%	$579,976,000	13.44%	$512,588,278
Employee Contributions	6.00%	$297,220,000	5.88%	$291,588,497	5.50%	$211,704,000	5.51%	$210,143,378
Employer Contributions	6.63%	$328,211,000	6.38%	$316,425,146	5.69%	$218,752,000	5.72%	$218,013,895
Employer Add'l Cont.	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Direct State Funding	0.00%	$0	0.00%	$0	0.50%	$19,170,000	0.49%	$18,819,110
Other Govt. Funding	0.00%	$0	0.00%	$0	0.06%	$2,500,000	0.07%	$2,500,000
Administrative Assessment	0.00%	$0	0.00%	$0	0.00%	$0	0.00%	$0
Total Contributions	12.63%	$625,431,000	12.26%	$608,013,643	11.75%	$452,126,000	11.78%	$449,476,383
Total Requirements	14.22%	$704,049,000	13.31%	$660,021,214	15.08%	$579,976,000	13.44%	$512,588,278
Total Contributions	12.63%	$625,431,000	12.26%	$608,013,643	11.75%	$452,126,000	11.78%	$449,476,383
Deficiency (Surplus)	1.59%	$78,618,000	1.05%	$52,007,571	3.33%	$127,850,000	1.65%	$63,111,895

** Current Assets and Amortization results reflect the 2007 Asset Valuation Method change*

9. DTRFA Post-Retirement Adjustment Issue. The issue is what, if anything, should be done with the Duluth Teachers Retirement Fund Association (DTRFA) post-retirement adjustment provisions. If this SPTRFA proposal were to pass, or if the Commission and Legislature chose to revise the proposal to provide the same adjustment as TRA, or in some other manner, the DTRFA post-retirement adjustment procedure would be the only one still basing adjustments on the automatic two percent plus a possible additional increase based on five-year annualized time weighted returns in excess of 8.5 percent. That system can place a considerable drain on the fund and will cause a death spiral if the fund's assets fall below that necessary to fully fund the pensions of retirees and survivors, unless that can be offset by additional contributions or aid. No one knows what condition the DTRFA will be in when the current market meltdown finally begins to turn around. As of this writing, equity markets in 2008 and in calendar year 2009 to date are down at least 40 percent and in some cases more. Since all these funds are heavily invested in equities, the impact on pension fund assets and funding ratios (based on market value) has been enormous. The Commission may wish to decide whether to include the DTRFA, by an amendment, in whatever revisions to post-retirement adjustments the Commission concludes is appropriate in these difficult times.

Potential Amendments for Commission Consideration

- Amendment S0686-1A is a technical amendment to clarify the computation of the post-retirement adjustment and make other language revisions.

- Amendment S0686-2A can be used to revise SPTRFA employee and employer contribution provisions to percentages of salary to be determined by the Commission.

- Amendment S0686-3A would index SPTRFA benefit adjustments to those provided by the Social Security Administration, except with a five percent cap. If this amendment is adopted, Amendment S0686-1A is not necessary since Amendment S0686-3A also includes the technical revisions.

- Amendment S0686-4A, an alternative to Amendment S0686-3A, revises the bill to provide SPTRFA post-retirement adjustments which match those currently provided by law to TRA retirees, 2.5 percent per year. If this amendment is adopted, Amendment S0686-1A is not necessary.

- Amendment S0686-5A, an alternative to Amendments S0686-3A or S0686-4A, revises the bill to provide SPTRFA post-retirement adjustments which match inflation up to 2.5 percent. If this amendment is adopted, Amendment S0686-1A is not necessary.

The following amendments can be used to make revisions in the DTRFA post-retirement procedures:

- Amendment S0686-6A would make the changes provided by the bill as drafted also apply to the Duluth Teachers Retirement Fund Association (DTRFA).

- Amendment S0686-7A is comparable to Amendment S0686-6A, but also revises DTRFA employee and employer contribution rates to percentages of salary to be determined by the Commission.

- Amendment S0686-8A, an alternative to the other amendments for the DTRFA, would index DTRFA post-retirement adjustments to those provided by the Social Security Administration, except with a five percent cap.

- Amendment S0686-9A, an alternative to the other DTRFA amendments, would revise DTRFA post-retirement adjustments to match TRA's 2.5 percent annual increases.

- Amendment S0686-10A, an alternative to the other DTRFA amendments, would revise DTRFA post-retirement adjustments to match inflation up to 2.5 percent.

Attachment A

Post Retirement Increases

from the

Minnesota Post Retirement Investment Fund (MPRIF)
Minneapolis Employees Retirement Fund (MERF)
Minneapolis Teachers Retirement Fund Association (MTRFA)
Duluth Teachers Retirement Fund Association (DTRFA)
St. Paul Teachers Retirement Fund Association (SPTRFA)
and
Increases in the Consumer Price Index (CPI-W)

	Percent Increase					
Effective Date	CPI [1]	MPRIF	MERF	MTRFA [2]	DTRFA [3]	SPTRFA [4]
	%	%	%	%	%	%
1/1/09	4.1	2.500	3.50	--	2.24	2.50
1/1/08	2.9	2.500	2.66868	--	5.30	2.30
1/1/07	3.2	2.500	3.50	--	2.00	2.00
1/1/06	3.5	2.500	2.59039	2.00	2.00	2.00
1/1/05	2.6	2.500	3.17372	2.00	2.00	2.00
1/1/04	2.2	2.103	2.10347	2.00	2.00	2.00
1/1/03	1.4	0.7450	0.74456	2.00	2.00	2.00
1/1/02	2.7	4.4935	5.34299	2.31	5.25	3.70
1/1/01	3.5	9.5342	10.50999	8.81	10.2391	7.6723
1/1/00	2.2	11.1436	10.2275	9.67	9.0275	9.2619
1/1/99	1.3	9.8254	8.0432	7.33	7.0125	7.2145
1/1/98	2.3	10.0876	6.6680	7.28	6.3407	7.00
1/1/97	2.9	8.0395	3.9500	6.23	5.6315	--
1/1/96	2.9	6.3954	3.5950	3.85	4.6424	--
1/1/95	2.5	3.9850	3.1440	2.13	--	--
1/1/94	2.8	6.0170	3.8240	4.50	--	--
1/1/93	2.9	4.5530	5.9840	--	--	--
1/1/92	4.1	4.2950	0.0000	--	--	--
1/1/91	5.2	5.1000	5.0790	--	--	--
1/1/90	4.8	4.0400	6.9180	--	--	--
1/1/89	4.0	6.9180	5.93591	--	--	--
1/1/88	3.6	8.0540	9.37158	--	--	--
1/1/87	1.6	9.7920	7.5890	--	--	--
1/1/86	3.5	7.9000	8.7160	--	--	--
1/1/85	3.5	6.9050	7.3370	--	--	--
1/1/84	3.0	7.4990	10.77	--	--	--
1/1/83	6.0	6.8530	9.17	--	--	--
1/1/82	10.3	7.4360	--	--	--	--
1/1/81	13.4	3.2090	--	--	--	--
1/1/80	11.4	0	--	--	--	--
1/1/79	7.7	0	--	--	--	--
1/1/78	6.5	4.00	--	--	--	--

Note: These increases are permanent increases to retiree annuities.

[1] Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) annual average percent change
[2] MTRFA first paid a post retirement adjustment under the new system on 1/1/94. MTRFA was merged into TRA in 2006.
[3] DTRFA first paid a post retirement adjustment under the new system on 1/1/96
[4] SPTRFA first paid a post retirement adjustment under the new system on 1/1/98