

**A RESOLUTION ADOPTED BY THE BOARD OF THE  
MINNEAPOLIS EMPLOYEES RETIREMENT FUND ON JANUARY 20, 2009**

**This Resolution is by the Board of Trustees of the Minneapolis Employees Retirement Fund (hereinafter called "MERF"). The reasons for this Resolution are:**

1. MERF is a *closed* public pension fund that provides pensions for certain employees of the City of Minneapolis, the Minneapolis Public Schools, Metropolitan Airports Commission, Metropolitan Council, Hennepin County and Minnesota State Colleges and Universities System (hereinafter called the "Public Employers") who were hired in 1978 or before.
2. MERF was closed by an Act of the Minnesota Legislature in 1978, at the request of the City of Minneapolis, but without the approval of the MERF Board.
3. All new employees hired by the Public Employers after 1978 became contributing members of the Public Employees Retirement Association of the State of Minnesota ("PERA") and the Minnesota State Retirement System, to which they contributed for the past 30 years, and only now are many of those new employees becoming eligible to retire in significant numbers.
4. When MERF was closed in 1978, it had over 6,000 active working members who were making payments to MERF and matching the Public Employers' contributions. But as of 2009, there are less than 200 active working members who are still making contributions to MERF.
5. Whenever a MERF member retired, an amount was transferred from the MERF Active Fund to the MERF Retired Fund that was actuarially determined to be sufficient to fund that member's retirement benefits, based upon the Legislature's mandated assumption of annual rate of return on investments equal to 5% *plus* COLA up to 3.5%.
6. As of July 1, 2006, the Retired Fund contained assets that were 92% of the amount actuarially required to fund the retired members' benefits, and stood at \$1,617,653,312. This 92% funding ratio is comparable to the funding ratio of PERA as of the same date. As of June 30, 2008, MERF'S funding ratio was 76.4% and PERA was funded at 73.6%
7. But with the precipitous decline in securities markets since July 1, 2008, the funding ratio has decreased to about 55% as of January 1, 2009, leaving MERF with approximately \$849,000,000 to fund retirement benefits. The amount of the unfunded liability as of January 1, 2009, is approximately \$740,000,000.
8. MERF presently has a monthly (benefits) "payroll" outflow of approximately \$13,000,000 per month (or \$155,000,000 per year), most of which must come from selling its investments. Those investments are being managed by the State Board of Investment.
9. Based upon its annual (benefits) "payroll" and the current amount of assets in the Retired Account, and on the fact that very little "new" money is coming into the Retired Account, MERF's consulting actuary predicts that it is probable that MERF's assets in the Retired Account will be entirely gone in six to eight years from now. The MERF Board has no way of reversing this situation, even if the Retired Account earns the 8.5% rate of return that Minnesota State Law assumes.
10. MERF is the only remaining public pension plan in Minnesota with a separate Retired Fund which has a huge unfunded liability. Other public pension plans either do not have a separate Retired Fund or have recently merged their Retired Fund with their Active Fund.

**Accordingly, BE IT RESOLVED that, consistent with the MERF Board's duties under Minnesota Statutes Chapters 422A and 356A, the MERF Board strongly recommends that action be taken by the Minnesota Legislature during the 2009 legislative session to consolidate MERF into PERA with an effective date no later than June 30, 2010.**