



Request for City Council Committee Action from the Department of Finance

Date: February 2, 2009

To: Council Member Betsy Hodges, Chair, Intergovernmental Relations Committee

Subject: Amendment to the City's Legislative agenda

Recommendation: Add the following language to the City's legislative agenda:

1. **Merge Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) into PERA-Police & Fire.** The City will pursue legislation that merges MPRA and MFRA into PERA-Police & Fire not later than December 31, 2010. A merger plan will include continued financial contributions from the City and the State, continuation of basic pension benefits that are at least equal to current levels, cost of living adjustments consistent with other PERA-Police & Fire retirees, and a plan to transfer each plan's assets to PERA-Police & Fire at least six months prior to the effective date of the merger.
2. **MPRA and MFRA unit value.** The City will pursue legislation that sets the methodology for calculation of the unit value for MPRA and MFRA basic retirement benefits in amounts commensurate with actual payroll practices of the City of Minneapolis.

Previous Directives: Legislative Agenda: Intergovernmental Committee, December 9, 2008

Prepared by: Patrick Born, CFO, 673-3375 Approved by: Patrick Born, Director, Finance Department 612-673-3375, and Steven Bosacker, City Coordinator, 612-673-2032 Presenters in Committee: Patrick Born, CFO, 673-3375

Reviews

- None

Financial Impact

No financial impact

Background/Supporting Information

The City adopted a legislative agenda related to its closed pension obligations that included the following language:

"While there may be a number of ways to reach these objectives, the City's sustainability plan includes the following actions that require legislative approval followed by City Council approval:

1. Ensure that retirees receive consistent cost of living adjustments. This could be achieved by replacing the annual change in unit value with a cost of living adjustment equal to or comparable with what other police and fire retirees in Minnesota receive.

2. Change the structure of governance for the closed funds. To achieve this, the current administrative structure should be replaced with the Public Employee Retirement Association (PERA) and all of the funds' assets should be managed by the State Board of Investment (SBI).

3. Commit the City to a fixed annual contribution that fully funds each plan no later than 2020. The City's funding commitment will begin when the sustainability plan is approved by the legislature, agreement is reached on actuarial assumptions, the change in administration of the plans occurs, cost of living adjustments are linked to the COLA changes for similar Minnesota pension plans, and City Council approval is made.

Minneapolis opposes:

- Legislation increasing benefits to MRFA members until such time that a sustainable solution to ensure the long-term health of the funds can be jointly reached by MFRA and the City."

At the direction of the City Council, staff was asked to prepare an amendment to the City's legislative agenda that would allow for the City to pursue merger of its closed pension plans. City staff recommends the following language:

- 2. Merge Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) into PERA-Police & Fire.** The City will pursue legislation that merges MPRA and MFRA into PERA-Police & Fire not later than December 31, 2010. A merger plan will include continued financial contributions from the City and the State, continuation of basic pension benefits that are at least equal to current levels, cost of living adjustments consistent with other PERA-Police & Fire retirees, and a plan to transfer each plan's assets to PERA-Police & Fire at least six months prior to the effective date of the merger.
- 2. MPRA and MFRA unit value.** The City will pursue legislation that sets the methodology for calculation of the unit value for MPRA and MFRA basic retirement benefits in amounts commensurate with actual payroll practices of the City of Minneapolis.