

CERTIFIED COPY OF RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DULUTH, MINNESOTA

RESOLUTION 87-0900

ADOPTED NOVEMBER 16, 1987

BY COUNCILOR PAYMAR:

WHEREAS, the 1987 Minnesota Legislature adopted legislation (Laws 1987, Chapter 296) enabling local police and fire relief associations to consolidate with the Public Employees Retirement Association Police & Fire Fund (PERA) with the consent of the relief association membership and the approval of the governing body of the affected municipality; and

WHEREAS, the membership of the Duluth Police Pension Association (Association) has consented to consolidation of the Association with PERA; and

WHEREAS, the City Council gave preliminary approval of such consolidation by Resolution 87-0650, adopted on August 10, 1987; and

WHEREAS, all steps required by the above referred to legislation to be taken by various state agencies have been completed; and

WHEREAS, the City Council has reviewed the actuarial calculations relating to such consolidation provided by the Legislative Commission on Pensions and Retirement and has held a public hearing on the question of such consolidation after proper notice of such hearing to the public.

NOW, THEREFORE, BE IT RESOLVED, that the Duluth City Council hereby gives final approval to the consolidation of the Association with PERA.

Resolution 87-0900 was unanimously adopted.

Approved November 16, 1987

JOHN A. FEDO, Mayor

I, JEFFREY J. COX, City Clerk of the City of Duluth, Minnesota, do hereby certify that I have compared the foregoing Resolution passed by the City Council on the 16th day of November, 1987, with the original in my custody as City Clerk of said City, and that the same is a true and correct transcript therefrom.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said City of Duluth, this 20th day of November, 1987.

JEFFREY J. COX  
City Clerk

By

*Zelda Blauert*  
Deputy  
CITY OF DULUTH, MINNESOTA

STATE OF MINNESOTA  
DEPARTMENT OF STATE  
FILED  
NOV 25 1987

*Jean Anderson Howe*  
Secretary of State

137798



## CITY OF DULUTH

DEPARTMENT OF FINANCE & RECORDS  
City Clerk  
101-102 City Hall • Duluth, Minnesota 55802-1186  
218/723-3340

November 20, 1987

Joan Anderson Growe  
Secretary of State  
180 State Office Building  
St. Paul, Minnesota 55155

Re: Certified copy of 87-0900R

Dear Ms. Growe:

For your information I am enclosed a certified copy of Resolution 87-0900 of the Duluth City Council by which the Council gave final municipal approval to the consolidation of the Duluth Police Pension Association with the PERA Police & Fire Fund pursuant to Minnesota Statutes, Section 353A.04, Subd. 8.

Sincerely,

*Zelda Blauert*

ZELDA BLAUERT  
Deputy City Clerk

ZB/WD:jkmr:1101

Attachment

DULUTH POLICE PENSION ASSOCIATION

ACTUARIAL CALCULATIONS PRELIMINARY  
TO CONSOLIDATION

RECEIVED  
OCT 28 1987  
SECRETARY OF STATE

THE *Wyatt* COMPANY

ACTUARIES AND CONSULTANTS

EMPLOYEE BENEFITS  
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EMPLOYEE COMMUNICATIONS  
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SUITE 1525  
8400 NORMANDALE LAKE BOULEVARD  
MINNEAPOLIS, MINNESOTA 55437  
(612) 921-8700

OFFICES IN PRINCIPAL CITIES  
AROUND THE WORLD

October 26, 1987

Legislative Commission on  
Pensions and Retirement  
55 State Office Building  
St. Paul, Minnesota 55155

**RE: DULUTH POLICE PENSION ASSOCIATION**

Commission Members:

We have performed actuarial calculations for the Pension Association as of October 1, 1987 based on membership and financial data supplied by the Pension Association.

We certify that to the best of our knowledge and belief this actuarial work was performed in accordance with the requirements of Sections 353A.05 and 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work, adopted by the Commission on August 26, 1987.

Respectfully submitted,

THE WYATT COMPANY

*Robert E. Perkins*  
Robert E. Perkins, FSA  
Consulting Actuary

*Michael C. Gunvalson*  
Michael C. Gunvalson, ASA  
Associate Actuary

cc: The Honorable Arne Carlson, State Auditor  
The Honorable Joan Anderson Growe, Secretary of State  
Howard Bicker, State Board of Investment  
James Hacking, Public Employees Retirement Association  
James Noble, Legislative Auditor  
Thomas J. Triplett, Commissioner of Finance  
Patrick Alexander, Chairman of Duluth Police Pension Association  
Walter Peterson, Secretary of Duluth Police Pension Association  
Kjell Rodne, Administrative Assistant, City of Duluth

## REPORT PRELIMINARY TO CONSOLIDATION

The purpose of this report is to estimate the cost of consolidating the Pension Association with PERA Police and Fire (P&F) as specified in Minnesota Statutes, Chapter 353A prior to potential final municipal approval of the consolidation question.

The consolidation process provides the Pension Association members and their beneficiaries an opportunity to change their retirement benefit plan coverage by electing between Pension Association and P&F benefits. In order to evaluate the financial aspects of consolidation, the costs in Table 1 have been determined under three possible outcomes - all individuals elect Pension Association benefits (column 2), all individuals elect P&F benefits (column 3) and each individual elects the benefit plan which has the greater total benefit plan actuarial value (column 4).

Table 1 also compares the consolidation calculations to those found in the actuarial valuation of the Pension Association as of December 31, 1986, prepared by Gabriel, Roeder, Smith & Company. Since the Relief Association benefits are identical for columns 1 and 2, the differences in liabilities and costs are due primarily to the use of different actuarial assumptions as required by statute and to a lesser extent, to the differences in data and the date of the calculation. Table 2 shows the data differences and lists the major assumptions.

Whenever a retired member or the retired member's surviving spouse elects P&F benefits, the reserve for that benefit must be transferred to the Minnesota Post

Retirement Investment Fund (MPRIF). Assets transferred to MPRIF are combined with the MPRIF assets of P&F for determining future mortality gains and losses. Any future gains (or losses) on benefit recipients receiving P&F benefits will be received (or paid for) by P&F. The amount to be transferred if all benefit recipients who are eligible for MPRIF elect P&F benefits is \$14,921,562, which is less than the current market value of assets. This amount includes an estimated increase of 8.8% for those who meet the MPRIF eligibility rules for a January 1, 1988 benefit adjustment.

Current benefit recipients who are not eligible for MPRIF will be paid directly by PERA. Their benefits will be escalated by the same percentage that applies to MPRIF annuitants, however no funds are required to be transferred to MPRIF.

Although the costs shown in Table 1 represent an appropriate range of estimates available today, the costs are subject to change in future years following the consolidation. The true cost of any pension plan is not completely determined until the last benefit payment has been made to the last benefit recipient. Prior to that date, annual budgets are determined by making assumptions regarding future experience.

Each year in the future following consolidation, municipal costs will be redetermined based on the elections made by members and beneficiaries and will consist of the following components:

- Regular contributions (line 7) - a variable cost which will depend on the compensation of members still active.

- Additional contributions (line 6) - a fixed cost which is an annual amount of \$1,289,796, the amount required to amortize the initial unfunded consolidation actuarial liability shown in column 4 of Table 1 by the year 2010.
- Additional contributions (undeterminable at this time) - a variable cost which will depend on actual experience. Any actuarial gains (for example, investment results in excess of 8%) will reduce future contributions and actuarial losses (for example, salary increases in excess of 6.5%) will increase future contributions.

DULUTH POLICE PENSION ASSOCIATION  
ACTUARIAL CALCULATIONS

TABLE 1

	Prior Valuation	Election Of Benefits Under The Consolidation		
	Relief Association (1) 12/31/86	All Elect Relief Association (2) 9/1/87	All Elect PERA P&F (3) 9/1/87	All Elect Greater Value (4) 9/1/87
Date of Calculations				
Actuarial Present Value of Projected Benefits	\$41,474,863	\$42,931,050	\$34,940,979	\$43,020,094
Actuarial Accrued Liability	33,625,650	36,862,316	29,175,553	36,901,495
Normal Cost	710,397	567,456	497,863	572,646
<u>Determination of Municipality Contributions (Before Adjustment For State Aid)</u>				
1. Actuarial Present Value of Projected Benefits	\$ NA	\$42,931,050	\$34,940,979	\$43,020,094
2. Present Value of Future Member Contributions	NA	2,880,832	3,176,556	2,897,683
3. Present Value of Future Regular Municipal Contributions	NA	4,321,248	4,764,835	4,346,524
4. Market Value of Assets	19,222,980	21,704,450 *	21,704,450 *	21,704,450 *
5. Unfunded Amount to be Amortized (1-2-3-4)	15,136,176 **	14,024,520	5,295,138	14,071,437
6. Additional Municipal Contribution (5 amortized by 2010)	1,094,996	1,285,496 ***	485,355 ***	1,289,796 ***
7. Regular Municipal Contribution	465,009 ****	410,706	410,606	410,706
8. Total Municipal Contribution (6+7)	1,560,005	1,696,202	895,961	1,700,502

\* Equal to market value reported by Duluth and assuming no changes by the State Board of Investments.

\*\* Based on the Actuarial Accrued Liability less the Current Assets of \$18,489,474.

\*\*\* An increase (decrease) in Market Value of \$100,000 will decrease (increase) the municipal contribution by \$9,166.

\*\*\*\* Equals the Employer Normal Cost.



DULUTH POLICE PENSION ASSOCIATION  
DATA AND ASSUMPTIONS

TABLE 2

	<u>Prior Valuation</u>	<u>Consolidation Calculation</u>	
	<u>Relief Association</u> (1)	<u>All Elect Relief Association</u> (2)	<u>All Elect PERA P&amp;F</u> (3)
<b>Number in Plan</b>			
Active Members	102	102	102
Deferred Former Members	1	2	2
Retired Members and Beneficiaries	121	121	121
<b>Member Contribution</b>			
Percentage	8.0%	8.0%	8.0%
Compensation Base	\$3,067,344	3,422,553	3,421,716
Contribution	\$245,388	273,804	273,737
<b>Municipal Contribution</b>			
Percentage	NA	12.0%	12.0%
Compensation Base	NA	3,422,553	3,421,716
Contribution	NA	410,706	410,606
<b>Interest - Before Retirement</b>	5.0%	8.0%	8.0%
After Retirement	5.0%	8.0%	5.0%
<b>Salary Increase</b>	3.5%	6.5%	6.5%
<b>Post Retirement Benefit Increase</b>	3.5%	6.5%	NA
<b>Retirement Age/Service</b>	58/20	58/20	60/5
<b>Other Assumptions</b>	per Duluth Pension Association Report	per PERA P&F Report	per PERA P&F Report

137798  
 STATE OF MINNESOTA  
 DEPARTMENT OF STATE  
 FILED  
 NOV 25 1987  
 Jason Anderson  
 Secretary of State