

March 19, 2010

TO: City Clerks and Chiefs of Police

FROM: Kelly Gibson, Chairman

RE: Contributions to MPERS

The Municipal Police Employees' Retirement System has received inquiries asking for an explanation of the increase in employer contributions for this year. For a historical review and an in depth explanation of this increase I consulted the actuarial service used by MPERS (Mr. Charles Hall) and I am including his response with this reply.

The Public Employees' Retirement Systems Actuarial Committee reviews returns of investments of the state wide retirement systems from the past year and mandates the salary percentage needed to keep the retirement system solvent. This year the committee determined that a contribution of 32.5% of salary was needed. Employee's contributions are frozen at 7.5% thus requiring a contribution of 25% from the municipalities.

I realize that the employer's contribution rate is a significant increase from the previous year. The downturn in the equities market and real estate market in previous years were the dominant reason for the increase. The MPERS board of trustees is exploring ways to reduce the burden of the percentage increase on the municipalities.

Please contact me if you need further information.