



September 20, 1989
Basement Hearing Room
State Office Building

14th Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Donald M. Moe, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 9:15 A.M.

Commission members present:

Senators Donald Moe, Lawrence Pogemiller, and Earl Renneke
Representatives Robert A. Johnson, Rich O'Connor, Leo Reding, and Wayne Simoneau

Commission members absent:

Senators Steven Morse and Gene Waldorf
Representative Gerald Knickerbocker

Senator Moe introduced the first item on the agenda, the minutes of the Commission meetings held during the 1989 Legislative Session. The minutes were **LAID OVER** until the next meeting to permit members to review them.

Senator Moe introduced the second item on the agenda, a review of pension legislation enacted during the 1989 Legislative Session. Mr. Edward Burek, Deputy Assistant Director of the Commission, reviewed his memo dated August 22, 1989, and entitled Summary of Pension Legislation Enacted by the 1989 Legislature. Senator Moe referred members to a memo entitled Pension Legislation Not Passed by the Commission. Discussion followed.

Senator Pogemiller noted that some pension items passed in the State Department's Omnibus Appropriation bill (Laws 1989, Chapter 335, Article 1, Section 47). Representative Simoneau responded that it is a function of the Appropriation Committee to appropriate amortization aid.

Senator Renneke questioned whether the Omnibus Pension bill affected the Social Security windfall offset and spousal offset for public employees other than legislators. Representative Simoneau responded that the police and fire plan members and basic plan members were unaffected by this bill as far as their Social Security was concerned. Discussion followed.

Senator Moe introduced the third item on the agenda, a review of the 1988 actuarial valuations. Mr. Robert Perkins, the Commission actuary, referred members to the blue binders included in their packets which contained the Summary of 1988 Actuarial Valuations and then began his presentation. Discussion followed. When Mr. Perkins concluded his presentation on the 1988 actuarial valuations, he referred members to his April 12, 1989, memo to the Commission entitled Recommendations of the Commission Actuary. He briefly noted the contribution deficiency in four Minnesota public pension funds which were the three first class city teacher funds and PERA. Mr. Perkins stated that if the Commission were to deal with the contribution deficiency in these funds, he would particularly recommend that they focus on the contribution deficiency in the Minneapolis Teachers Retirement Fund Association.

Senator Moe introduced the fourth item on the agenda, the review of the 1985 - 1988 Experience Studies. Mr. Perkins noted that The Wyatt Company does eleven experience studies for the Commission. He then referred members to his July 31, 1989, letter regarding Recommendations for Changing Actuarial Assumptions. Mr. Perkins stated that three changes in actuarial assumptions were being recommended which included lowering the retirement age for the St. Paul Teachers Retirement Fund Association and the Duluth Teachers Retirement Fund Association, adopting a new mortality table reflecting longer life expectancy for the three first class city teacher funds, and setting new termination rates for the Public Employees Retirement Fund Association. Mr. Perkins provided members with an additional four page handout entitled First Class City Teachers Retirement Funds Comparison of Factors to assist members in understanding the recommendation for adopting a new mortality table for the first class city teacher funds. Discussion followed. Mr. Perkins went on to review the recommendation to set new termination rates for PERA General. He noted that PERA's actuary, Gabriel, Roeder and Smith, is currently preparing a report on this issue and when it is completed the Commission actuary and PERA actuary will work toward a mutually acceptable change in the termination rates for PERA General.

Mr. James Hacking, Executive Director of PERA, stated that it was his understanding that the report from

the PERA actuary would not be completed in time for the 1989 actuarial valuations and when it was completed, the PERA Board of Trustees would need to study it closely prior to agreeing to change the termination rates for PERA General.

Senator Moe asked if any of the directors of the other funds affected by The Wyatt Company recommendations had any comments.

Mr. Edward Blanck, Executive Secretary of the DTRFA, stated that his board had approved the recommendation to change the age assumption and the mortality tables.

Mr. Eugene Waschbusch, Executive Secretary of the StPTRFA, stated that his board had approved the recommendation to change the mortality tables but had not taken a position yet on changing the age assumption.

Senator Moe introduced the fifth item on the agenda, the Consideration of Recommendations for Changes in the Commission Standards for Actuarial Work. Mr. Lawrence A. Martin, Executive Director of the Commission, reviewed this item for the Commission and referred members to the letter from Mr. Perkins dated August 8, 1989, regarding Recommended Amendments to the Standards for Actuarial Work. Mr. Perkins briefly reviewed the three recommendations which were categorized as (1) Laws of Minnesota 1989 Chapter 319, (2) Experience studies, and (3) Miscellaneous Technical Items.

Representative Rich O'Connor questioned the impact the third recommended amendment to the Standards would have on the potential consolidation of the St. Paul Police and Fire Relief Associations. Mr. Perkins responded that he did not believe it would have any impact as the recommended changes were only meant to provide clarification.

Mr. James Hacking raised two points regarding the Standards for Actuarial Work. The first (page 8, iv) had to do with rates of retirement and the method used by The Wyatt Company in completing PERA's actuarial valuation. The second (page 18, (2)) had to do with the Unfunded Actuarial Accrued Liability and the statement that a negative UAAL is not to be amortized. Discussion followed.

Mr. Brian Rice, Minneapolis attorney representing a group of retired St. Paul firefighters, referred to pages 39 and 40 and requested clarification on whether the second consolidation report performed for the St. Paul firefighters in June of 1989 reflected the changes being proposed at this time. Mr. Perkins responded that both consolidation reports reflected this recommendation because this recommendation was only meant to clarify current practice. The second consolidation report reflected the changes in the law passed in the 1989 legislation. Discussion followed.

Rep. Simoneau moved to approve the recommended amendments to the Standards for Actuarial Work. **MOTION PREVAILED.**

Rep. Simoneau moved to adopt the recommended mortality table used by the Teachers Retirement Association for the three First Class City Teacher Funds. **MOTION PREVAILED.**

Senator Moe **LAID OVER** the seventh item on the agenda, the consideration of the allocation of Commission actuarial valuation and experience study costs among the various retirement funds, to a future meeting.

The meeting adjourned at 12:20 P.M.