

August 5, 1991
Room 10 State Office Building

14th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Representative Leo Reding, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 7:10 P.M.

Commission members present:

Representatives Bob Johnson, Gerald Knickerbocker, Rich O'Connor and Leo Reding
Senators Steven Morse, Lawrence Pogemiller, Leroy Stumpf and Gene Waldorf

Rep. Reding introduced Catharine Haukedahl, Solicitor General of the Attorney General's Office, to update the Commission on the status of the MTRFA vs State of Minnesota lawsuit.

Ms. Haukedahl stated that the lawsuit challenged the constitutionality of section 354A.12 which establishes the funding mechanism of the first class teacher retirement fund associations. The plaintiff argues that the state has a contract with MTRFA to maintain actuarial soundness. Ms. Haukedahl continued with her briefing.

Rep. Knickerbocker questioned what the impact would be if MTRFA was successful. Ms. Haukedahl responded that if the court finds that there is a contract, all three first class city teacher funds would be affected. Lawrence Martin, LCPR Executive Director, stated that the cost of providing funding to the first class city teacher funds if MTRFA was successful would be approximately \$55 million annually. Mr. Martin also stated that none of the other public plans would be effected as they do not have quite the same language in statutes. Discussion followed.

Sen. Waldorf questioned what the employer's current obligation is to the fund. Ms. Haukedahl responded that she did not believe the employer's obligation was greater than the state's obligation.

Rep. Reding introduced agenda item 1.b., a Review of the Actuarial Assumptions Utilized by Local Police and Fire Relief Associations.

Lawrence Martin reviewed the current practice and stated that the purpose of the review was to enable the Commission to determine whether the interest and salary assumptions for the local police and fire plans, which have not been updated since 1973, need to be updated in light of changing actuarial assumptions for several other public pension plans. Mr. Martin referred the Commission to the appendix item of the staff memo which shows how the guidelines act works.

Edward Burek, LCPR Deputy Executive Director, introduced the following panel to make a presentation on future economic trends:

Arthur Rolnick, Senior Vice President/ Director of Research Federal Reserve Bank;
Daniel Laufenberg, Senior Economist with IDS; and
Pat Meagher, Staff Economist, State Finance Department.

Discussion followed. (Subsequent to this meeting, Mr. Burek summarized the presentations by the economic panel. His summary is attached as part of these minutes.)

Gary Findlay, Gabriel, Roeder, Smith & Co., stated that he is the actuary for the local police and paid fire funds as well as PERA and MERF. Mr. Findlay stated that Minnesota is the only state, in his experience, that has actuarial assumptions specified in statute. He stated that since most local police and paid fire benefits are based on the salary of a top grade patrol officer and the statewide plan benefits are based on a five year average salary, different assumptions may be justified. Discussion followed.

Rep. Reding introduced agenda item 1.c.i., Alternatives in the Provision of Interstate Portability. Lawrence Martin provided background on the Commission's interest in portability and noted that staff has produced two memos on this topic.

Edward Burek reviewed the staff memo on current intrastate portability mechanisms. He noted that of the three segments that make up an individual's retirement income, Social Security, individual savings, and public or private pension plans, Social Security is fully portable since it moves with an employee throughout the country as does the individual's personal savings. Mr. Burek noted that the primary portability provision in Minnesota law is the combined service annuity provision which simulates employment with a single employer for individuals who have several public employers within the state of Minnesota. An alternative portability provision for individuals is the service in more than one fund provision which permits an individual to use a combination of service in different Minnesota public pension plans for vesting purposes. Local police and paid fire plans do not provide any portability mechanisms.

Mr. Burek reviewed defined contribution plans, TRA conditional purchases of service provisions, and retention of prior pension plan coverage provisions as additional limited portability mechanisms.

Rep. Reding moved agenda item 1.c.ii. to the meeting of August 6, 1992 and he stated that he would like to revisit the change in assumptions issue.

The meeting adjourned at 9:20 P.M.


Jean Liebgott, Secretary