

Legislative Retirement Study Commission Meeting
February 13, 1969 - Room 123

PRESENT: Sen. Grittner, Josefson
Rep. Thor Anderson, Sommers, Sillers, Cal Larson, Tomczyk

Thor Anderson chaired the meeting in Ordgahl's absence.

Bill from Stennes and Associates for services from 1/1/69 to 1/31/69 in the amount of \$525 approved for payment.

Communication from the St. Paul City Council and memo from Mr. Moulton re PERA legislative proposals received and filed.

Letter to be written to Mr. Reed, Sec. of Minn. State Police Officers asking for cost out by their actuary.

Mr. Moulton instructed to find out what the Governor has in mind in the re-organization relative to Pensions.

Sen. Grittner advised that the House had passed the Commission deficiency bill - should substitute the House File and save a day.

TO: Legislative Retirement Study Commission

FROM: Frank Moulton

DATE: February 10, 1969

RE: Resolution of the St. Paul City Council dated February 5, 1969

This resolution urges adoption of the legislative proposals of PERA.

Relevant Facts:

- a. The 1968 actuarial valuations find that PERA total financing is inadequate under present standards.
- b. If the statutory required interest assumption of 3% is increased to 3-1/2%, the fund will become barely in balance.
- c. The PERA legislative proposals would increase costs to levels substantially in excess of present total financing.
- d. The St. Paul City Council resolution neither proposes or offers to support the increase in tax levy that would be necessary to finance the proposed increased benefits.

TO: Legislative Retirement Study Commission
FROM: Frank Moulton
RE: State Police Officers Retirement Bill
DATE: February 13, 1969

The State Police Officers indicated to the Commission in very general terms the objectives that they would seek. They did not submit specific proposals and, therefore, they did not submit actuarial estimates of the costs. They have had a bill prepared which is the first concrete indication of their desires for changes in their pension program.

From the proposed bill, the following outline of their proposals emerge:

1. Pension formula now 2% of career average pay would be changed to 2½% for the first 20 years of service plus 2% for service thereafter. *25% increase*

Comment: This would cause a substantial increase in normal cost and a considerable increase in deficit. No actuarial estimates of the amount have been submitted.

2. The bill proposes reducing the normal retirement age from age 58 to 55.

Comment: This would increase the normal cost and the deficit. No actuarial estimates have been submitted.

3. The bill proposes that for all years of service prior to July 1, 1967, the average salary shall be considered to be \$7200 per year.

Comment: This would considerably increase the pension credit for all past service, especially when it is realized that prior to July 1, 1965, the salary ceiling was \$4800 per year. This provision coupled with the increase in formula would effect a very considerable increase in the deficit. The normal cost for the future would probably not be substantially increased by this credit for past service. No actuarial calculations as to the increase in deficit and financing required has been submitted.

4. The bill proposes to provide that all members who retire after June 30, 1969, would be subject to an increasing annuity benefit each year following the year of retirement. The annuity would be increased by 1% over the previous year. The terms of the bill would make the 1% increase compounded rather than calculated from the initial year of retirement. To provide this benefit, employee contributions would be increased 1/2% of pay to be non-refundable; employer contributions would be increased 1% of pay.

Comment: No actuarial calculations or estimates have been submitted.

5. Any state police officer who retired under the Game Warden Fund laws instead of the State Police Officers' benefit program, had an option to revoke his decision and retire under the State Police Officers' law if he filed such decision by July 1, 1966. The proposal is to re-open the option by allowing the transfer to the Police Officers' law any time prior to July 1, 1970. The Bill is silent as to whether it applies to persons already retired, but presumably it is intended to apply to active employees.

Comment: No data or explanations have been received.