

LEGISLATIVE RETIREMENT STUDY COMMISSION MEETING  
July 17, 1970 - 9:00 am - PERA Board Room

The regular meeting of the LRSC was called to order by chairman, J. A. Josefson on July 17, 1970, at 9:00 am, in the PERA Board Room, Capitol Square Building.

PRESENT:	<u>Senators</u>	<u>Representatives</u>
	J. A. Josefson	Calvin Larson
	Baldy Hansen	Don Forseth
	Mel Hansen	Joseph O'Neill
	Clifford Sommer	D. H. Sillers

ALSO PRESENT: Frank Moulton, Exec. Sec., Blair Testin, Asst.; Dr. Franklin Smith, Actuary, Stennes & Associates; Mike Ousdigian, PERA; Mrs. C. M. Meehan, PERA; Gordon Williams, PERA; Arni Ulvi, MSRS; Robert Little, MSRS actuary (Coates, Herfurth and England); Bert W. Johnson, Highway Patrol; Carol Frykholm, MSRS; Douglas Mewhorter; Robert Reed, MEA; Richard A. Larson, TRA; Mervin Peterson, TRA, PERA, MSRS; A.E. Schulstad, Mun. Emp. Ret. Board; N Gaasedelen, Mpls. Teachers R.F.; John Gardner, TRA; Mrs. Inga Cragg, Retired Teachers Association of Minnesota; Lyle F. Stofen, TRA Board; M. Voxland, TRA Board; Harvey Schmidt, TRA; John L. Belk, TRA; Paul Goldberg, Council 6; Carl Gislason, MSCEU; James Jacobs, MSBA; T. E. Campbell, MGEC; Louis Claeson, League of Minnesota Municipalities; Ralph R. Ruder, Retired Teachers of Minnesota; Karl W. Christey, Highway Patrol Officers Association; Richard M. Nelson, Mpls. Police Relief Association and Minnesota Police Pension Council; R. B. Vecellio, Adm.; Robert Wetherille, Mpls. Fire Department; Ed. Bolstad, Minnesota Police.

MINUTES of the June 19th meeting were approved as mailed.

Bill in the amount of \$855 for actuarial services from Stennes and Associates for the period from May 1 to June 30, 1970 was approved for payment.

DR. SMITH - MSRS SURVEY REPORT - Dr. Smith went over survey report of MSRS. Discussion followed.

MSRS Legislative Proposals: - Mr. Ulvi furnished the Commission with copies of the MSRS Board's Legislative Proposals; also copies of the MSRS actuary's report, Mr. Robert Little. These reports were gone over and discussion followed.

Report from Mr. Little, MSRS Actuary: - Mr. Little stated that the problem of MSRS and that of other similar pension funds is traceable to changes in salary levels. He stated that in trying to solve the problem by adjustment of percentages, the problem is complicated. The best solution is to base benefits on some salary level which is somewhat reflective of salaries at retirement; hoping to reach a non-inflationary salary level. A 15 year salary level doesn't have the leverage. Mr. Little feels that it is a reasonable approach and that it will not be explosive from the point of view of cost. He would use a 3-1/2% flat annual increase, including

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promotional as required by law. Mr. Little stated that employees are paying more than one-half the normal cost. To avoid situation in the future, reasonable to have employee, on a normal cost basis, contribute 3-1/2% and the employer pay the balance; that it will be less than 7.75%. If the interest assumption were increased to where it appeared to coincide with what is currently earned, normal cost would drop to around 7%.

Mel Hansen stated that a fresh look should be taken at the salary increase assumption figure because it is not realistic; also take a look at the interest assumption. The whole package has to be re-evaluated.

COUNCIL 6 Proposals: - Mr. Frank Frison discussed the Council 6 proposals. The Council feels that 15 years is not realistic; does not agree with full funding; desires retirement benefits based on top 5 years. There would have to be a sizeable contribution into the "pot" to get started - \$51 or \$52 per person per month would have to be put in per person retiring--something like a total of \$10-12 million. 425 people retired last year. Talking about retirement at age 70.

COMMITTEE OF ADMINISTRATORS - Legislative Proposals - Mr. Harry Groschel (Committee for the adoption of a Supplemental Retirement Plan) advised that the state employees' benefits have not kept pace with the employees' salaries. There will be 4% increases per year in the future. Social Security is weighted to the low income group. For those earning \$8,000 a year or less, their retirement benefit is 35% to 64% of final salary. Mr. Groschel furnished copies of the committee's recommendations re the supplemental plan. (For the \$12,000 group, Social Security is 25-40% of final salary).

RE UNCLASSIFIED EMPLOYEES: - Mr. Robert Blixt, State Board of Investment, told the Commission that there are about 100 unclassified employees. Would like a plan strictly at the option of the unclassified employee; would like to put their money into a supplemental rather than MSRS, etc.

PERA BOARD PROPOSALS - Mr. Ousdigian introduced the members of his Board who were present at the meeting. Mr. Ousdigian went over the Board's legislative proposals for the 1971 Session. Mr. Roenisch, PERA actuary, explained the proposals which are in fact a new approach. He gave the following advantages of this new approach:

- 1) Simple - present law is so complicated.
- 2) Comprehensive - everybody getting the same thing.
- 3) Flexible - encompasses the variable annuity.
- 4) Feasible - in actuarial balance.
- 5) Official - will enable the fund to mechanize its efficiency.
- 6) Current - old law going out.
- 7) Acceptable - it follows established Minnesota patterns in principle.

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Mr. Roensch pointed out that in this plan the present survivors' benefits are set to be comparable to the Social Security benefits in effect in the 1950's.

The balance of the agenda will be continued at the August meeting.

The Minneapolis Teachers will be on the August agenda.

Next Commission meeting - August 21, 9:00 am, PERA Board Room, Capitol Square Bldg.

Next PERA subcommittee meeting - August 20, 2:00 pm,

Next Statewide Subcommittee meeting - August 20, 7:00 pm

Meeting adjourned at 1:00 pm.

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Mel Hansen, Secretary

E. Diebel, Steno.