

Legislative Retirement Study Commission  
March 5, 1973  
Room 15, State Capitol  
7:00 P.M.

Minutes

The chairman, Sen. Chenoweth, opened the meeting.

PRESENT:	<u>Senators</u>	<u>Representatives</u>
	John Chenoweth	Richard Parish
	Harmon Ogdahl	Donald Moe
	Mel Hansen	Al Patton
	Jack Kleinbaum	Robert Johnson
	Eugene Stokowski	

The chairman reopened the subject of policy guidelines discussion for the commission on such matters as interest assumptions, salary assumptions, etc.

Mr. Robert Blixt, State Board of Investment-

Mr. Blixt addressed the commission on the subject of interest assumptions and investments.

The following are some statements from his discussion:

- Made over 8% on money through stock dividends, etc.
- Actuarial assumptions should be safe assumptions for a life time.
- Investment results should be better than 2% above inflation - cannot do it if it is a bond portfolio.
- A higher interest assumption and the 5 high years would increase pension of everyone now in the MAFB Fund and would help present retiring employees.
- It would be good if salary assumption and interest assumption were to include inflation factor.

Inflation and salary raises do not necessarily go hand in hand.

Mr. Blixt referred to problems relative to state dormitory bonds in the pension portfolios and stated that he would like to have legislation to dispose of them.

Sen. Chenoweth requested that a bill be drafted that would permit the disposal of these bonds.

Interest Assumption Discussion-

Rep. Parish moved that the interest assumption be changed from 3 1/2% to 5%. Discussion followed.

Relative to discussion as to the importance of salary assumptions, Sen. Chenoweth stated that the subject of salary assumptions would be taken up separately.

Parish motion to change interest assumption to 5% carried. Ogdahl vote - "no"

Mr. Newell Gaasedelen - Minneapolis Teachers Retirement Fund spoke on the subject of salary assumptions.

Some points brought out by Mr. Gaasedelen:

1. Increases caused by inflation are self liquidating.
2. Salary increases due to inflation do not cause havoc with the pension f
3. Salaries have increased 1 1/2% to 2%, excluding inflation.
4. The average rate of salary increase for public employees has been 1 1/2% to 1 3/4%.

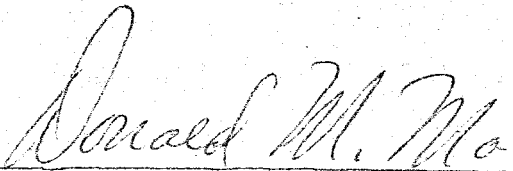
Mr. Moe moved that for actuarial purposes a salary increase of 4% annually be assumed. This motion was later withdrawn by Mr. Moe until more information is received and discussed on the subject of salary assumptions.

Dr. Franklin Smith and a recognized economist will be invited to speak at the next meeting.

Meeting adjourned at 9:15 PM.

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E. Diebel, Steno

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Donald M. Moe, Secretary