

LEGISLATIVE RETIREMENT STUDY COMMISSION  
December 6 and 7, 1973 Meetings  
Room 112

MINUTES

The regular meeting of the LRSC was called to order by Rep. Richard Parish.

PRESENT: Representatives Richard Parish, Robert Johnson, Don Moe,  
Cal Larson, Al Patton.  
Senators Mel Hansen, Edward Gearty, Harmon Ogdahl

Minutes of the October 18 meeting approved.

Mr. Cal Larson moved that the actuarial statements of Stennes & Associates in the amounts of \$875 for August and September, 1973; and \$890 for the period October 1, to October 31, 1973 be approved for payment. Motion carried.

Correspondence and Handouts:

PERA Annual Financial Report for 1973 was distributed.  
U.S. Dept. of Labor Brochure; "Know Your Pension Plan" was distributed to the commission members.  
Copies of the Social Security Referendum Notices for judges were also distributed.

It was announced that Congressman Joseph Karth would speak at a Luncheon Meeting on "The State of Pension Legislation" on December 18th at the Sheraton-Ritz Hotel. Cal Larson moved that the members of the commission be authorized to attend; also the staff members; Frank Moulton and John Mandeville.

Report of the State Board of Investment- Mr. Robert Blixt, on the MAFB Fund:

Re The Minneapolis Municipal Employees Retirement Fund:

Mr. Blixt stated that because of the 1969 law governing gains and losses, the pensions will go up again on 1/1/74 and 1/1/75.

The Minneapolis Fund received 4% on 1/1/72;  
received 5-1/2% on 1/1/73;  
received 12.51% in mid 1973.

Mr. Blixt advised that the Variable Annuity Fund should be watched to see that it is not being misused--35% of that fund is in bonds. The Variable Annuity should not be used for a short term; rather it should be used for a life time annuity.

Mr. Blixt suggested the following language: "If the increment is to be considered as income, such a sum shall be distributed to the income account for a period of not less than 3 or more than 5 years."

Spreading out of the benefits has been extremely beneficial.

The MAFB is over \$50 million for the Minneapolis Fund.

Mr. Blixt wishes to make a change in Chapter 7.

Chapter 356 - Actuarial Reporting Law:

Dr. Smith's memo and revision of language for Chapter 356 was reviewed.

Rep. Moe moved that Dr. Smith make the appropriate technical language changes to be submitted to the revisor's office for bill drafting. Motion Carried.

Actuarial Reporting Law - continued:

The comments from the actuaries of pension funds indicated that there was no dispute re this language.

Mr. Harvey Schmidt, TRA, requested that the deadline for the survey, December 1, be changed because of the difficulty TRA has in meeting the deadline--would prefer to extend the date to February 1.

Mr. Lyle Farmer, St. Paul Teachers, questioned the value of annual valuations and suggested that a valuation be made every two years instead of annually.

Staff Memo - Actuarial Valuation Requirement Applicable to PERA:

Mr. Ousdigian, PERA, asked the commission to consider the possibility of combining the Basic and Coordinated Funds of PERA for actuarial reports. He advised that the actuarial process would be simplified--the funding ratio of the Basic Plan is 53%; the Coordinated Plan is 89%; and the ratio of both funds combined is 61%.

It was concluded that there are still 23,000 members in the Basic Plan and that there is need for separate reports for the Basic and the Coordinated plans.

H.F. 2226 - Police State Aid

Letter dated November 21, 1973, received from the Minnesota Police Pension Council stating; "A motion by Eli Militich of Duluth, that there be no changes or amendments in the State Aid bill for police H.F. 2226 except for the possibility of asking for an increase to 2%. This motion was passed unanimously."

Discussion re the erection of a retirement building:

Mr. Ousdigian summarized the provisions of a proposed bill to build a retirement building to house all of the statewide funds, the Retirement Commission, etc.

Staff was directed to do some more research as to cost per square foot, etc. This matter was rescheduled for the February meeting of the commission.

Approval of new staff assistant:

Rep. Moe moved that John Mandeville be employed by the LRSC effective October 29, 1973. Motion carried.

TRA - Mr. Harvey Schmidt:

Mr. Schmidt advised the commission that he is drafting a TRA revision bill at the request of Sen. Chenoweth; that all of the 1973 changes are being inserted. Mr. Schmidt reviewed some of the 1974 TRA Legislation requests: Election of programs, deferred annuities - change "assumed rate" to 3 1/2", repayment of refundment after 2 years of teaching instead of 3, re-open payment of refundments, 1967 "buy-backs", extension of June 30, 1973 deadline for payment of Minnesota and out-state arrears, increase of interest charge on military, refundments and out-of-state service from 4% to 6%, deadline for reports, survivor benefits for men and women difference.

Mr. Schmidt was instructed to proceed with the bill drafting for presentation along with the necessary documentations.

TRA funding ratio down from 71% to 53%. The normal cost seems to be in line; the amortization by 1997 may be looked at. Suggests an increase in the amount to amortize the deficit.

Mr. Al Hauer, Asst. Commissioner, Dept. of Finance - re: Administration of Pensions Now Under Finance Department:

Mr. Hauer's request was for the change in the administration of the judges', legislators' and constitutional officers' pensions from his department to the Minnesota State Retirement System. Mr. Groschen stated he has no objection to placing these pension funds under his administration.

Staff was directed to have such legislation drawn up in consultation with Mr. Groschen. The actuarial figures and reports are to be kept separate.

Deferred Compensation Discussion:

Mr. Paul Groschen, MSRS, outlined the changes in the rules being sought by the state from the IRS; that funds may be taken out in cases of emergency, bankruptcy, financial loss ...

Mr. Joseph Hamilton spoke in behalf of the Aetna Insurance Company: Would like to have the right to write a plan as they have been doing for the Municipal Employees Fund, as may be authorized from one community to another - have not written any for the state employees.

Mr. James Nowak, NW Life Insurance Company, also spoke.

The language will be drafted in bill form to be brought before the commission again.

Communication from MSRS re "Unrealized Appreciation"

A copy of a communication dated November 21, to Mr. Robert Blixt, State Board of Investment, from Mr. Paul Groschen, Exec. Dir. of MSRS, stated that the MSRS Board of Directors adopted Mr. Blixt's suggestion that the recognized unrealized appreciation be spread over a three year period. Mr. Groschen stated that if this practice is to be continued, that it should be put into law.

Mr. Blixt's suggested amendment: "If the increment is to be considered as income, such a sum shall be distributed to the income account for a period of not less than 3 or more than 5 years" was approved for submission to the Legislature.

Re: Proposed Regional Meeting of Legislators and Staff Members on Federal Pension Legislation pending in Washington:

A copy of a communication which the Wisconsin Pension Legislators sent to the Wisconsin Delegation in Washington relative to such pending private pension legislation was received. Also, it was suggested that perhaps a regional meeting comprised of the surrounding states' legislators and pension staffs would be in order.

Sen. Gearty, Sen. Ogdahl, Rep. Parish and Rep. Moe were directed to discuss the possibility for plans for a regional meeting, and to bring back their conclusions at the next LRSC meeting.

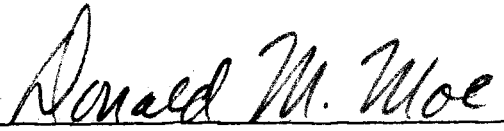
Relative to rotating the chairmanship of this commission, Rep. Cal Larson moved that the election be held at the evening meeting of January 10 as a first order of business. Motion carried.

Rep. Moe moved that the 2nd order for business for the January 10 meeting be an explanation from the funds' secretaries as to why members who retired between the period 1/1/73 to 6/30/73 were not advised of the possibility of increases in pensions.

Next Meetings: 7:00 P. M. , January 10, 1973 - Room 112  
9:00 A. M. , January 11, 1973 - Room 112

Meeting adjourned at 11:15 A. M. , Friday, December 7, 1973.

E. Diebel , Steno

  
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Donald M. Moe, Secretary