

Legislative Retirement Study Commission
Room 41 State Office Bldg.
January 10 and 11, 1974 Meetings
Room 112

MINUTES

Senator Chenoweth opened the meeting.

PRESENT:	<u>Senators</u>	<u>Representatives</u>
	Chenoweth	Richard Parish
	Mel Hansen	Donald Moe
	Jack Kleinbaum	Al Patton
	Eugene Stokowski	Cal Larson

Also present on Friday, January 11, Dr. Franklin Smith

The minutes of the December 6 and 7, 1973 meetings were approved.

Election of Officers:

The following officers were elected for 1974-75:

Rep. Richard Parish -	Chairman
Sen. John Chenoweth -	Vice-Chairman
Rep. Donald Moe -	Secretary

St. Paul Bureau of Health

Mr. Jerry Segal, St. Paul Bureau of Health, explained a bill which was drafted to amend Chapter 767. It is corrective legislation because the word "interest" was left out of the original bill. The new language allows the City of St. Paul to sell bonds for interest and principle--can sell bonds in multiples of 5,000.

Sen. Kleinbaum moved that the bill be approved by the commission and recommended to pass. Motion carried.

Report re "1973 retirements" - PERA, MSRS, TRA.

TRA - Mr. Harvey Schmidt reported that 60 teachers retired between 1/1/73 and 6/30/73; 33 were deferred annuitants; 27 remained--5 out of the 27 delayed retirement to 7/1/73 for the new law. Therefore, 22 retired under the old law.

MSRS - Mr. Paul Groschen reported that 97 members retired between 1/1/73 and 6/30/73, including disabilitants, etc.; 3 retired after the law passed and before 6/30/73. Mr. Groschen also stated that Council 6 and the Employees' Union covered the retirement improvements in legislation and distributed information to its members. 19 members retired in April, May and June before the new law was passed. Those members who came into the MSRS office were advised of the possible new legislation. Mr. Groschen also explained that for a member to retire with just 10 years of service before the new law was passed, there was no advantage; the benefit is just as good as the 5 high years would have given him. 14 retired because of the mandatory provision of the law.

PERA - Mr. Ousdigian reported that 334 members retired between 1/1/73 and 6/30/73; 57 members retired after 5/24/73 and before 7/1/73, including 13 deferred annuitants. 248 members retired voluntarily, and 70 retired because of compulsory retirement. Mr. Ousdigian stated that on 5/31/73 the PERA office sent out 76,000 pamphlets notifying members what was happening in the Legislature; and on 7/1/73 notices were sent out to 2800 disbursing officers and others telling them of the changes in the law.

Mr. Moe stated that some people did not have the best possible information as to the possible changes in the law and that the responsibility to do something about it rests with this commission.

This subject will be brought up for discussion again.

Change in Name of Commission

The name "Minnesota Retirement Commission" was suggested as a name change for the commission. Some thought is to be given to a change in name.

TRA Revision and Proposals - Mr. Harvey Schmidt

Mr. Schmidt reviewed all of the proposed legislation for the TRA revision and 1974 proposals. Mr. Schmidt wants a separate program on the whole survivor program.

Relative to the buy-back problem,

Similar language is to be used on all bills for statewide funds, and if not similar, it should be pointed out.

Proposal - PERA Investment in Real Estate

Staff Memo - Summary of Real Estate Investment Article. Mr. Mandeville went over the memo and discussion followed.

Mr. Ousdigian read a 3 point memo which summarized the investment bill which the PERA presented relating to the authority of the board of trustees of PERA to invest the assets of the PERA in real estate investments. Discussion followed.

Some points under discussion on this subject; limits as to the amount of the portfolio that can be put into mortgages or long term financing, limits as to the amount that can be put in in one year; such as, 5%.

The members of the commission were instructed to discuss this subject with Mr. Ousdigian and bring in some suggestions on this matter at another meeting. Mr. Ousdigian was directed to bring back these suggestions and recommendations in their proposed forms.

PERA Hospital Proposals - Mr. Joseph Hamilton

Copies of a memo re the Minnesota Hospital Association's proposals for amending PERA law were distributed. Commission members were directed to read through the proposals and this subject will be discussed at some future time.

Deferred Compensation - IRS Reply was read which is an answer to the Commissioner of Administration's ruling request of November 19, 1973. A proposed draft of legislation enabling employees of subdivisions to participate in the deferred plan was presented.

Relative to the private insurance companies who sell these deferred plans, Sen. Chenoweth pointed out that the benefit of a deferred plan is for the employee who has raised his children and whose income is up and whose needs are on the decline. This is his first opportunity to set aside a few dollars so that when he reaches 65 and needs this money he can take advantage of this plan. Private companies will sell these plans to anyone who will buy them--there is an 8% front end load charge; the state has a 2% charge. The difference in the state plan and the private plan is in the cost. Sen. Chenoweth approves the concept of extending this to all public employees of Minnesota--they should have the same opportunity as is available to state employees.

State Board of Investment - Proposed Legislation for the 1974 Session

Mr. Roger Dirksen discussed the proposed legislation compiled by the office of the Revisor of Statutes which establishes a fixed-return account which would be invested entirely in high quality fixed-income securities; also includes the deletion of the paragraph which authorizes the use of a type of "mutual fund" shares in the Invested Treasurer's Cash account; also included is a proposal by Mr. Groschen and his Board that a specific reference be made to the spreading of any increase or decrease over a period of years in determining the results from any unrealized gains or losses in securities.

Dr. Franklin Smith - "Increase Factor for Vested Benefits"

Dr. Smith went over a memorandum re the increase factor for vested benefits. Dr. Smith explained that at the present time MSRS, PERA and TRA use different rates for increasing the amount of the vested benefit each year after a former participant has terminated. The three rates are 2 1/2%, 3 1/2%, 5%, and that such differences are undesirable. Dr. Smith suggests a uniform increase factor such as 5%.

Staff was directed to have an outline of the areas of significant differences of benefits, etc. between the 3 funds.

The increase factor should be settled immediately.

The report showing the differences and similarities of the three funds to be completed as soon as possible.

E. Diebel, Steno

Donald M. Moe
Secretary