

Legislative Retirement Study Commission
June 17 and 18 meetings
Room 112, State Capitol

Minutes

The chairman, Rep. Parish, opened the meeting.

PRESENT: Senators Chenoweth, Kleinbaum, Mel Hansen, Stokowski
Representatives Parish, Al Patton, Robt. Johnson, Cal Larson, Don Moe

The minutes of the May 13 and 14th meetings were approved.

Correspondence:

Answers to a commission letter sent to the Minnesota Delegation in Congress which expressed the feelings of the commission that public funds be excluded from the current bill in congress re private pensions were received from Senator Mondale, Congressmen Quie, Fraser, Blatnik and Karth.

Mrs. Inga Cragg, Legislative Chairman of the Retired Teachers Association of Minnesota, read a communication to the commission which expressed the thanks of the retired teachers for the 1973 25% increase in benefits. Further consideration for an adjustment in the cost of living expenses was requested.

A communication dated 6/3/74 was received from the Social Security Director, Harry Groschel, re "Analysis of March 31, 1974, quarterly Social Security Taxes paid". The total Social Security Tax remitted to Federal Government for March 31, 1974, quarter - \$39,118,985.00.

Replies from the Funds re Deferred Pension Increase:

MSRS reported 362 deferred annuitants.
Total prospective benefits - only for benefits as augmented - \$340,743.
Total gain as of 7/1/73 due to change in interest assumption- \$560,581.
Total increase in required reserves if increased 25% - \$608,951;
if increased 12% - \$292,296.

Highway Patrol - 14 deferred annuitants.

Total monthly benefit - \$2,774.82
Total present value - \$ 307,180
Total gain - \$ 85,852

Municipal Employees Retirement Board:

Number - 49
Projected future annual annuity \$96,727.
Value of annuity (3.5% basis) \$1,046,981.
Value of annuity (5% basis) \$ 817,203.
Actuarial gain from revaluation 229,778.

PERA:

Deferred Pension Reserves

Group	5% Interest	3-1/2% Interest	Gain
Regular	1,045,333	1,482,807	437,474
Coordinated	379,423	538,212	158,789
Police & Fire	242,864	344,503	101,639
Total			<u>697,902</u>

Staff Memo - "No Contractual Rights" Provision in Public Pension Laws (J. Mandeville)
Mr. Mandeville went over the memo and discussion followed.

Volunteer Firemen's Relief Associations:

-Staff Memo (Frank Moulton) Volunteer Firemen's Relief Associations -
Discussion - Present Conditions and Some Possible Improvements.
It was suggested that a subcommittee be appointed to study this area.

- Staff Memo (John Mandeville) - Retirement Provisions for Volunteer Firemen
in Other States

Mr. Dean Lund, Exec. Sec. of the League of Municipalities, stated that the League concurs with the suggestions that a subcommittee to study volunteer firemen's pension plans be appointed. Will work along with the subcommittee.

Mr. Gus Welter, Minnesota State F.D. Assn., stated that he would be happy to meet with a subcommittee and will get up a committee of interested parties; that they would like some input before decisions are made.

The following subcommittee was appointed:

Chairman, Rep. Al Patton - Don Moe, John Chenoweth, Cal Larson,
Mel Hansen

Judges:

Amendments to the law governing the judges retirement plan - Paul Groschen went over H.F. 3310, the typewritten bill as passed by the House. The following action was taken:

Subd. 17, definition of "dependent child" - definition to correspond with the social security definition - policy should be the same for all the funds.

Cal Larson moved to strike the language on page 3, lines 1 thru 12. Carried.

Page 3 - lines 18 thru 22 - policy question; should be the same for all public employees.

Sec. 8, page 4, Rep. Johnson moved that the definition of "part-time judge" be improved.

Page 6, lines 17 to 23, Sen. Mel Hansen moved to restore the stricken language and to remove the new language. Motion carried.

No objections to Sections 13, 14 and 15.

Mr. Groschen wants a clear definition of the meaning of "year".

Correspondence dated 5/30/74 from Stanley Efron, Chairman of the Judicial Compensation Committee, Minnesota State Bar Association re "Amendments to Judges Retirement Bill" was placed on file.

Mr. Groschen also advised the commission that he will need \$190,000 for the Supreme Court and District Court judges' survivor account for this fiscal year; needs to increase the contribution rate by at least 15% to 19%; and that if making retroactive payment, will need to increase it an additional 40%.

June 18 meeting: Present: Senators Stokowski, Ogdahl, Kleinbaum, Mel Hansen, Chenoweth; Representatives Parish, Patton, Johnson, Cal Larson, Moe

Dr. Smith - Valuations of the funds:

Dr. Smith reviewed the following valuations:

Minneapolis Teachers, St. Paul Teachers, Duluth Teachers,
Highway Patrol and PERA Police and Fire

Staff Memo (John Mandeville) - Comparison of Statewide Funds:

It was concluded that further research will be required on -

What are the differences between groups of employees that would account for the differences in normal cost?

What are the differences in the length of service, age of retirement and salary?

Differences in assumptions which would show the differences in the costs?

Get the experience ratio from each of the funds to see if any of the assumptions are valid.

It was reiterated that the purpose of the extra employer contribution is to fund past service liability.

Dr. Smith - memo re Salary Scales and Across-the-Board Increases (or Longevity Raises versus Inflationary Increases)
Dr. Smith reviewed the memo and discussion followed.

Hibbing Firemen's Relief Association. (H.F. 2875 (Spanish); S.F. 2787 (G. Perpich)).

Rep. Spanish discussed the need for the bill. The total required annual support rate will be \$100,000 if this bill is approved.

Sen. Perpich stated that he is in favor of an amendment to the bill which would insure that the fund actually received the required support.

It was concluded to proceed on the assumption that the commission is likely to approve this bill and that some form of amendment should be put in the bill that is binding--draw up some alternatives in consultation with Sen. Perpich and Rep. Spanish.

Mr. Robert Blixt, State Board of Investment

Mr. Blixt distributed the Report of the State Board of Investment.
Mr. Blixt discussed the problem of the distribution of business and requested the advice and cooperation of the commission in this matter.

MSRS 1975 Proposals - Mr. Paul Groschen, Executive Director

Mr. Groschen explained the proposals of MSRS for the 1975 Session.

The subject of deferred annuity augmentation was discussed.

Sen. Chenoweth requested that a general section of the law deal with deferred annuity augmentation.

Relative to Section 3 of the Legislators' portion of the proposals, Mr. Groschen was directed to draw up some options on the date in Sec. 3.

Next meeting scheduled for July 8, 1974 at 4:00 P.M.

Donald M. Moe, Secretary

E. Diebel
Steno