Legislative Retirement Study Commission
September 16 and 17 Meetings - 1974
Room 112, State Capitol

MINUTES

The regular meeting of the LRSC was called to order by the chairman, Rep. Parish at 7:00 P.M. on September 16.

PRESENT: Senators Chenoweth, Ogdahl, Kleinbaum, Stokowski, Mel Hansen
Representatives Parish, Moe, Cal Larson, Robt. Johnson, -
also, Sen. Gearty

Minutes of the July 8th meeting were approved.

Mandatory retirement for correctional officers:
Mr. Groschen, Exec. Dir. of MSRS, discussed the problems with the correctional officers mandatory retirement plan. Mr. Groschen explained that the difficulty is that some expected to work until 70--the difficulty is stepping down from 70 to age 55--cannot afford to go on retirement.

Mr. Groschen suggested legislation to "slow down the schedule" -- or, giving the present participants the choice of remaining until 65 or leaving at age 55 as the plan calls for. There are about 600 people involved.

Attorney General's Opinion -"whether the PERA General Fund should be treated as one or whether it should be considered two funds -- a basic and coordinated fund." A memo from Merwin Peterson, Asst. Attorney General, stated in part; "There is nothing in Minn. Stat. ch. 353, as amended, to indicate the legislature intended that PERA General Fund be considered two funds."

Judges
Mr. Stan Efron, Minnesota State Bar Association, advised that there is a discrepancy between H.F. 3132, Chap. 129, and S.F. 3036; Chap. 417 one reduces the retirement age to 24 years of service and the other restored the 25 years length of service for retirement. He will draft a bill to correct this discrepency.

Mr. Efron discussed several bills--a draft of a bill providing for survivors' benefits for judges; combines them into one fund, raises contributions from 4% to 6%, money to be paid to the Executive Director of MSRS.

It was suggested that Dr. Smith be commissioned to study the liability of the retired district and supreme court judges. There are no actuarial studies on this group.

Mr. Efron also explained H.F. 3310 which was introduced in the 1974 session. He urged passage of this legislation because it is basically correctional.

Relative to conformity in definitions, Sen. Chenoweth urged that all definitions should be consistent with the policies which have been established--wants all bills to meet that criteria.

Mr. Efron also discussed a bill draft which would prevent judges who are entitled to escalation according to the Sylvester decision because of service as a judge prior to 6/2/67 from participating in the Adjustable Fixed Benefit Fund.

Mr. Groschen explained a proposed bill to correct a situation where there is double Social Security payments made for certain judges. Mr. Groschen urged adoption of this legislation.

A memo from Mr. Groschel, Director of Social Security Division, was placed on file relative to offering judges who voted not to be covered under social security another opportunity to transfer to social security coverage for their judicial service.

Staff memo (L. Martin) - Review of H.R. 2, Employee Income Security Act of 1974. Mr. Martin reviewed the memo and discussion followed.

It was suggested that Phyllis Spielman, Adm. of the Minn. Private Pension Act, be invited to attend the next commission meeting to give the commission the information needed re this federal legislation.

Tuesday - Sept. 17, 1974 - 9:30 A.M.

The following actuaries from the various funds attended and took part in a panel discussion relative to various problems dealing with the statewide funds:

Dr. Franklin Smith, Stennes and Associates - commission actuary

Robert H. Little, Harry Church; consulting actuaries for MSRS

Davis H. Roenisch, actuary for PERA

Robert Flott, consulting actuary for TRA

Norm Hill, from Peat, Marwick & Mitchell, actuary for Minneapolis Teachers

Roger Patrick, actuary for local fire and police funds.

* * * * * * *

Dr. Smith opened the discussion. He stated that prior to 1957 the public pension funds in Minnesota were not adequately supported in so far as employer contributions were concerned--almost entirely run by employee contributions. That between 1955 and 1957 the funds were found to be in bad financial condition and that it was decided that the actuarial deficits should be entirely made up by the employers and that the period would be a 40 year period--to 1997; that improvements were made in the plans and it was assumed that the employers should pay for the new deficits; that the employers did not intend to do this.

Mr. Davis Roenisch, actuary for PERA, discussed various questions that face the Minnesota systems. Mr. Roenish summarized his remarks as follows:

> "To sum up, basically our position is level tax as a percentage of payroll, or level contribution requirements as a percentage of payroll, between tax generations. A demonstration that that will fully fund the pro rata share of the benefits earned to date within a 20-year period' (not full funding under the current definition but rather funding of the amount which would be necessary if the plan terminated at the valuation date)"and a consideration and a decision on a terminal date for the termination of the employer extra percentage, seem to me three fundamental philosophical policies that this Commission can consider and perhaps adopt."

Mr. Little, actuary for MSRS:

> "...I feel this idea of a simpler yardstick of measurement of the progress of the various systems in Minnesota will be of great assistance all the way around and I think that to substitute an understandable yardstick in the law would be very, very much step in the right direction."

Mr. Flott, actuary for TRA:

> "I would be opposed to any change in the definition of liabilities if it resulted in less funding in the plan than now provided. ... We have to expect that ultimately there is going to be a decrease in the number of teachers, so we have got a declining group there. I think that has to be taken into consideration. What might be suitable for some plans would not be necessarily suitable for others."

Mr. Roger Patrick: Actuary for local fire and police funds.
"I would like to endorse a good part of what Dave Roenisch said, namely, that a goal of establishing a uniform percentage of payroll so that you have an equal burden on generations of taxpayers, I think makes a lot of sense and is in fact something that we have discussed with you before."

Mr. Church, actuary for MSRS:
"... I think that we have decided with the actuaries from TRA, and we agree that the target date of 1997 was appropriate when it was established and don't think that it has reached a point yet where it is necessary to change. We do accept the fact that there well could be situations develop in the future, whether they be actuarial losses or improvements in benefits or whatever, that would suggest at that time that the date be changed, but certainly we feel it is not appropriate at this time."

There was discussion as to the definition of an actuary, also whether the Adjustable Fixed Benefit Fund should be modified to provide cost of living provision.

Meeting adjourned at 11:30 A.M.

Donald M. Moe, Secretary

E. Diebel
Steno.