

Legislative Commission on Pensions and Retirement

July 1 and 2, 1975

Room 112, State Capitol

MINUTES

The meeting of the LCPR was called to order by the chairman, Sen. John Chenoweth, on July 1, 1975 at 7:00 P.M. in Room 112, State Capitol.

PRESENT: Senators: John Chenoweth, Harmon Ogdahl, Eugene Stokowski,
Wm. McCutcheon, Mel Hansen, Ed. Gearty;
Representatives: Richard Parish, Al Patton, John Biersdorf,
David Beauchamp

Also present: Dr. Franklin Smith, actuary, John Mandeville, Exec. Sec., and
Lawrence Martin, Asst.

1. Sen. Chenoweth announced that the name of the commission, as of the 1975 Session of the Legislature, is "Legislative Commission on Pensions and Retirement".

2. Staff Salary Adjustments.

After discussion on commission staff salary adjustments, the staff's salary was adjusted as follows:

Rep. Patton moved that the salary increases granted to the House employees be provided to the commission staff, effective 7/1/75. Motion Carried.

Sen. Chenoweth moved that a subcommittee be set up on the subject of staff salaries to make a recommendation on what the salaries should be for the commission staff; that Sen. Ogdahl, Sen. Gearty, and Rep. Patton be appointed to this subcommittee. Motion Carried.

Sen. Gearty stated the Senate Rules Subcommittee on the subject of legislative commissions will be discussing commission salaries and uniformity of salaries.

3. Summaries of the 1975 Session - Pension Legislation

Lawrence Martin went over the 1975 pension summaries.

There will be a clarification of one summary stating that the deferred compensation legislation was written to include all employees of the local subdivisions.

Rep. Patton moved that both the TRA and the PERA be requested to provide separate actuarial surveys for the Basic and Coordinated groups. Motion Carried.

4. The following copies of pension articles of current interest were distributed:

- a. South Dakota - "Retirement System Consolidation" - Wesley Tschetter
- b. "Will Pension Costs Push America's Cities Over the Brink?" - B. Patocka
- c. "Phantom Pensions?" - Forbes

5. Actuarial Valuations of the TRA's of the Cities of the First Class

Dr. Smith went over the Valuations of the St. Paul Teachers Retirement Fund, the Minneapolis Teachers Retirement Fund, and the Duluth Teachers Retirement Fund Associations.

After discussion on recognizing appreciation in the funds, it was concluded that more information is needed so that a uniform method for recognizing gains and losses could be adopted.

Mr. Blanck, Exec. Sec. of the Duluth Teachers Retirement Fund, was requested to give the commission detailed information regarding the advantages of the Duluth method of investments, stating why he believes the Duluth accounting system is better.

It was concluded that the Executive Secretaries of the first class teacher funds be instructed to furnish the commission comparative information on the various formulas and various other data pertinent to the commission.

Dr. Smith was also requested to compile information and alternatives on the subject of recognizing gains and losses.

Relative to a request from the Twin City Lines to be granted a later date to comply with statute for sending in its actuarial survey, the commission staff was directed to write a letter stating that the commission cannot grant this delay. Copies of this letter to be sent to the MTC chairman, the MTC Commissioners, and the Attorney General.

Also, commission staff was directed to write a letter to the President of the University of Minnesota, Mr. C. Peter Magrath, informing him of the the University's non compliance with Minnesota Statutes, Chapter 356, the actuarial reporting law. Copies of this letter to be sent to the Chairman and members of the Board of Regents, and to the Attorney General.

Meeting adjourned at 8:45 P.M.

July 2, 1975 Meeting

Present: Senators Chenoweth, Mel Hansen, Ogdahl, Stokowski, McCutcheon, Gearty;
Representatives Parish, Biersdorf

Dr. Smith went over a former memo dated March 18, 1975, "Various Methods of Financing Deficits (including no financing)"

Discussion followed. The question of "who pays what part of the total requirement", who is responsible for past responsibilities, how to apportion the past responsibility between the present and the future taxpayers was discussed in detail.

Staff was requested to program out some alternatives:

1. What if 30 years amortization was used for past liabilities?
Pre-1973 deficit on a 30 year basis;
Post-1973 deficit on a 30 year basis

30 years vs what we have now and what the requirements are in terms of contribution rates;

Changes that have been made as they relate to past obligations, assess a value to each;

Salary scale assumptions, take a look at them.

Staff was requested to work on this problem along with the commission actuary.

A tabulation entitled; "Costs and Statutory Contribution Rates as a Percentage of Payroll" which was drawn up by Dr. Smith was discussed.

The staff will compile a list of subjects of interest to the commission and which should be under consideration. Some of the suggested subjects:

1. Sen. O'Neill's bills relating to pension funds and certain kinds of "lids"
2. Actuarial Reports
3. Continuation of the comparison of the 1st class TRA teachers funds
4. Judges - The Sylvestre decision - Report from Paul Groschen
5. 2% charge on the deferred compensation - review this subject
6. Correctional employees - Continued from the 1975 Session
7. Post Retirement Adjustments - Mr. Blixt was requested to provide information on this subject also.

Mr. Robert Blixt, Exec. Secretary of the State Board of Investment, was invited to comment.

Mr. Blixt reported that the Minnesota Adjustable Fixed Benefit Fund's yield will be close to 6% this coming year. Due to lower yields the previous two years, there will be no benefit adjustments this year.

Mr. Blixt will present some further comments and suggestions relative to the MAFB Fund to the commission at a future date.

The chairman invited all interested parties to write up comments and suggestions relative to the subject of amortization of liabilities and send them to the commission staff. There will be an open meeting on this subject and all will be invited to make brief presentations.

No announcement of the date of the next commission meeting.

Eugene Stokowski, Secretary

E. Diebel
Recording Secretary