

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT
July 25, 26, 27, 1975 Meeting
Grand View Lodge, Gull Lake

MINUTES

July 25, 1975 Meeting

The July 25th meeting was called to order by the chairman, Sen. John Chenoweth, at 6:00 P.M.

PRESENT: Senators Chenoweth, McCutcheon, Mel Hansen, Ogdahl, Stokowski, Gearty
Representatives Moe, Patton, Biersdorf, Beauchamp

The staff prepared a list of topics for possible interim study. Each topic listed was treated in more detail in accompanying memos.

A series of 5 meetings around the State has been scheduled by Rep. Al Patton, chairman of the House Governmental Operations Subcommittee on Pensions and Retirement. The meetings will take up the problems of the Volunteer Fire Departments throughout the state. Rep. Patton invited the members of the Senate to attend the subcommittee meetings.

July 26, 1975 Meeting

(Same attendance as on July 25th).

The minutes of the July 1 and 2, 1975 meetings were approved.

(1) Teachers Retirement Fund Associations in Cities of the First Class:-
John Mandeville, Exec. Sec. went over the memo. Discussion followed.

A preliminary item-by-item comparison of the current bylaws and articles of incorporation of the three first class teachers funds has been completed by the staff.

Several points were discussed:

- Relative to uniformity of benefits: Also, whether benefits can be decreased. Staff to find out what the St. Paul Teachers' 100% Joint and Survivor Annuity costs. (Could be an addition to the other funds).
- Mr. Mandeville was directed to get some pertinent cases on the Sylvestre decision.
- Relative to the Combined Service Annuity: Staff was directed to get an Attorney General's opinion. There is need for clarification. Can statute override the bylaws? Mr. Mandeville was directed to draft the proper question to the Attorney General--asking what effect the provision that has been inserted in the law has, if any, on statutory changes that are affecting benefits across the board. Mr. Mandeville was directed to work in consultation with Senator Gearty.

(2) Change in Amortization Date:-

Mr. Mandeville went over the memo. Discussion followed.

The memo deals with the possibility of amending the law to allow a more flexible date other than 1997 with respect to amortization of new deficits created by benefit increases and actuarial losses.

Staff was directed to have Dr. Smith, actuary, prepare a break-down of the various funds--what 30 years will do for the funds.

Sen. Gearty questioned whether the deficit in effect has already been paid off. Would like to find out if the deficit has been paid off, not figuring in any increases from the date 1957.

There is need to look at the salary assumptions; have to look at 5 and 10 year salary assumptions. Might move the salary assumptions up a 1/2 point. Need to increase the contributions along with salary assumptions. The rates can be adjusted if the costs are known.

(3) Benefit Maximum Proposals:-

L. Martin went over the memo. The memo discussed the four bills which were introduced in the 1975 Session re limiting the payment of large annuities. This subject will be scheduled.

(4) MAFB Fund and Post-Retirement Adjustments

John Mandeville went over the memo and discussion followed.

Sen. Chenoweth will have information and data re persons who retired prior to the passage of the 1973 law and those who retired after the 1973 law; also information on retirement benefits for those persons retiring July 1, 1975.

Sen. Chenoweth discussed reconsidering the investment policy, looking at short term investments rather than long term investments--investments that do not average out to be more than 12 years to get guaranteed returns during the individual's retirement. Staff and all interested parties to submit various concepts that relate to this, list them on paper.

(5) Deferred Compensation and Tax-Sheltered Annuities

A rider to the higher education appropriations bill (H.F. 1758 - Laws 1975, Chapter 433, Section 12) requires an additional deduction to be made from the salaries of employee who elect to have their employers use part of their salaries to purchase individual annuity contracts from private insurance companies. The additional deduction is equal to 2%.

Staff was directed to get figures on how many people are involved--check the employer groups and find out the number of participants and the number of dollars--get information from the State Department of Education to find out the number of school districts--get estimates.

July 27, 1975 Meeting.

(Rep. Moe absent)

(7) Augmentation of Deferred Annuities - Mr. Mandeville went over memo.

The major statewide retirement funds provide 5% augmentation of deferred annuities. Augmentation allowed an employee with a career of public service divided among several funds to receive pensions approximately equal to what would have been accrued if all service had been in a single fund. (No need for change).

(8) The Maze of Pension Coverage in Metro and Special Districts

Mr. Martin went over memo.

The major problem involves a determination of the proper pension fund to provide pension coverage (PERA or MSRS) must be made for the newly hired employees of metro and special districts.

There is need to review and check the Twin Cities Lines actuarial survey which will be in 7/1/75.

(9) Judges Retirement Plan

Mr. Mandeville went over the memo. There are still some unresolved problems relating to the judges' plan. Contributions are set in relation to the federal social security laws rather than in relation to the cost of benefits.

Staff was directed to meet with Paul Groschen, MSRS, and prepare data on a contribution rate to fund the plan, based on comparable types of benefits.

(10) PERA Board Election System

L. Martin went over the memo.

Laws 1975, Chapter 102, Sec. 5, provides for a one year extension of the terms of office of all PERA Board members, canceling the 1975 board election.

Staff was directed to get a list of the various funds and board selections and representation.

(11) Legislators' Plan and Elective State Officers' Plan

L. Martin went over the memo.

There are two problems with the legislators' plan and the elective state officers plan--funding and the combined service annuity. There is a lack of comparability between the plans.

The staff was directed to have Dr. Smith conduct a survey to find out how much is involved. This plan should be funded. Staff to study the language worked out by Mr. Groschen during the 1974 Session. Constitutional officers and elective officers should have a separate bill.

(12) University of Minnesota Faculty and Police Retirement Plans

L. Martin went over the memo.

The commission staff sent a letter to Pres. Magrath and members of the Board of Regents informing them that the University had not complied with the actuarial reporting law. The University has two retirement plan; one for the University faculty and one for the University Police force. The commission has received one valuation (as of 6/30/71) for the University Faculty Supplemental Plan but none for the University Police Plan.

Staff was directed to write a letter for Sen. Chenoweth's signature requesting the actuarial valuations of the two funds. If there is a refusal to provide this information, they are to be requested to put their reply in writing. The letter is to be sent to the chairman of the Board of Regents and copies to the board.

(13) Volunteer Firemen's Relief Associations and Non Profit Firefighting Corporations.

Mr. Martin went over the memo.

More study and outside hearings are needed on this subject. The Senate was authorized to attend the House Governmental Operations Subcommittee meetings around the state on the problems of the volunteer fire departments.

(14) Police and Paid Firemen's Pensions

L. Martin went over the memo.

Because of the various problems of state police aid, state fire aid, excessive special legislation, long over due recodification of general statute provisions, separate actuarial standards, and long term financing of paid firemen's pensions there is need for continued study of these problems.

Staff was directed to contact the office of the Revisor of Statutes for help in recodifying the police and firemen's pension laws. This will probably be continued in the 1976 interim.

(15) Corrective Measures for Laws Enacted in 1975

L. Martin went over the memo.

Laws 1975, Chapter 183, restoration of survivor benefits and the proportionate annuity, and Laws 1975, Chapter 232, the Combined Service Annuity may require commission study for corrective measures.

There is need for a definition which takes into account past service time-- buy back refundment--past service time repurchased for credit.

Eugene Stokowski, Sec.

E. Diebel
Steno