

Legislative Commission on Pensions and Retirement
September 18 and 19, 1975 Meetings
Room 15, State Capitol

Minutes

The chairman, Sen. Chenoweth, opened the meeting.

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

The minutes of the August 25 and 26, 1975 meetings were approved.

Senator Wm. McCutcheon was present at the August 25 and 26 meetings. His name was left off the list of those attending in error.

The statement of actuarial services from Stennes and Associates for the period August 1 to August 31, 1975 and also the period of July 1 to July 31, 1975 was approved for payment.

S.F. 983, 984, 985 (O'Neill)

S.F. 983 - "40 years of service maximum"; S.F. 984 - "\$25,000 covered salary maximum"; S.F. 985 - "\$500/\$1,000 benefit maximum". Senator O'Neill explained all three of these bills.

Sen. O'Neill distributed to the members of the commission a report entitled, "A Status Report on Minnesota's Three Large Pension Funds in 1975".

Sen. O'Neill discussed his opinion of the deficits which have resulted as a result of a change to the "5 high years" and stated that the necessary additional funding was not supplied. Sen. O'Neill is in favor of benefits in the neighborhood of 50% of final salary. Recommended a change in the salary assumption figure for actuaries from 3-1/2% to 5%.

Dr. Smith was asked if we are contributing enough money to pay the current costs. The Smith answered that "the current contributions exceed the normal costs; it exceeds it so much that it funds some of the old deficits (past service deficits)".

Sen. O'Neill also requested that the "inequity in the buy-back provision" be examined.

Sen. O'Neill spoke about the inequities in pensions of those receiving pensions before 1973 law and those receiving pensions after the 1973 law.

Staff Memo (John Mandeville) "Bills to Impose Maximum Benefits on Statewide Funds". Mr. Mandeville went over the memo and discussion followed.

Mr. Harry Schwabel, representing the retired PERA members, discussed the inequities between the pre 1973 and post 1973 retirement benefits.

Mr. Dean Lund, Exec. Sec. of the League of Minnesota Municipalities, read comments entitled "Some Comments and Suggestions Concerning the Establishment of Maximum Benefits for the Statewide Pension Plans", copies of which were distributed.

Mr. Bob Currie, AFSCME, stated that he would like to see something done for the median employee who is limited in the amount of money he is ever going to make.

September 19, 1975 Meeting - Room 15

PRESENT: Sen. Chenoweth, Ogdahl, Stokowski, Mel Hansen, McCutcheon
Representatives Biersdorf, Beauchamp

(Continuation of the discussion re maximum benefits):

Mr. Harvey Schmidt, Exec. Sec. of TRA, discussed the proposed changes in salary ceilings and contribution rates.

Mr. Schmidt commented that salary ceilings in the past caused some of the present deficits; also that buy-backs, known as "arrears" caused some of the deficits also.

Mr. Schmidt recommended staying with the present program, check the financing, and examine the assumptions.

Staff was directed to make some projections: project out 20 - 30 years what social security would be paying--based on salaries, where we will be going in 20 or 30 years if we had a salary ceiling? If we take the salary ceiling off, where would we be?

Staff was further directed to take some projections on inflation which is to be included in the total projections.

Mr. Paul Groschen, Exec. Dir. of MSRS, commented on the proposed changes in salary ceilings and contribution rates. Mr. Groschen, in discussing whether an inflationary salary assumption should be included in the salary assumptions, stated that he is not opposed to a limit being placed; that the solution should be simple; does not want a limit that has a fixed amount; 55% of final take-home pay is reasonable (speaking strictly about the coordinated plan).

Sen. Chenoweth requested some information on the basic plan from the actuary--based on projections, what is the situation in the basic plan? List the limitations.

Mr. Ousdigian, Exec. Director of PERA, read his comments on the proposed changes.

Mr. Lawrence Martin, Commission staff, showed transparency slides of the effects of the maximum pension bills on benefits.

Staff was directed to project the charts 10 years ahead to show existing employees benefits in the future.

Mr. Lyle Farmer, Exec Sec/Treas of the St. Paul Teachers Retirement Fund. Mr. Farmer stated that the fault with pension plans is that inflation has taken over and caused small pensions. There is need to get the money from General Revenue. He advised that the 40 year limitation is not too bad. Mr. Farmer does not think the MAFB Fund does the job to meet the needs of those people retiring on low benefits.

Mr. Dick Nelson, Minnesota Police Pension Council. Mr. Nelson stated that the problem which applies to police is the underfunding; that he is opposed to putting any maximum on; that increasing state aid from 1% to 2% would help.

Mr. E. L. Anderson, Exec. Sec. and Treas. County and School Districts Local Government advised that 50% of the membership are widows receiving \$100 per month plus the 25% increase--\$125.

The staff was directed to start putting together some information on increases for the group retired before and prior to 1973: project the number of people in that category; projecting certain amount per month for each month retired--the longer retired, the greater amount of increase--might need different categories; (1) length of service, (2) length of time on retirement.

H.F. 518 (Philbrook); S.F. 612 (Ashbach) - Withdrawal of share values by members of the unclassified employees retirement program.

Rep. Philbrook explained the bill. Mr. Martin, commission staff, read a staff memo. The staff memo recommended some clarifying amendments to the bill which were approved. (Sen. Mel Hansen motion as follows- motion carried)

Page 1, line 8, after "Subdivision 3," insert "as amended by Laws 1975, Chapter 368, Section 44,"

Page 1, line 9, after "employment" strike " ,"

Page 1, strike line 10

Page 1, line 11, strike "July 1, 1973,"

Page 1, line 11, strike "qualified person" and insert "participant"

Page 1, line 18, after "subdivision 1." insert "The provisions of this subdivision shall also apply to any person with 42 months or more of service in the unclassified service and employer shares credited to his account with respect to that service, who terminated service prior to July 1, 1973."

Mel Hansen moved that the commission recommend S.F. 612; H.F. 518 in its amended form for passage. Motion carried.

Minneapolis Municipal Employees Retirement Fund actuarial valuation as of 12/31/74.

Dr. Smith went over the valuation and discussion followed.

Dr. Smith recommended that the Minneapolis Municipal Employees change to a fiscal year basis.

Mr. Sid Erickson, Manager of Finance and Assistant Executive Secretary of the Minneapolis Municipal Employees Retirement Fund, stated that there would be no serious problems in changing to a fiscal year; that he would like the next report, if the change is made to a fiscal year, a 6 month report as of 6/30/75 rather than a year and a half report. As to whether this would require a statutory change, Mr. Erickson is of the opinion that it could be done administratively.

Staff was directed to survey the concept of a uniform reporting date.

No date was set for the October meeting.

Eugene Stokowski

E. Diebel, Steno.