

Legislative Commission on Pensions and Retirement
October 27 and 28, 1975 Meetings
Rooms 112 and 118, State Capitol

MINUTES

October 27 - 7:00 PM - Room 112

The October 27, 1975 meeting of the Commission was called to order by the chairman, Sen. John Chenoweth at 7:00 PM, Room 112, State Capitol.

PRESENT: Senators	Chenoweth	Representatives	Parish
	Stokowski		Moe
	Ogdahl		Beauchamp
	Mel Hansen		Biersdorf

Also present: Sen. Gearty, Rep. St. Onge, Dr. Franklin Smith

The minutes of the meetings on September 18 and 19, 1975 were approved with the exception of one correction--the following addition:

S.F. 968 (Mel Hansen); H.F. 1446 (Biersdorf) "Sliding Scale Maximum".
Sen. Mel Hansen explained the bill. This bill would impose on basic members of PERA and TRA percentage-of-salary maximums, but the percentage maximum would depend on fixed dollar-amount-of-salary categories. Contributions would not be changed. Discussion followed.

Bill Draft and memo re change in amortization date. Mr. Mandeville went over the memo and discussion followed.

The target date would be changed only if there is a net increase in deficit. The bill draft also provides that the new amortization period may not exceed 30 years and the amortization date may not be earlier than the one used prior to the changes.

The chairman directed that this language (bill draft language) with the recommendations be submitted to the actuaries of the various funds for their comments and recommendations. This matter will be rescheduled for another meeting along with comments and alternatives; also modifications. It was decided that the date 2004 would be used.

Dr. Franklin Smith, actuary - Problem Concerning MAFB "mortality gain or loss" Calculations.

Dr. Smith went over "Two Related Problems Concerning the MAFB Fund"..

Mr. Robert Blixt, Exec. Sec. of the State Board of Investment went over some pertinent information re the MAFB Fund.

Mr. Blixt advised that there is now \$500 Million in the MAFB; that there are some problems that need to be looked at; that based on the law, the rate of return in the MAFB is 5.58%; that the statute is 2-1/2 years behind because we have a moving average

Mr. Blixt was invited to make some proposals and suggestions to the commission which would make the MAFB more understandable and also would improve upon the problems arising out of it. Mr. Blixt will meet with Dr. Smith and the actuaries of the funds on this matter.

Mr. Groschen, Exec. Dir. of MSRS, explained the problem relating to mortality loss; that his fund has just suffered an \$8,000 mortality loss in the Judges' Fund. Because the MAFB Fund assets went down a total of \$115,000, TRA will have to transfer that amount to the MAFB.

Harvey Schmidt, Exec. Sec. of TRA, stated that the TRA loss would be about \$46,000. A total of \$3.9 Million will have to be transferred to the MAFB.

Dr. Smith was directed to look into this problem of the funds having to put in extra money to the MAFB Fund.

Staff Memo - Albert Lea - Police Chief

H.F. 771 (Savelkoul); S.F. 653 (Baldy Hansen)

John Mandeville went over the staff memo.

This bill would authorize the present Police Chief of Albert Lea, Richard Alstad, to resume his membership in the PERA Police and Fire Fund instead of being required to continue in the Albert Lea Police Relief Association. This bill passed the House last Session but was laid over by the Senate Pension Subcommittee. It was felt that the individual situation in Albert Lea should not be acted on separately, but should be reviewed in the context of the general question of pension portability among local police and fire relief associations and between the local associations and PERA.

John Elwell, City Manager of Albert Lea, appeared in behalf of city and Police Chief Richard Alstad.

Gene Hansen, Albert Lea Police Relief Assn., advised that the association does not support this bill; that the 60 year mandatory retirement age can be extended by one year periods; that Chief Alstad could reach his retirement age with agreement with the city council; that the board of trustees is considering a buy-back policy which would apply to the chief and other officers.

Dick Nelson, Minnesota Police Pension Council, stated that the council does not support this bill.

Tom Butler, attorney for Chief Alstad, appeared in behalf of Chief Alstad.

Dick Feider, Minnesota Police Officers Assn., stated that the association does not support the bill.

October 29, 1975 Meeting - 9:00 AM - Room 118

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

S.F. 150 (Stokowski); H.F. 201 (Enebo) - Minneapolis Firemen's Relief Assn.
Sen. Stokowski initiated the discussion re this bill dealing with early vesting for the Minneapolis Firemen.

Mr. Robert Wetherille, Jr., explained the bill was drafted last year because it was thought the bill would parallel the federal legislation which had been introduced. It changes the unit to 1/100 from 1/80. The bill changes the 20 year vesting provision to a partial vesting after 5 years; increased to full vesting at 15 years. The total cost factor of the bill is 4.475% of covered payroll. Benefits are based on the pay of a fire fighter. 80 of the 580 firemen have more than 25 years service.

Staff was directed to look into the tax aspects of the non-contributory pension plans; heads of corporations are receiving large pensions which are supported by the public.

Also, staff to look into the individuals on the lower end of the scale who are not receiving large pension benefits who are on a non-contributory plan.

Staff directed to research who are buying MAC bonds.

Staff Memo - Summary of Minnesota Supreme Court decision re Columbia Heights Police Relief Association.

Mr. Martin went over the staff memo. On September 26, 1975, the Minnesota Supreme Court held that the City of Columbia Heights could place new policemen in the PERA Police & Fire Fund and phase out its present local police fund by city charter amendment.

Minneapolis Teachers Retirement Fund Proposals

Mr. Gaasedelen, Exec. Sec. of the Minneapolis Teachers Retirement Fund Association, introduced Mr. E. Dudley Parsons, member of the Board of Trustees of the MTRFA and a member of the committee of 13. Mr. Parsons requested favorable consideration of the four resolutions which amend the articles of incorporation in the Minneapolis Teachers Retirement Fund Association. The cost of the proposals: employer - 5.94%; employee 8.50%--total - 14.44%.

Discussion followed re how to amend bylaws so that the Combined Service Annuity provision can be implemented. Also, there was discussion re variances in provisions for retirement benefits governing the first class city funds and the statewide teacher funds--how Minneapolis teachers can retire at 30 years of service, any age, vs. the age 62 with 30 years of service provision in the TRA law.

It was also requested that the fund administrators get together and give a better explanation of the operation of their funds--giving specific examples--so that comparisons can be made.

St. Paul Teachers Retirement Fund Association Proposals

Mr. Lyle Farmer, Exec/Treas of the St. Paul Teachers Retirement Fund Association, distributed a memo submitting proposals for commission consideration. He discussed some proposals re the combined service annuity, the proportionate annuity, and repayment of refunds.

Mr. Farmer also presented some suggestions for dealing with the problem of adjustments for retired people.

It was also brought up for consideration the matter of housekeeping amendments that are non-cost--whether the various boards should be allowed to take care of them.

Staff was directed to provide a memo giving direction to the first class teacher funds as to the format to be used in presenting proposals for the next session.

Eugene Stokowski, Secretary

E. Diebel
Steno.