

Legislative Commission on Pensions and Retirement

December 18 & 19 Meeting - 1975
Room 15, State Capitol

MINUTES

December 18 meeting - 7:00 P.M.

The regular meeting of the Commission was called to order by the chairman, Sen. John Chenoweth.

PRESENT: Senators Chenoweth, Mel Hansen, Stokowski, McCutcheon, Gearty
Representatives Moe, Parish, Beauchamp, Biersdorf, Patton
Also Present: Dr. Franklin Smith, actuary

Rep. Parish moved that the minutes of the October 27 and 28 meeting be approved. Motion carried.

The NGC-NCSL Task Force Recommendation for A Study of Public Pension Programs was distributed to the members of the Commission. John Mandeville, Exec. Sec., summarized the meeting which he attended in Kansas City on public pension programs.

Staff Memo: Actuarial Valuation and Experience Study Due Date.
Lawrence Martin, staff assistant, went over the memo.

Pre-1973 Retirees: Benefit Comparisons, Cost Estimates, Staff Memos.
John Mandeville went over the material; the memo and the charts re the 1973 retirees. It was pointed out that based on the CPI from 1960-1975, every Coordinated member has received increases above the CPI; that the problem is with the Basic member.

Discussion followed re financing the proposed increase for 1973 retirees. Sen. Gearty suggested that these increases be paid for through the General Fund and that the Commission should go through the appropriate committees; that the Commission should take action to have the bill drafted, get chief authors, and go before the committees in the proper manner.

Rep. Patton moved to accept Sen. Gearty's proposal. Motion carried.

Rep. Parish moved that Proposal B be used, which would provide for all pre-1973 retirees--increase benefits by \$1.00 per month for each year of service rendered before retirement. Motion Carried.

Sen. Mel Hansen suggested that one-half of Proposal B be used and add Proposal C to it.

Rep. Moe would like to get more information on the subject before making decisions; would like to set a floor based on years of service.

Staff was instructed to start drafting the bill implementing the suggestions made by the Commission members; also draft possible amendments.

Rep. Patton added that no one is to receive less than \$10 per month and that there should be a floor of \$100; amendments should be prepared; that there should be cost estimates; also break-down into two categories--pre-1973 and post-1973.

The following decision was made re salaries: John Mandeville, \$18,000 per year; Lawrence Martin, \$12,500 per year; E. Diebel, \$11,900 per year.

December 19 Meeting - 9:00 A.M.

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

Also Present: Dr. Franklin Smith

Sen. Chenoweth reviewed the motions of the previous meeting on December 18 re the pre-1973 retirees:

Staff to draw up a basic draft of the bill for the pre-1973 retirees, covering the Basic members;

- Use the B & C Proposals;
- Take examples of several individuals--those retired longer where the base is lower;
- Draft in terms of cost figures;
- Rep. Moe suggested that whatever action is taken it should cover all pre-1973 retirees--coordinated and basic;
- Take examples of individuals in 1960; see how the increase for coordinated retirees would compound the cost in terms of percentage increases;

First Class City Teachers:

Lawrence Martin went over the staff memo re the First Class City Teachers, the benefit comparisons, and the bill draft.

The bill draft was presented as a working document which applies the TRA benefit formula to all three funds; allows the first class city funds to maintain their own boards of trustees; requires the reserves for retirees to be put in the MAFB Fund--the State is now the employer of these three funds--duplicates the state TRA benefits.

Staff was instructed to obtain a revised set of benefit comparisons, using standardized hypothetical salary histories.

Post-retirement adjustments will be taken up again at the scheduled January 15 meeting of the Commission at its 7:00 P.M. meeting in Room 15, Capitol.

Mr. Lyle Farmer, Sec/Treas of the St. Paul Teachers Retirement Fund, spoke about the problem in ascertaining costs and benefit structure; will get 20% less financing than they are receiving, also there is a need for some guidelines before drawing a bill.

Dr. Dudley Parsons, Minneapolis Teachers Retirement Fund, stated that he supported Mr. Farmer's views; that he has many reservations.

Mr. Ed Blanck, Duluth Teachers Retirement Fund, stated that the proposal was not favorable.

MSRS Valuation and Experience Study as of 6/30/75 - Dr. Smith went over the valuation.

The chairman requested Dr. Smith to ask the funds' actuaries to provide information on the basis that if the funds were terminated (1) the figure that includes actual legal present value without augmentation, and (2) at what percent do the assets have to be invested in order for us to earn enough money on those investments to meet the accrued liability?

It was suggested that there should be a change in the law to clarify the point that if you have a plan that is terminated, whether or not augmentation should be included.

Mr. Blixt, State Board of Investment, advised that the yield in the funds is above 5%; that it will be above 6% in 2 1/2 years, even at the present investment statutes.

Rep. Moe brought up the question of considering excluding overtime payments for retirement benefits in the retirement plans.

Staff was instructed to draft language to provide retirement benefits only at base pay--excluding overtime--; also draft alternative as to the ramifications if overtime was excluded entirely.

Minnesota State Judges' Retirement Fund Actuarial Valuation as of 6/30/75
Dr. Smith went over the valuation and discussion followed.

The following commission meetings were scheduled:

January 15, 1976 at 7:00 P.M.
January 16, 1976 at 9:00 A.M.

also

January 22 at 7:00 P.M.
January 23 at 9:00 A.M.

Eugene Stokowski

E. Diebel
Steno