

Legislative Commission on Pensions and Retirement  
October 13 and 14, 1976 Meetings  
Room 112, State Capitol

MINUTES.

October 13, 1976 - 7:00 P.M.

The chairman, Rep. Donald Moe, opened the meeting.

PRESENT: Representatives Donald Moe, David Beauchamp, John Biersdorf  
Senators Harmon Ogdahl, Mel Hansen, Eugene Stokowski

1. Minnesota Adjustable Fixed Benefit Fund

Dr. Smith - Progress Report on Mortality Loss Adjustment and Related Problems:

Dr. Smith advised that he met several times with the Investment Department, and John Mandeville and after considerable work between meetings they came to the conclusion that the approach to calculating gains and losses in which the result is dependent upon the admitted value should be replaced by a procedure which will calculate the mortality gains or losses independently without reference to the investment performance; that Dr. Smith's contribution has been to draw up a draft of that part of Statutes, Section 11.25, subdivision 12, which sets forth their procedure for calculating the mortality gain or loss; that Dr. Smith first draft has been distributed to all the persons working on this and their suggestions and comments will be received.

Dr. Smith defined "admitted value" as follows: "Admitted value is the number which the investment department reports each year as the value of the fund being matched against the actuarial reserve requirements, and much is obtained now by looking at the relationship between cost and market value for the prior two-year period; taking an average of twelve bi-monthly ratios of market to cost and then applying that current cost to the value of the fund on a cost basis as of the current valuation date. It's obtained by averaging process which theoretically tries to smooth out sharp increases and sharp declines. The rationale is that the market increases will take care of the increases in the cost of living."

The MAFB subject will be taken up again at the next commission meeting.

2. Staff memo - Mandatory Retirement

The memo was gone over and discussed. The chairman requested that the various groups prepare comments relative to the subject of mandatory retirement.

The memo covered the present status of mandatory retirement in Minnesota public pension plans, the effect of mandatory retirement on pensions costs and pension policy, the effect of mandatory retirement on personnel costs and policy, the effect of mandatory retirement on health and the rights of older public employees, and the constitutional challenges to mandatory retirement.

3. The actuarial bill from Stennes and Associates for the period 8/1/76 to 8/31/76 was approved for payment. Rep. Biersdorf moved that the bill be paid. Motion carried.

Congressman Quie will attend a future meeting of the commission--date to be set.

Chairman informed the commission that there had been a meeting with the Commissioner of Finance, the TRA, the St. Paul and Minneapolis and Duluth TRA Fund administrators. The Commissioner of Finance was informed that the financing for teachers retirement in the state is in deficit and needs more financing in the budget for teachers.

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October 14, 1976 - 9:00 A.M. - Room 112, State Capitol

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

Staff memo: Problems Concerning Amortization and Financing of Benefits for Police and Firemen's Relief Associations and Volunteer Firemen's Relief Associations under the 1969 and 1971 Guidelines Acts.

L. Martin went over the memo and discussion followed. The "problems concerning the procedure for calculating the time period for amortizing deficits for volunteer firemen's relief associations and for determining the minimum financial requirements of a fund upon reaching full funding for both local paid fire and police relief associations and volunteer firemen's relief associations" will be taken up again at the end of the regular reporting time for these relief associations.

Staff memo: Effect of Normal Retirement at any Age with Thirty Years of Service (Minneapolis Municipal Employees Retirement Fund)

The cost implications in allowing an employee to retire with 30 years of service, any age, was discussed. This subject will be studied further.

Social Security Sick Leave

Mr. Bob Currie, Council 6, advised the commission that in his opinion it would not be a gain to the state to be obliged to go into the bookkeeping this would entail; also the state employees at a recent meeting voted not to support the proposal.

Staff Memo: MTC/Transit Operating Division Employees Retirement Fund

L. Martin went over the memo which gave the background on the MTC/Transit Operating Division Employees' Retirement Plan and a comparison of the MTC/TOD plan with PERA's coordinated plan. Discussion followed. Cy Smythe stated that the MTC has tried to work closely with the LCP&R.

Mr. Harry Springer, a member of the board of trustees of the pension plan and employee of the ATC Management and Service Company, read the staff report. The investment performance of the MTC was discussed by Mr. Ed. Kolar of the Marquette National Bank. He advised that they work closely with the committee to make sure that the investments are in line with the competition.

Mr. Chas. Silverson, President of the Marquette Capitol Management Corporation went over the MTC Investments in detail, and copies of investment information was distributed to the commission.

Next commission meeting scheduled for sometime in November.

Wm. McCutcheon, Secretary

E. Diebel  
Steno.