

January 12, 1978 Meeting
Room 118 Capitol
7:00 P.M.

Rep. Al Patton opened the meeting.

PRESENT: Senators Ogdahl, Stokowski, Renneke
Representatives Patton, Reding, Moe Biersdorf

Election of Officers:

The following officers were elected:

Sen. Eugene Stokowski - Chairman
Rep. Al Patton - Co-Chairman
Rep. Leo Reding - Secretary

TRA Valuation as of 6/30/77

Dr. Smith went over the valuation and discussion followed.
The deficit increased from \$598.1 million to \$640.6 million, an increase of \$42.4 million. The increase in support of 0.5% of payroll was not enough to meet the required contribution.

PERA Valuation as of 6/30/77

Dr. Smith went over the valuation and discussion followed.
The report showed the Basic PERA group to be deficient in financing; the Coordinated group showed a surplus.

PERA Police and Fire Fund Valuation as of June 30, 1977

Dr. Smith went over the valuation and discussion followed.

University of Minnesota Faculty Supplemental Plan Valuation as of June 30, 1977

Dr. Smith went over the valuation and discussion followed.

Deferred Annuities Augmentation

Dr. Smith presented the memo and discussion followed:

The memo states; "A participant in one of the statewide retirement plans who terminates with a vested interest has a right to a deferred pension provided he does not withdraw his own contributions--the amount of the deferred pension is the pension benefit credits earned to the date of termination accumulated at 5%, compounded annually." The PERA actuary has pointed out "that the actuarial assumptions used in valuing the public plans contemplate that the reserve which will be required at the time of termination will be based on credits accrued to date without augmentation and that the augmentation produces an actuarial loss when the termination occurs..."

The actuarial expense bills for the months November and December, 1977 were approved for payment.

Administrative Expenses for Local Police and Firefighter's Relief Associations

L. Martin went over the memo.

The subject of allowance and disallowance of certain administrative expenses from the special funds of local police and firefighter's relief associations has been brought to the Commission's attention. The subject was initially raised re administrative expenses for the Austin Firefighter's Relief Association for the year 1976 which were disallowed by the state auditor.

The following persons appeared relative to this subject:

Russell C. Andrews, Director of Municipal Audits, Office of State Auditor. He stated that his office is restrictive in the application of the laws governing special funds.

Steven Liable, Deputy State Auditor, said there is need for better guidelines for allowable administrative expenses.

Berton Heaton, Commissioner of Insurance, would like more precise guidelines for auditing the administrative expenses of the volunteer funds.

Emil Anderson, Division of Insurance, would like what these funds can be used for specified in the law; would like the judgment factor taken out of the hands of the insurance department.

Bud Hawkins, Fire Joint Pension Council, asked for some guidelines re administrative expenses.

Gary Sherman, Treasurer, Austin Fire Department Relief Assn., explained that he did not agree with the state auditor's report that his association spent \$1200 for lobbying expense that should be returned to the special fund of the association. He agreed that there should be more precise guidelines for administrative expenses.

Robert Wetherille, Minneapolis Fire Department, advised that the adm. expense of the association have been small; that \$4,000 was taken from the special fund for legal expenses; \$3,000 for audit expense, and \$35.00 for medical expense. \$500 was spent to reimburse firemen who worked to replace the association members who could not take time off for association business. He would like the law clarified as to allowable administrative expense.

Jim Case, Richfield Fire, stated that they were in arbitration and it was necessary to employ legal counsel. This legal charge was disallowed as administrative expense and had to seek and receive contributions from its members to pay over \$3,000 in legal fees.

James Heim, Duluth Firemen's Relief, stated that his relief association has other problems; such as, legal investments, too much money on one bank, and wants the city to give them exactly the amount of levy that the law states.

Audit Reports of MSRS, PERA and TRA prepared by the Legislative Audit Commission
Larry Martin sent over a brief summary of the audit reports.

The actuarial survey of MSRS has been delayed because of computer problems.

Staff salaries were set as follows: Exec. Sec. - \$25,500; Assistant-\$19,000;
Secretary - \$16,000.

E. Diebel
Steno

Leo Reding, Secretary