

June 22, 1978 Meeting
7:00 P.M.
Room 118, State Capitol

MINUTES

The chairman, Sen. Eugene Stokowski, opened the meeting.

PRESENT: Senators Stokowski, Ogdahl, Strand
Representatives Moe, Patton, Beauchamp, Reding

Also Present: Dr. Franklin Smith

Dr. Smith went over the following Valuations:

1. Highway Patrol Valuation as of 6/30/77

The unfunded accrued liability increased about \$1.8 million. The salary increases were the biggest item--in excess of the 3.5% assumption. The statutory support level was reduced 2% by the Legislature.

2. Minnesota State Retirement System (MSRS) as of 6/30/77

The valuation showed a decline in the unfunded accrued liability of about \$14 million. The required contribution rate of 9.76% was less than the statutory contribution rate set at 10%.

3. Minnesota State Judges' Retirement Fund Valuation as of 6/30/77

The unfunded accrued liability increased from \$12.7 million to \$15.3 million; the amortization decreased from 11.69% to 10.34%. This fund has a modified terminal funding plan--contribution by the state is made when the judge terminates.

4. Minneapolis Teachers Retirement Fund as of 12/31/77

Fund is in need of additional funding. Dr. Franklin Smith and the fund's actuaries, Peat, Marwick, Mitchell and Company agree that additional funding is needed.

Mr. Newell Gaasedelen, Exec. Sec., pointed out that the salary figures given to the actuaries are the actual salaries based on a calendar year; teachers are paid on a school year basis. They get 19 or 20 paychecks. This year there are 20 paychecks. Pensions are based on total compensation received.

Mr. Dudley Parsons, chairman of the Real Estate Committee and trustee of the Minneapolis Teachers Retirement Fund, stated that there is no way of predicting what teachers are going to get in addition to their total salary. He reminded the commission of his contention that state law requires the State of Minnesota to contribute an amount equal to the actuarial requirements of the fund, and that the State has not met its obligations.

5. St. Paul Teachers Retirement Fund as of 12/31/77

The unfunded accrued liability was increased about \$10 million; also there was an increase in the normal cost from 11% to 12.4%--falls short of the minimum funding.

Mr. Lyle Farmer, Sec/Treas of the St. Paul Teachers Fund, advised the Commission that they have more teachers on record because of the special education teachers, and that substitutes were not included in the valuation.

6. Duluth Teachers Retirement Fund as of 6/30/77

The unfunded accrued liability increased from \$6.4 million to \$6.8 million. The current rate of support is slightly less than the required rate.

Rep. Patton moved that the bill for actuarial expenses for the period February, March, April and May, 1978 be paid. Motion carried.

June 23, 1978 Meeting
Room 118 State Capitol
9:00 A.M.

Rep. Beauchamp chaired the meeting.

PRESENT: Senators Ogdahl, Strand, Stokowski
Representatives Beauchamp, Reding, Patton, Moe

TRA Financing

The research material re the TRA Financing problem was distributed to the members of the Commission. This material was prepared for a meeting with the Commissioner of Finance and staff, and Senator Ogdahl, Rep. Beauchamp, John Mandeville and Larry Martin. This meeting with the executive branch of government was arranged because the commission wanted Commissioner Christenson's office to be completely informed.

Rep. Patton requested that copies of the TRA Financing material be forwarded to the Finance Committee of the Senate and the House Appropriations Committee.

Harvey Schmidt, TRA Exec. Dir., expressed the appreciation of the TRA Board of Trustees for the commission's work on this problem.

Early Retirement Reduction Factor

Vernon Westman, Dept. of Transportation, stated that he objects to the early retirement reduction factor, specifically for an employee retiring at age 62 with 40 years of service.

Laurel M. Pennock, Retired Educators Association of Minnesota, introduced Mr. Melvin Voxlund, retired member on the TRA Board. Mr. Pennock spoke in behalf of the pre-1973 retired teachers.

Rep. Moe advised that increases to the pre-1973 retirees would have to come from General Revenue; that there is now a \$600 million dollar deficit for teachers who are working now; that all teachers (pre-1973) are receiving 40% more than they were eligible for at the end of their service.

The chairman requested further information as to which teachers are receiving less than \$50 per month in pensions; also whether they were career teachers--need to know the accrued time.

Department of Personnel Study of Possible Overtime Abuses

Dick Cottrell, Department of Personnel, discussed with the commission two alternative approaches to the study of this subject which were presented by the Department of Personnel:

Approach #1 would be strict adherence to legislative direction--actual salary history.

Approach #2 would be "using selected computer tapes prepared each payroll period, analyze the relationship between age and overtime payments at specific points in time."

The subject of privacy of this material was brought up and discussed. House Research will be asked to draft some information on this subject.

Rep. Patton moved that Alternative #1 be the method used for this study. Carried

Interim Topics

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| 1. Volunteer Fire Departments | 4. Mandatory Retirement (2-man subcommittee) |
| 2. Local Fire and Police Funds | 5. Disability |
| 3. TRA Financing (2-man Subcommittee) | |

Lyle Farmer, St. Paul TRA Sec/Treas, requested an attorney general's opinion on the subject of mandatory retirement--the law may be challenged.

Collin Peterson, Sec.

E. Diebel