

July 28, 29 and 30, 1978 Meetings  
Holiday Inn, Bemidji, Minnesota

MINUTES

July 28, 1978 - 5:00 P.M. - Friday

The meeting was called to order by the chairman, Sen. Eugene Stokowski. The minutes of the June 22 and 23, 1978 meetings were approved.

PRESENT: Senators Stokowski, Strand, Ogdahl  
Representatives Moe, Reding, Al Patton, Biersdorf

FIRE AND POLICE FUNDS:

1. Updated Compilation of Police and Paid Fire Valuation Results.

L. Martin went over the memo with the commission and discussion followed. The individual and comparative aggregate results of the most recent actuarial valuations of the local police and paid firefighters relief associations governed by the 1969 Guidelines Act were attached to the memo.

2. Recognition of Funding Surplus in the Guidelines Act Financing Procedure.

L. Martin went over the memo and discussion followed.

The following situations were discussed:

Whether to allow the various volunteer funds to use rolling or non-rolling amortization periods; or

Whether to require the funds to keep the surplus or to allow them to work down to 100% funding and stay there.

There was no decision re rolling or non-rolling amortization periods.

Rep. Moe moved that the staff be directed to draft proposed language to clarify the language to amortize each new deficit over a 10 year period. Carried

3. Establishment of a Range of Penalties for Guidelines Act Violations.

The penalty for violations of 1969 Guidelines Act and the 1971 Volunteer Firefighters Relief Association Guidelines Act is the loss of all future state aid and the disallowance of any public expenditures or municipal tax levies.

James Heim, Duluth Fire Dept., discussed a problem that the Duluth <sup>Fire</sup>~~Police~~ Department is having with the City of Duluth. Staff will discuss this problem with the City of Duluth and check with the proper officials.

4. Administration of the Police and Fire State Aid Programs.

L. Martin went over the memo. Discussion followed.

The state aid program based on a 2% premium tax on fire, lightning, sprinkler leakage and extended coverage insurance written on property in the state was established in 1885 and revised substantially in 1969. The police state aid was established in 1971. The Tax Audit Section of the Insurance Division of the Commerce Department administers the police and fire state aid programs. "The Tax Audit Section is unable to make its public pension duties a top priority over its three other functions, which relate to auditing premium tax returns and collecting various premium taxes."

There is need to have discussion with the administration on this subject.

5. Volunteer Firefighters Relief Association Membership for Fire Chiefs

L. Martin went over the memo and discussion followed.

A problem arises where full time firemen covered by the PERA-P&F are also members of a volunteer fire department. "This double pension coverage without additional services required has been viewed by some as constituting an abuse."

Staff was directed to draft a bill to cover this problem.

Saturday, July 29, 1978 = 9:00 A.M.

6. Review of MSRS Unclassified Employees Retirement Plan Membership and Benefits

L. Martin went over the memo and discussion followed. The MSRS Board has a problem administering the MSRS Unclassified Plan in determining who is eligible to participate in the plan.

Mr. Groschen, Exec. Dir. of MSRS, explained that the MSRS Board has requested that this problem be brought before the LCP&R--would like the eligibility language tightened up.

Rep. Moe will work with the staff and Paul Groschen to draft some recommendations and proposals to clarify this situation.

7. Codification of a First Class City Teachers Retirement Fund Association Coordinated Plan

L. Martin went over the memo and discussion followed. Staff advises the codification of recent legislation which established a coordinated plan for the Minneapolis Teachers Retirement plan and the St. Paul Teachers Retirement plan--Laws 1976, Chapter 238 and Laws 1977, Chapter 429.

Mr. Gaasedelen, Exec. Sec. of the Minneapolis Teachers Retirement Fund, advised the Commission that he has hired a lawyer to codify their law--problem is whether the staff should codify the Minneapolis teachers law or whether the Minneapolis teachers should do so.

Lyle Farmer, Sec/Treas of the St. Paul Teachers Retirement Fund, questioned whether the state can change the Articles by statute. He advised that he approves of the codification.

Dudley Parsons, Minneapolis Teachers Retirement Fund, told the Commission that he hopes to work with the Commission on the codification; that there will be a difference between the St. Paul and Minneapolis law.

Ed. Blanck, Duluth Teachers, stated that he has no objections to the codification.

8. TRA and First Class City Teachers Retirement Fund Association

L. Martin went over the memo and discussion followed. Financing for TRA and for the First Class City Teachers Funds is insufficient to fully amortize these funds by the 1997 target date. The Commission's Subcommittee on TRA Financing has had meetings with the Commissioner of Finance and staff.

There will be more discussion with the Commissioner's office; there is need to increase the funding.

Curtis Johnson, Legislative Chairman for the State Teachers Retired Teachers, spoke about the difficult times those retired teachers are having because of inflation and because of being on a fixed income. Members of his group are expecting the Commission to come in with a plan to take care of these inequities--especially for those who have been retired for 5 years or more. Mr. Johnson suggested that if pensions are taxed, that this money should go back into the fund to help those who are not getting enough.

9. Thirty Year Amortization

L. Martin went over the memo. The 1975 Session proposal re amortization was to replace the present 1997 amortization date with a new date thirty years from the date of enactment and would provide for the setting of a new amortization date for various subsequent increases.

Mr. Ousdigian, Exec. Dir. of PERA, stated that the PERA actuary, Mr. Roenisch, advised that extending the period of amortization will reduce the actuarial requirement as a percentage of payroll and also the dollar amount.

Sunday, July 30, 1978 - 9:00 A.M.

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

10. Reporting and Disclosure to Pension Fund Members

L. Martin went over the memo.

The memo stated, "The Commission may wish to have a more thorough examination of the reporting and disclosure to Minnesota public pension plan participants prepared by the staff either to determine the state's ability to comply should ERISA-like public pension plan reporting and disclosure standards be imposed by the Federal government or to prepare legislation to update and and clarify the existing plan participant reporting and disclosure standards."

11. Uniform Investment Limitations and Valuation of Investments

L. Martin went over the memo and discussion followed.

The memo summarized the various "potential deficiencies in the present investment reporting procedure and outlined the staff proposal for updating and clarifying the investment reporting portions of the reporting law."

Staff will discuss this with the acting executive secretary of the State Board of Investment for suggestions. There is more work to be done. The funds will be asked to respond and make comments to the Commission.

12. Fiduciary Responsibility Standards

L. Martin went over the memo and discussion followed.

The memo stated, "There is very little statute law which sets forth fiduciary standards for the boards of trustees of the various public pension funds."

The chairman advised that the Advisory Committee of the investment board is taking a look at this and they are going to come up with a proposal.

Mr. Ed. Blanck, Exec. Sec. of the Duluth Teachers Retirement Fund, pointed out that the Advisory Committee of the State Board of Investment will be looking at fiduciary responsibility particularly as it relates to its own investments.

Mr. Robert Wetherille, Mpls. Fire Department, commented that there will be a conflict of interest if the state auditor sits in.

13. Review of the Composition of Boards of Trustees

L. Martin went over the memo and discussion followed.

The memo summarized the various public pension plans and funds' management and selection of their boards of trustees. It also summarized some of the recent changes that have been made in the various boards of trustees of some of the pension funds.

14. Disability Benefit Problems

L. Martin went over the memo and discussion followed.

The memo pointed out the increasing numbers of disability retirements not only among the fire and police but also in the other retirement funds; that disability benefits are very expensive for the funds and are provided at a much earlier age than normal retirement benefits.

Lyle Farmer, Exec. Sec. of the St. Paul Teachers Retirement Fund, spoke about the increase in the mental illness and stress disabilitants and suggested that some provision be made after a year or two to get the disabilitants back in the work force at some kind of work.

Lloyd Berg, Mpls. Police Dept., spoke about their attempts to arrange light duty jobs for those on disability; that Minneapolis has only one doctor who decides whether a man is disabled.

Mr. Ousdigian, Exec. Dir. of PERA, is not in favor of tying in disability problems with social security standards.

Ed. Blanck told the commission that his association uses an insurance company to provide its disability benefits. Also, that his retirement fund's normal retirement is age 60 and that there is no disability over age 60.

Mike Scully, Minneapolis Police Department, suggested that the funds be requested to bring in their recent disability cases.

Sen. Stokowski advised that there will be a further meeting on the disability problem.

15. Limitation on Double Dipping

L. Martin went over the memo and discussion followed.

The memo points out that double dipping is very expensive for the retirement fund involved because a person retiring at a very early age can accept other public employment.

This subject will be pursued at a later commission meeting.

E. Diebel  
Steno