

MINUTES

February 29, 1980 Meeting

Room 4, Capitol

The chairman, Rep. Al Patton, opened the meeting.

PRESENT: Representatives Patton, Biersdorf, Moe, Kaley, Sarna
Senators Ogdahl, Peterson, Strand, Renneke, Schmidt

HF 2078 (Patton); SF 2066 (Peterson): Judges Retirement Fund;
Modification in Retirement Benefits and Member Contributions

Sen. Ogdahl moved to reconsider the vote taken at the February 27, 1980 meeting and to amend HF 2078; SF 2066 as follows:

Page 1, line 21, after "payment" insert "a sum equal to one half of one percent of salary, plus"

Page 1, lines 22 and 23, reinstate the old language and delete the new language

Page 2, lines 1 and 2, reinstate the old language and before the period insert ", but in aggregate not less than seven percent of salary"

Page 2 and 3, delete sections 3 and 4

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 6, delete "subdivisions" and insert "Subdivision" and delete ", 9 and"

Page 1, line 7, delete "12"

Sen. Ogdahl moved that HF 2078; SF 2066 be recommended to pass as amended. Motion Carried

(Peterson)

HF 2108 (Patton); SF (2275): Supreme Court Justices Plan; Provisions for Deferred Retirement Annuity; Reduction on Age and Service Vesting Requirements

The bill relates to the Supreme Court Justices Retirement Plan and makes two modifications in the special retirement plan for Supreme Court Justices; (1) authorization of a deferred retirement annuity under the plan for justices who terminate active service after meeting the minimum service requirement for vesting; (2) reduces the normal retirement age requirement.

Larry Martin went over the staff memo and discussion followed.

The bill was amended as follows:

"Sec. 3. Minnesota Statutes 1978, Section 490.025, is amended by adding a subdivision to read:

Subd. 10. [MEMBER CONTRIBUTION.] Justices of the supreme court with retirement coverage pursuant to the provisions of is section shall

section 490.123.

Sec. 4. [TEMPORARY PROVISION.] The member contribution required pursuant to section 3 shall commence with the first full pay period occurring after June 30, 1980.

Sec. 5. [EFFECTIVE DATE.] This act is effective July 1, 1980."

HF 2108 (Patton) continued

Rep. Sarna moved that SF 2108 as amended be recommended to pass. Motion carried.

Buy-Backs

Larry Martin went over the Staff memo which reviewed the history of buy-backs: "The Commission last considered its general policy on the purchase of prior service in October, 1977. At that time, the Commission reaffirmed its general policy, which is that the authorization for the purchase of prior service is not favored unless equity demands that the authorization be granted and adequate financing for the purchase be provided by the employee making the purchase."

Harvey Schmidt advised that buy-backs would increase the unfunded accrued liability of the fund as follows: if 224 teachers buy back, the unfunded accrued liability would increase \$2.4 million; 3400 buy-backs would increase the unfunded by \$10 million; and 4,000 buy-backs would increase the liability by \$32 million.

Staff was instructed to select those buy-back bills which apply to only one individual to be considered at the next commission meeting.

The chairman will set up a subcommittee to study the problem of buy-backs/prior service credit.

[The chairman appointed the following subcommittee: Sen. Strand, chairman, Sen. Renneke, Rep. Kaley.]

HF 2085 (Reding); SF 1693 (Peterson) Volunteer Firefighters Relief Associations; Financing and Pension Amounts

The bill makes a number of modifications in the 1979 revision of the law governing volunteer firefighters' relief associations. It provides for the inclusion of interest payable on installment payments of a lump sum service pension in the determination of the accrued liability of the relief association. It removes the ceiling on the flexible financing related service pension maximums for both relief associations paying lump sum service pensions and relief associations paying monthly service pensions.

L. Martin went over the memo and discussion followed. It was decided to lay HF 2085; SF 1693 over.

HF 1915 (Moe); SF 1607 (Schaaf): Investment of Pension Fund and Other Assets

The bill recodifies the statutory chapter governing the investment of state and pension fund assets by the State Board of Investment and provides for a number of changes in the authority of the State Board of Investment to invest in certain types of securities and the structure and function of the State Board of Investment and the State Board of Investment staff. Changes include a broadening of the authority of the investment board to invest in various types of securities which are not currently authorized, modifications in a number of limitations currently applicable to authorized investment securities, reallocation of some statutory duties, the addition of full participating representatives of the three major statewide retirement funds to the advisory council, authorization of a number of administrative changes.

Three amendments were approved, marked amendments A, B and C. (copies attached)

Discussion re the Minneapolis Municipal Employees Retirement Fund's request to withdraw from the Investment Board program and make its own investments.

Sen. Ogdahl spoke in approval of the request. Rep. Moe opposed putting the MMER request for withdrawal on the investment bill.

Mr. Chenoweth, Exec. Sec. of the Minneapolis Municipal Employees Retirement Fund, explained that the request to withdraw from the investment program does not amend the Minnesota Adjustable Fixed Benefit law; that the amendment pertains only to MMER statute of the present law, changing the word "shall" to "may"; that it creates a reserve account within their present fund. He also stated that all MMER employees are in the basic plan and are not covered under Social Security and that the only increase they can get is through investment return. Mr. Chenoweth also clarified that the MMER fund is responsible for all liabilities under the proposed system.

Mr. Jonathan White, Exec. Sec. of the State Board of Investment, spoke in opposition to the MMER withdrawal request.

Mr. Mike McLaren, Exec. Dir. of PERA, stated that PERA has no problems with the request.

Mr. Paul Groschen, Exec. Dir. of MSRS, stated that MSRS has no problems with the request; that they want no damage done to the MSRS share of the assets in their fund.

Relative to the option allowing MMER to go back into the MAFB, Mr. Chenoweth stated that the state auditor would have to audit the books according to what the law states.

The staff was directed to draw up proper amendments, including language to insert "shall" and delete "may", responsibility for the proportionate share of the reserves and liabilities, and that the cost for the actuarial analysis of MMER be borne by the fund.

Sen. Ogdahl moved that the amendment be adopted. Motion carried.

Sen. Ogdahl moved that HF 1915; SF 1607 be recommended to pass as amended. Carried

HF 2109 (Patton); SF 2005 (Peterson): TRA; Exclusion from Membership for Certain AVTI Teachers

The bill exempts from public retirement fund coverage any person who teaches part time in an AVTI holding a part time AVTI license and who does not teach in excess of 200 hours in a fiscal year.

Sen. Peterson moved the adopted of the attached amendment. Passed

Sen. Peterson moved that HF 2109; SF 2005 be recommended to pass as amended. Passed.

HF (Moe); SF): MSRS; Retirement Coverage for Certain MTC Employees with Past uncredited Service

The bill authorizes the purchase of prior service credit for one MTC employee. The employee is required to make a payment of four percent of actual salary plus interest at the rate of six percent per annum compounded annually, and the MTC is obligated to pay the balance of the present value of the additional benefit obtained by the purchase of prior service.

Rep. Moe moved that the bill be recommended to pass. Passed.

Request for Actuarial Assistance for the Nashwauk Police Relief Association
This is a request for the Commission to assist the Nashwauk Police Relief Association by providing the assistance of the Commission actuary, Dr. Franklin Smith. The cost of any work done by the Commission actuary would be within the current budget constraints of the Commission.

The request was voted on and granted.

Roger Strand
Secretary

E. Diebel
Staff Secretary