



July 11, 1988
Room 10
State Office Building

16th Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Representative Wayne Simoneau, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 2:20 PM.

Commission members present:

Representatives Karen Clark, Bob A. Johnson, Gerald Knickerbocker, Leo Reding and Wayne Simoneau
Senators Donald Moe and Earl Renneke

Members absent:

Senators Lawrence Pogemiller, Gene Waldorf, and Darril Wegscheid

A quorum was present.

Rep. Simoneau introduced the first item on the agenda, the minutes of the meeting of May 26, 1988. Representative Leo Reding moved approval of the minutes. **MOTION PREVAILED.**

Rep. Simoneau introduced the third item on the agenda, an update on the Commission pension benefit adequacy study. Mr. Lawrence Martin, Executive Director of the Commission, referred members to two items contained in their packets. The first item was a memo from Mr. Martin discussing the various definitions used to determine what pension benefit adequacy means and the various ways pension benefit adequacy has been measured. Mr. Martin noted that this information was the result of a survey he did of several pension benefit studies of this type. The second item was a memo previously circulated among Commission members indicating the proposed workproduct summary and the timetable for the pension benefit adequacy study. Mr. Martin went on to review the second memo noting the study will use several different measures of pension benefit adequacy one of which is replacement of pre-retirement income and another called the lifetime benefit value multiple which is the value of the total pension benefit including the post retirement increases over the life of the benefit. Mr. Martin noted the completion date for the study is targeted for October, 1988. Discussion followed.

Rep. Simoneau introduced the fourth item on the agenda, a presentation on the future of retirement benefits and retirement plans by Mr. Tom Donaldson of the Employer Education Services of the University of Minnesota Industrial Relations Center which is part of the Carlson School of Management. Mr. Donaldson explained that the Industrial Relations Center is made up of five different programs, two of the programs are academic programs, a Masters program and a PHD program, two are outreach programs, Labor Education and Employer Education, and the fifth program is an overall technical assistance or public information program. Mr. Donaldson went on to introduce the three faculty members that accompanied him, Mr. Dennis Ahlberg, Associate Professor in the Industrial Relations Department, Mr. James Beaton, Program Director of the Employers Education Service, and Ms. Rebecca Luzadis, Associate Assistant Professor in the Industrial Relations Department.

Mr. Ahlberg began the program with comments about demographics, particularly in Minnesota. He noted that the unusual birth pattern in the United States in this century, the "baby boom" and then the "baby bust", has implications for the way Social Security is funded and possibly the way public and private pensions are funded as well. The effects of this unusual birth pattern will not be seen until the end of this century. This unusual birth pattern also has ramifications for the Minnesota labor force as it is slowing down dramatically. In the 1970's the labor force was growing at a rate of 3% per year which had some healthy benefits for the economy since the labor force fuels economic growth. However, towards the end of the century it is projected the Minnesota labor force will be reduced by one third and, in the period between the years 1980 and 2000, there will be approximately a 20% reduction in the number of new workers entering the Minnesota labor force.

Additionally, Mr. Ahlberg noted that between the years 1980 and 2010 there will be approximately 76% growth in the number of people coming up to retirement. Mr. Ahlberg went on to talk about another concern of future pension planning, the increasing life expectancy of people in the United States. Mr. Ahlberg continued with his comments.

Mr. James Beaton of the Employers Education Service began his comments to the Commission. Mr. Beaton noted a lack of awareness on the part of some private employers as to the myths and realities of the older worker. Some private employers believe older workers are unmotivated, unhappy and accident prone. Mr. Beaton went on to say the Employers Education Service is organizing a seminar on older workers to educate employers on older workers' potential.

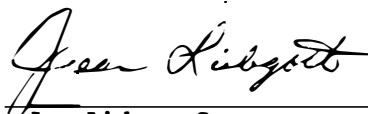
Ms. Rebecca Luzadis of the Industrial Relations Department began her comments to the Commission. Ms. Luzadis noted that currently the average retirement age is 62-63 even though most pension policymakers consider 65 to be the normal retirement age. The federal government has made changes in the Social Security system which are designed to create the financial incentives to keep people working until age 67 or 68. Ms. Luzadis went on to say a possible outcome of research she is doing is that employers are going to continue to make it financially possible for employees to retire at an early age. This will be expensive as employers will need to offset the lower Social Security income that will be available to early retirees. This expense may become prohibitive especially in consideration of the smaller number of young people coming into the workforce. It may be necessary for employers to shift to incentives to retain older workers.

Discussion continued. The presentation concluded and Rep. Simoneau requested that Commission staff invite someone from the Social Security Administration to speak to the Commission.

Rep. Simoneau introduced the second item on the agenda, the approval of the PERA mortality assumption change. Mr. Martin referred members to his memo and the mortality study contained in their packets. Mr. Martin reviewed the information for the Commission. Mr. Robert Perkins, Commission actuary, stated that The Wyatt Company agrees with the mortality assumption change recommended by Gabriel, Roeder, Smith & Company, PERA actuary, and which was approved by the PERA Board. Discussion followed.

Representative Bob Johnson moved approval of the PERA mortality assumption change. MOTION PREVAILED.

The meeting adjourned at 3:35 P.M.



Jean Lieb Gott, Secretary