

March 9, 1994
Room 5 State Office Building

19th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Phil Riveness, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 2:14 P.M.

Commission members present:

Representatives Mindy Greiling, Bob Johnson, Phyllis Kahn, Gerald Knickerbocker, and Leo Reding

Senators Phil Riveness, LeRoy Stumpf, and Roy Terwilliger

Review of July 1, 1993 Statewide and Major Retirement Plan Actuarial Valuations.

William Hogan and Lance Burma of Milliman & Robertson, Inc. presented a review of the Summary of Actuarial Valuations prepared on behalf of the Pension Commission. Mr. Hogan reviewed the MSRS General Employees Plan, the PERA General Employees Plan, and the TRA plan. He testified that in general, this year's actuarial results have shown across the board improvement in their funding compared to last year's results. Some of the changes this year are that the expense assumption provides only for administrative expenses and the investment related expenses are implicitly covered by the investment return on assets. Mr. Hogan continued with the presentation.

Mr. Burma reviewed the first class city teacher plans and MERF. He testified that all of these plans had investment asset gains compared to last year's results. Legislation passed last session for MTRFA and StPTRFA closed the funding gap to some extent but did not solve the funding problem for these plans. They recommended that the funding issue for these plans be addressed again this session. Questions and discussion followed.

Demonstration Study on the Attribution of Investment Performance to Various Levels in the Investment Decision-Making Process.

Mike Stolte, Asset Allocation Incorporated, provided a handout and presented the results of the study of the "Attribution of Investment Performance to Various Levels in the Investment Decision-Making Process." He testified that this report was commissioned by the State Auditor's office and focussed on the first class city teachers funds. It is a diagnostic tool to facilitate communication between the Commission and the pension funds. Mr. Stolte then reviewed each teacher fund and how well the investment policy allocation they established worked in achieving the goals they had set for investment performance. The presentation continued and questions and discussion followed. Mr. Stolte concluded this issue by stating that 90% of the impact on the end result is attributable to policy.

S.F. 1641 (Riveness); H.F. 1778 (Kahn): Pension Fund Investments ; Additional Investment performance Disclosure.

Rep. Kahn reviewed Sections 3 and 4 of LCPR94-49, a delete everything amendment.

Sen. Terwilliger asked for clarification on whether this would require pension funds to comply with a whole new set of reporting requirements. Edward Burek, LCPR Deputy Executive Director, responded that the information requested by this legislation is already being gathered for financial reports or to report time-weighted rate of returns. The only new requirement would be that pension funds would need to provide a statement of their investment policy and any changes to that policy. Sen. Terwilliger asked if this legislation would specify in statute what needs to be included in the investment policy. Mr. Burek responded that statute does not specify this information.

Rep. Kahn moved approval of LCPR94-49. **MOTION PREVAILED.**

Rep. Kahn reviewed LCPR94-56. Mr. Burek commented that the amendment was needed to get the legislation in the proper form. Rep. Reding questioned whether the State

Auditor's Office had the resources to prepare the report required by this amendment. Jim Gelbman, Deputy State Auditor, testified that they do have the resources to prepare this report.

Rep. Kahn moved approval of LCPR94-56. **MOTION PREVAILED.**

Mr. Gelbman reviewed section 1 of the delete everything amendment, LCPR94-49, which requires a CPA to certify the audit for pension funds with over \$200,000 in assets. Discussion followed.

Sen. Riveness reviewed amendment LCPR94-55 concerning the Bloomington Fire Relief Association. He stated that Bloomington Volunteer Fire is currently \$10 million dollars ahead in funding but the City of Bloomington still contributes \$1,560,000 annually. This amendment will reduce the municipal contribution by \$1 million for the next ten years.

Rep. Reding moved approval of LCPR94-55. **MOTION PREVAILED.**

Gus Welter requested that the Bloomington amendment be expanded to apply to other relief associations in the same situation. Sen. Riveness suggested that an expanded amendment for all relief associations in this situation be taken up in Government Operations.

Mr. Burek reviewed LCPR94-50 and LCPR94-54. He testified that LCPR94-50 revises section 4 in the delete everything amendment, LCPR94-49. LCPR94-50 would require all public pension plans to comply with the open meeting law under the Fiduciary Obligation chapter in statutes, however, volunteer firefighter relief associations would be excluded from civil penalties under the open meeting law. Mr. Burek testified that he drafted this amendment at the request of the State Auditor's Office.

Mr. Gelbman testified in support of the inclusion of volunteer fire funds under the jurisdiction of the open meeting law.

Brian Rice, attorney for the Minneapolis Police and Fire Relief Associations, testified that he had not seen an Attorney General's opinion stating that the open meeting law applies to police and paid fire relief associations.

Howard Bicker, SBI Executive Director, referred members to the attribution report prepared currently for the State Board of Investment. Mr. Bicker testified that although the SBI has all the numbers and data that would be required by this bill for the State Auditor's report, they are not in the form needed for this new report. Providing the information for this report will require an additional administrative burden. Mr. Bicker further testified that if public pension funds are required to provide their asset allocation investment policy, they will not change that allocation for fear of criticism depending on the outcome. Discussion followed.

Rep. Kahn moved S.F. 1641; H.F. 1778 as amended. **MOTION PREVAILED.**

The meeting adjourned at 4:20 P.M.


Jean Lieb Gott, Secretary