



June 18, 1997
Room 15, Capitol

10th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Steven Morse, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 9:45 A.M.

Commission members present:

Representatives Richard Jefferson, Harry Mares, and Mary Murphy
Senators Don Betzold, Steven Morse, Lawrence Pogemiller, and LeRoy Stumpf

Commission members with an excused absence:

Senator Roy Terwilliger and Representatives Phyllis Kahn and Steve Smith

1. Approval of Minutes, March 5, March 12, March 14, March 19, March 21, and March 22, 1997 Commission Meetings

Sen. Betzold moved approval of the meeting minutes listed above. **MOTION PREVAILED.**

2. Consideration of a One-Year Extension In the Actuarial Services Contract With Milliman & Robertson, Inc.

Lawrence A. Martin, Commission Executive Director, reviewed the staff memo on the extension of the actuarial services contract. He noted that the Commission has gone through the request for proposal process three times since the Commission has been authorized to contract with an actuary. Milliman & Robertson, Inc. has been the Commission's actuary since FY 1992 and has been through the bidding process twice. Mr. Martin stated that Milliman & Robertson, Inc. has increased their rates for this one year extension only minimally and he recommended that the Commission extend the contract. He also noted that Tom Custis, chief actuary with Milliman & Robertson, Inc., pointed out an omission in the table on the first page of the staff memo attached to the draft contract. Mr. Custis noted that under the third column, Fiscal Year 1994, for Actuarial Assumption Development \$15,000 should be inserted. Mr. Martin stated that the draft contract had been widely circulated prior to this meeting and that as of June 16, 1997, staff had not received any comments.

Sen. Morse asked for a review of the assumption changes. Mr. Martin stated that every four years, Milliman & Robertson, Inc., performs quadrennial experience studies of the three major pension plans in Minnesota and recommends possible assumption changes. He stated that the last time the recommendation process for assumption changes occurred all of the actuaries for the funds were included in the process but that was not successful. This year, only the Commission actuary will make the assumption change recommendations. Sen. Morse asked when Mr. Custis would be prepared to make recommendations regarding the statutory assumption changes. Mr. Custis responded that his intention was to have recommendations for the statutory assumption changes by the end of the year and to have demographic assumption recommendations by the next interim. Mr. Martin noted a typo on the second to the last line of the first paragraph on page 5 of the draft amendment and asked members to change the word "applicable" to "agreeable."

Sen. Morse introduced Rep. Bill Hilty who has been appointed to the House Pension Subcommittee. The House Pension Subcommittee members will be invited to all Commission meetings to help them to get some background on pension issues.

David Bergstrom, MSRS Executive Director, testified in support of extending the contract with Milliman & Robertson, Inc.

Sen. Stumpf moved to adopt the extension of the contract with Milliman & Robertson, Inc. with the correction noted above. **MOTION PREVAILED.**

3. Consideration of the Adequacy of Current Member Contribution Rates For the Judges Retirement Plan and the Legislators Retirement Plan

Sen. Morse introduced the issue. He stated that he wanted the Commission to discuss this topic and, at a future meeting, vote on recommendations so that if a Special Session was called that included the compensation bill, the Commission would be prepared to make recommendations on possible contribution increases in conjunction with pay increases.

George McCormick, Senate Counsel, reviewed the legal perspective on the constitutionality of increasing contribution rates for the Judges Retirement Plan. Mr. McCormick stated that he and Mark Shepard, House Research, were asked for comments on this topic. Both he and Mark had provided the Commission with memos, they reviewed similar material and had come to similar conclusions. Mr. McCormick reviewed his memo. He testified that his recommendation would be that any future increase in the judges employee pension contribution that the Pension Commission might recommend should be tied to a pay increase.

Sen. Betzold questioned if, in a Special Session, the judges pay was increased in a two part process, the judges employee pension contribution could be increased prior to the effective date of the second part of the pay increase. Mr. McCormick stated that in his judgment that would be ruled unconstitutional. Discussion followed.

Mr. Martin reviewed the staff memo and actuarial work on this issue. He referred members to the Funding Burden Comparison table on page 7 which compared the percent of the full actuarial requirement being paid by member contributions for several of the State's larger plans.

Rep. Mares asked if the staff could get information comparing salaries, benefits, multipliers, and caseloads. Mr. Martin referred Commission members to a document supplied by the Minnesota District Court Judges which provided comparison information on judges compensation and benefits in all 50 states. Discussion followed.

Sen. Morse referred to the chart on page five of the staff memo and noted that the judges employee contributions were running from 35% to 39% of normal cost and legislator's contributions were running from 43% to 50% of normal cost. He further noted that the changes enacted last session in the uniformity bill would trim approximately 2% from the normal cost for the Legislators Plan and with a 9.00% employee contribution, that plan would be reasonably close to a 50/50 contribution split. With the Judges Plan, however, the employee contribution is currently 6.36% and would need to increase to about 8.5% to have a 50/50 split. He asked Rep. Mares if this information was what he was looking for. Rep. Mares responded that he was looking for information on the judges length of day, number of days worked, and their caseload. Mr. Martin stated that he would check with the Compensation Council to see whether they had that kind of information. Sen. Morse stated that he preferred to focus on the pension policy issue rather than the salary issue.

Sandy Neren, lobbyist from Messerli and Kramer and Legislative Counsel for the District Judges Association, testified that the judges were notified of this meeting and are concerned about the issue but were not available to attend. If this topic is put on a future agenda and the judges are given adequate notice to clear their calendars, they will attend.

Sen. Morse again stated that he plans to include this issue on a future agenda prior to a Special Session.

4. Consideration of Commission Interim Hearing Schedule

Sen. Morse provided a handout of potential topics for interim study and asked Mr. Martin to briefly review the topics. Mr. Martin referred members to the mandated study topics and noted that the issues mandated for study were the pension coverage of legislators and constitutional officers, the consolidation of the first class city teacher plans, and the consolidation of the local police and fire plans. He then reviewed six additional potential topics for interim study that were not mandated. Discussion followed.

Sen. Betzold, suggested that, with regard to the issue of authorizing service credit purchases for voluntary federal service, the Commission also review non-voluntary service.

Rep. Murphy suggested that the Commission also look at the issue of women, particularly teachers,

who may have been required to quit their jobs due to pregnancy. Discussion followed.

Rep. Jefferson suggested that in reviewing purchase of prior service payment amounts, the Commission make a distinction between individuals who were denied service credit through no fault of their own.

Sen. Morse stated that his plan was to hold most of the Commission meetings on these topics in the fall. Mr. Martin stated that fall interim meetings would allow the actuary a chance to provide updated actuarial information since several of these topics will require a review of the actuarial impact of potential resolutions. Discussion followed.

Sen. Betzold suggested that the Commission revisit the Commission's rules when leadership appoints the two new members to the Commission.

Sen. Morse asked if members could meet on July 9th or 10th. No consensus was reached. Sen. Morse then asked members if they preferred two day meetings or one day meetings. No consensus was reached.

The meeting adjourned at 11:14 A.M.


Jean Liebgott, Secretary