



July 8, 2010

Room 107 Capitol

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

**Call to order:**

Senator Don Betzold, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 11:10 a.m.

**Commission Members Present:**

Representatives Mary Murphy, Michael V. Nelson, and Paul Thissen  
Senators Don Betzold, Ann Lynch, Sandra L. Pappas, and Julie A. Rosen

**Commission Members Absent:**

Representatives Phyllis Kahn and Steve Smith  
Senator Mary A. Olson

**Agenda Items**

**Review of the 2004-2008 Experience Study Reports of MSRS, PERA, and TRA**

Patrice Beckham and William Hogan, Milliman, presented Milliman's review of the 2004-2008 experience study reports for MSRS, PERA, and TRA and responded to questions from members and staff.

**Approval of prior Commission meeting minutes**

Rep. Murphy moved approval of the March 5, 2010, meeting minutes. **MOTION PREVAILED.**

**Review of the 2004-2008 Experience Study Reports of MSRS, PERA, and TRA, continued**

David Bergstrom, Executive Director, MSRS, testified in support of the proposed demographic assumption changes for MSRS to implement those changes in the 2010 actuarial valuations.

Mary Vanek, Executive Director, PERA, testified in support of the proposed demographic assumption changes for PERA, and asked members to carefully consider the proposed investment return assumption change from 8.5 percent to eight percent as it would add roughly 2.2 percent of pay to the contribution requirement based on studies from two years ago.

Laurie Hacking, Executive Director, TRA, testified in support of the proposed demographic assumption changes for TRA and also urged caution when considering the proposed investment return assumption, which would increase TRA's required contribution rates by approximately 2.7 to three percent of pay.

Howard Bicker, Executive Director, SBI, testified that whether the investment return is eight percent or 8.5 percent, it will be wrong. Mr. Bicker noted that over the past 30 years the State Board has compounded at 9.7 percent and last year's preliminary results show a 15.2 percent return. Mr. Bicker testified that the investment assumption is attainable, although there will be volatility.

Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the motions to approve the demographic assumption changes, reminding members that the Commission has the authority to adopt the demographic assumption changes but that two of the proposed assumption changes are statutory and will need to be addressed during the next legislative session.

Mr. Bergstrom testified in support of the more conservative assumption changes for MSRS.

Rep. Nelson moved adoption of Motion 070810-1. **MOTION PREVAILED.**

Rep. Murphy moved adoption of Motion 070810-2. **MOTION PREVAILED.**

Ms. Vanek testified in support of motions 070810-3 for PERA and 070810-4 for the MERF Division.

Rep. Murphy moved adoption of Motion 070810-3. **MOTION PREVAILED.**

Rep. Murphy moved adoption of Motion 070810-4. **MOTION PREVAILED.**

Ms. Vanek testified that she does not oppose motion 070810-5.

Rep. Murphy moved adoption of Motion 070810-5. **MOTION PREVAILED.**

Ms. Hacking testified that she is comfortable with motions 070810-6 and 070810-7 for TRA.

Rep. Murphy moved adoption of Motion 070810-6. **MOTION PREVAILED.**

Rep. Murphy moved adoption of Motion 070810-7. **MOTION PREVAILED.**

Mr. Martin asked the fund directors about their plans for formulating actuarial assumption changes with respect to their other plans.

Ms. Vanek testified that an experience study was being prepared for PERA-P&F and that the recommendations will be reported to the PERA Board in August, assuming that any recommended assumption changes will be considered in 2011. Ms. Vanek also testified that they haven't looked at the local government correctional plan but that they will want the actuary to review, especially with respect to mortality.

Mr. Bergstrom testified that MSRS would likely not undertake a full-blown experience study but will look at mortality assumption and other similar changes.

--The meeting recessed at 1:00 p.m.--

Sen. Betzold called the meeting back to order at 1:15 p.m.

### **Review of the Commission's Standards for Actuarial Work**

Patrice Beckham and William Hogan, Milliman, presented Milliman's review of the Commission's Standards for Actuarial Work and responded to questions from members and staff.

David Bergstrom, Executive Director, MSRS, requested that the Commission give the fund directors time to discuss the proposed changes with their actuary.

Mary Vanek, Executive Director, PERA, also requested time to confer with their actuary.

Laurie Hacking, Executive Director, TRA, testified that valuation modeling is not new to TRA as they started doing that in 2007.

### **Outline and process summary for retirement plan design study**

Laurie Hacking, Executive Director, TRA, provided handout materials on behalf of the fund administrators and reviewed the proposed retirement plan design study approach.

### **Non-Agenda Items**

#### **MERF Administrative Consolidation into PERA**

Mary Vanek, Executive Director, PERA, testified that there was a smooth transition of the Minneapolis Employees Retirement Fund (MERF) to PERA.

Sen. Betzold announced an August Commission meeting, date to be determined.

#### **Adjournment**

The meeting adjourned at 1:55 p.m.

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Lisa Diesslin, Commission Assistant