



September 21-22, 2011

Room 5 State Office Building

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

September 21, 2011

Call to order:

Representative Morrie Lanning, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 1:05 p.m.

Commission Members Present:

Representatives Phyllis Kahn, Mary Kiffmeyer, Morrie Lanning, Mary Murphy, and Steve Smith
Senators Roger Chamberlain, Theodore Daley, Lawrence Pogemiller, and Julie Rosen

Commission Members Absent:

Senator Sandra Pappas

Agenda Items

Approval of Commission meeting minutes.

Rep. Kiffmeyer moved approval of the May 13 and May 19, 2011, meeting minutes. **MOTION PREVAILED.**

Status information and potential issue information.

David Bergstrom, Executive Director, MSRS, Mary Vanek, Executive Director, PERA, and Laurie Hacking, Executive Director, TRA, provided a handout entitled "Overview and Financial Status Update, MSRS, PERA, TRA," reviewed their respective portion of the handout, and responded to questions from members.

Jay Stoffel, Executive Director, DTRFA, provided an overview and financial status update handout, reviewed the handout, and responded to questions from members.

Paul Doane, Executive Director, SPTRFA, provided an overview and financial status update handout, reviewed the handout, and responded to questions from members.

Status information on statewide retirement plan investments.

Howard Bicker, Executive Director, State Board of Investment, provided a handout on the State Board of Investment, the funds under its management, the target asset allocation, and SBI returns; and responded to questions from members.

Mandated retirement plan design study.

David Bergstrom, Executive Director, MSRS, Mary Vanek, Executive Director, PERA, and Laurie Hacking, Executive Director, TRA, provided a handout entitled "Retirement Plan Design Study," reviewed the handout, and responded to questions from members.

Bonnie Wurst and Gary Dickson, Mercer, reviewed the actuarial analysis portion of the study and report.

Mark Haveman, Minnesota Taxpayers Association, testified to his concerns regarding harmful impacts to governmental operating budgets and taxpayer liability, encouraged an assessment of the appropriate level of retirement income security, and recommended additional discussion of hybrid plans.

Walter Munsterman, President of Education Minnesota Retired and Education Minnesota board member, testified in support of maintaining defined benefit retirement plan coverage.

Kim Crockett, President, Minnesota Free Market Institute, testified to her concerns about the reliability of the study and recommended looking for a more independent source of information.

Commission interim topic: Potential actuarial assumption changes.

Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and cautioned that the interest rate actuarial assumption works in conjunction with other actuarial assumptions and the amortization period.

Howard Bicker, Executive Director, State Board of Investment, provided a handout on the SBI total portfolio and real rate of return and testified regarding market return expectations.

David Bergstrom, Executive Director, MSRS, testified that the MSRS board recommends moving to an 8.25% interest rate assumption for two years and then to 8% and also recommends looking at all of the actuarial assumptions at the same time.

Mary Vanek, Executive Director, PERA, testified that the PERA board also supports moving the interest rate actuarial assumption to 8.25% for two years and then to 8%.

Laurie Hacking, Executive Director, TRA, testified that the TRA board supports maintaining the current 8.5% interest rate actuarial assumption, and provided a handout on the TRA board position.

Walter Munsterman, President, Education Minnesota Retired and Education Minnesota board member, testified in support of maintaining the current 8.5% interest rate actuarial assumption.

Jay Ritterson, Chair, Committee of Thirteen which represents teachers in the Minneapolis Public Schools, testified in support of maintaining the current 8.5% interest rate actuarial assumption.

Recess:

The meeting recessed at 5:10 p.m.

September 22, 2011

Call to order:

Chair Lanning called the meeting back to order at 9:10 a.m.

Commission Members Present:

Representatives Phyllis Kahn, Mary Kiffmeyer, Morrie Lanning, Mary Murphy, and Steve Smith
Senators Roger Chamberlain, Theodore Daley, Sandra Pappas, Lawrence Pogemiller, and Julie Rosen

Agenda Items, continued

Resumed consideration of September 21, 2011, agenda items:

Mandated retirement plan design study.

Potential actuarial assumption changes, especially interest rate actuarial assumption changes.

Eliot Seide, Executive Director, AFSCME Council 5, testified in opposition to switching to defined contribution retirement coverage and urged the Commission to take a studied approach in considering a reduction in the interest rate actuarial assumption.

Morgan Fleming testified to his concerns regarding defined contribution retirement coverage and testified in support of maintaining the current 8.5% interest rate actuarial assumption.

Kim Crockett, President, Minnesota Free Market Institute, testified in support of reducing the interest rate actuarial assumption and to her concerns regarding the cost of public employees and public employee pensions on local governments and taxpayers.

Howard Bicker, Executive Director, State Board of Investment, provided additional historical information on the interest rate assumption, and SBI asset allocation and portfolio rebalancing.

Brian Rice, attorney for the Minneapolis police and fire relief associations, testified that the 2011 merger legislation will save the city of Minneapolis \$100 million over the next ten years, and testified in opposition to moving to defined contribution retirement coverage for police and firefighters.

Update on Commission budget and option for revised actuarial services contract with Milliman.

Mr. Martin reviewed the Commission budget and the various options for a revised actuarial services contract with Milliman, Inc.

Tim Herman, Milliman, testified that if the Commission were to make a decision during this meeting, Milliman would be able to meet the stated deadlines and that a delayed decision would make it difficult to deliver services within the stated timeframe.

Rep. Kahn moved to authorize the chair to execute the contract with Milliman, implementing Option #3. **MOTION PREVAILED.**

Consideration of demographic actuarial assumption change recommendations in the 2004-2009 Public Employees Police and Fire Retirement Plan Experience Study.

Mr. Martin reviewed the staff memo and the motion to adopt the recommended actuarial assumptions.

Mary Vanek, Executive Director, PERA, testified in support of the motion.

Rep. Murphy moved Motion LCPR11-M1. **MOTION PREVAILED.**

Identification of future Commission interim topics.

Chair Lanning asked members for input regarding topics for upcoming meetings. Based on the discussion, he directed staff to assemble information regarding resources and potential presenters and survey members as to their priorities on the following topics:

- 1) Further consideration of the 8.5% interest rate actuarial assumption;
- 2) Revision of salary scale and payroll growth assumption;
- 3) 85% pre-retirement income replacement and other retirement benefit goals;
- 4) Other states' experiences with hybrid retirement plans;
- 5) Government Accounting Standards Board (GASB) exposure drafts;
- 6) Nebraska cash balance alternative retirement plan;
- 7) Recent trends in private sector retirement plans; and
- 8) Roth option for deferred compensation program.

Adjournment

The meeting adjourned at 12:15 p.m.

Lisa Diesslin, Commission Assistant