



November 9-10, 2011

Room 5 State Office Building

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

November 9, 2011

Call to order:

Representative Morrie Lanning, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 1:25 p.m.

Commission Members Present:

Representatives Phyllis Kahn, Mary Kiffmeyer, Morrie Lanning, and Mary Murphy
Senators Roger Chamberlain, Theodore Daley, D. Scott Dibble, and Sandra Pappas

Commission Members Absent:

Representative Steve Smith and Senator Julie Rosen

Agenda Items

Approval of prior meeting minutes

Rep. Kahn moved approval of the October 19-20, 2011, meeting minutes. **MOTION PREVAILED.**

Chair Lanning welcomed Senator D. Scott Dibble to the Commission.

Interest rate actuarial assumption:

Summary of Vermont select-and-ultimate interest rate assumption

Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo on the topic.

Laurie Hacking, Executive Director, TRA, clarified that while Vermont uses a select-and-ultimate rate of return actuarial assumption for valuations, for administrative purposes a single rate is used to calculate benefits in order to avoid yearly changes. Ms. Hacking also provided a November 8, 2011, letter from the TRA consulting actuary, Cavanaugh Macdonald Consulting, summarizing the Vermont select-and-ultimate interest rate assumption.

Interest rate actuarial assumption:

TRA/DTRFA select-and-ultimate interest rate assumption options

Laurie Hacking, Executive Director, TRA, and Jay Stoffel, Executive Director, DTRFA, provided and reviewed their handout entitled "Interest Rate Actuarial Assumption Change; Discussion Points."

Ms. Hacking testified that the TRA board position is to maintain the 8.5% interest rate assumption.

Mr. Stoffel testified that the DTRFA board would like to evaluate the interest rate assumption after the experience study which is expected to be available late winter/early spring.

Paul Doane, Executive Director, SPTRFA, testified that the SPTRFA board supports keeping the current 8.5% interest assumption and did not take a position on a select-and-ultimate interest rate assumption.

Interest rate actuarial assumption:

Post-retirement adjustment mechanism and retirement plan funding ratio

Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo on the topic.

Jay Stoffel, Executive Director, DTRFA, clarified that the DTRFA post-retirement adjustment provision in M.S., Sec. 354A.27, Subd. 7, Para. (e), states that "the adjustment must not be less than zero nor greater than five percent." Mr. Stoffel noted that the Consumer Price Index measure used is the CPI-U, and raised the question of whether the CPI-U is the correct choice of the various CPI measures. Mr. Stoffel also indicated that there are some experimental indices using a CPI-R (retirees) measure.

Hybrid retirement plan design: Nebraska Cash Balance Retirement Plan

Mr. Burek reviewed the staff memo on the Nebraska Cash Balance Retirement Plan.

Roth IRA option

David Bergstrom, Executive Director, MSRS, distributed and reviewed two handouts regarding the Minnesota Deferred Compensation Plan entitled "\$AVE" and "Your guide to ROTH 457(b) Contributions."

Current retirement plan experience study requirements

Mr. Martin reviewed the staff memo on the topic, and referred members to letters submitted by MSRS and PERA requesting approval for experience studies.

David Bergstrom, Executive Director, MSRS, requested authorization to proceed with experience studies for the State Patrol Retirement Plan and the Correctional State Employees Retirement Plan.

Mary Vanek, Executive Director, PERA, requested authorization to proceed with an experience study for the Local Government Correctional Service Retirement Plan.

Sen. Pappas moved to approve the requests from the MSRS and PERA administrators for the preparation of experience studies.

In response to a question from members, Mr. Bergstrom noted that experience study cost for each plan is approximately \$25,000. Ms. Vanek indicated that the PERA cost would also be around \$25,000. Ms. Vanek also noted that the Commission recently approved actuarial assumption changes as a result of the PERA-P&F experience study. Mr. Bergstrom indicated that his compatriots from Duluth and St. Paul are planning experience studies as well and that the Commission may want to include them in the experience study approval.

Sen. Pappas amended her motion to include approval of experience studies for the Duluth Teachers Retirement Fund Association and the St. Paul Teachers Retirement Fund Association. **MOTION PREVAILED.**

Mortality table assumptions currently in force

Mr. Martin reviewed the staff memo on the mortality tables used by Minnesota pension plans.

Minnesota actuarial value of assets and GASB Statement 25/27 exposure drafts

Mr. Martin reviewed the staff memo on the topic.

Public testimony

Russ Stanton, Director of Governmental Relations, Inter-Faculty Association, testified to urge members to exercise caution when considering a plan such as the Nebraska Cash Balance Plan.

Kim Crockett, Minnesota Free Market Institute, testified in support of an 8% interest rate actuarial assumption.

Retirement bills remaining from the 2011 Legislative Session

Mr. Martin reviewed the pension bills remaining from the 2011 session.

Chair Lanning asked members to indicate their interest in any of the bills on the list, and to inform him of any additional legislation they may be bringing forward.

Recess:

The meeting recessed at 4:25 p.m.

November 10, 2011

Call to order:

Chair Lanning called the meeting back to order at 9:13 a.m.

Commission Members Present:

Representatives Phyllis Kahn, Mary Kiffmeyer, Morrie Lanning, and Mary Murphy
Senators Roger Chamberlain, Theodore Daley, D. Scott Dibble, and Sandra Pappas

Commission Members Absent:

Representative Steve Smith and Senator Julie Rosen

Continued public testimony

Julie Blaha, President of the Anoka-Hennepin Education Minnesota, testified in support of retaining the current TRA defined benefit coverage and urged members to allow time for the 2010 financial sustainability provisions to work.

Josiah Hill, an English teacher at the Stillwater Area High School, testified in support of retaining the current TRA defined benefit coverage.

Jan Alswager, Education Minnesota, testified to urge members to not make a "snap shot" decision about retirement coverage that will affect the long-term situation of Minnesota teachers.

Paul Doane, Executive Director, SPTRFA, testified to some advantages of defined benefit plans that have not been raised, that the SPTRFA experience study will be undertaken in January and will cost \$30,000, and will have the board consider a select-and-ultimate interest rate actuarial assumption, in favor of the investment changes proposed in H.F. 1555 and in favor of the contribution rate changes proposed in H.F. 1256.

Agenda Items, Continued

Salary scale actuarial assumption and payroll growth actuarial assumption

Dr. Tom Stinson, Minnesota State Economist, testified that a 3% inflation assumption is probably high and that he would be more comfortable with a 2% or 2.25% inflation assumption; that the current 0.75% payroll growth assumption seems conservative and his estimate would be 1%; and that he did not have the data or time to reconstruct the current salary increase tables but that the current assumptions appear to be reasonable.

Chair Lanning requested input from the fund directors regarding the impact of the Dr. Stinson's recommendations.

David Bergstrom, Executive Director, MSRS, testified that he would like to consult with the MSRS actuary.

Non-Agenda Item

SBI certificate of deposit purchase program expansion

Howard Bicker, Executive Director, State Board of Investment, reviewed the recent SBI decision to expand the Certificate of Deposit purchase program and responded to questions from members.

Agenda Items, Continued

Hybrid retirement plan design: Recent plan design changes in other states

Keith Brainard, Research Director, National Association of State Retirement Administrators (NASRA), presented and provided a handout of his presentation entitled "Hybrid Retirement Plan Design and Recent Retirement Plan Design Changes in Other States" and responded to questions from members.

Continued public testimony

Kim Crockett, Minnesota Free Market Institute, introduced Andrew Biggs from the American Enterprise Institute in Washington, D.C.

Andrew Biggs, Resident Scholar, American Enterprise Institute, testified to trends in private sector retirement coverage; in support of fully funding future benefits, reducing taxpayer risk/liability, inter-generational equity; in support of defined contribution, hybrid, and/or cash balance plans as alternatives to defined benefit retirement plans; in support of a lower interest rate actuarial assumption; and responded to questions from members.

Curt Hutchens, President, Retired Educators Association of Minnesota (REAM), encouraged members to allow the 2010 financial sustainability to play out before making changes to Minnesota pension coverage.

Adjournment

The meeting adjourned at 12:30 p.m.

Lisa Diesslin, Commission Assistant