

Buyback Subcommittee Minutes  
December 8, 1983  
Room 22 S.O.B., 10:00 A.M.

Rep. Rodriguez called the meeting to order.

PRESENT: Senators Moe, Renneke, Spear  
Representatives Frank Rodriguez, Clawson

Mr. Rodriguez explained that there would be probably two more meetings of the subcommittee before January 6th. Mr. James Bordewick, actuary would be at the next meeting to clarify his position on the calculation method.

Karen Dudley, Exec. Sec., went over a status report on buybacks, which summarized the current practices of Minnesota funds re purchases of service credit, some requests for additional categories of purchases of service credit, and proposals by the Commission actuary, James Bordewick, to revise the current calculation method.

Sen. Spear spoke about the need to tighten up the policy on buybacks and disapproves looking for new areas for creating buybacks. He stated that the buyback policy should be clear, that it is a general policy, and that the Commission will not be hearing those bills any more.

### Testimony of Funds

Harvey Schmidt, Executive Director of TRA: Mr. Schmidt stated that the TRA actuary will take a look at the Bordewick suggestions. Relative to removing the retirement date assumption, it would make it more restrictive. Relative to basing the purchase price of the buyback on the funding ratio of the fund, there will be different payments by the funds--less restrictive. To permit payment of service credit only would mean you could buy ten years of service credit and get vesting, but no increase in benefit. The fund would gain the actuarial protection if a member retired earlier than he said he would retire.

Mike McLaren, Executive Director of PERA: Mr. McLaren advised that PERA does have maternity leaves of absence; that in the past there was a lot of ambiguity in the decisions as to who were and who were not public employees and members of PERA. This puts their board in a difficult position. Mr. McLaren also stated that he prefers the teachers' method to the Bordewick method. Also, the PERA independent contractor statutes seem to work and that the county attorneys work as independent contractors.

Karen Dudley went over some questions with respect to the five categories of purchases of buybacks which might serve in determining if any policies now in effect should be altered.

Sen. Spear stated that he opposes any retreat from the policy adopted a few years ago as to actuarial costs; that the principles established should be adhered to and give uniformity to the funds.

Sen. Donald Moe stated that he will not support any move to allow greater expansion in buybacks.

Rep. Clawson wants to eliminate inconsistencies in the buyback policy.

Sen. Renneke reviewed the Commission chairman's charge to the Subcommittee. He stated that he has no intention of liberalizing in terms of dollars.

Paul Groschen, Executive Director of MSRS: On the concept that full actuarial costs be paid, in calculating the amount that a member pays if retiring right then, that is the amount transferred into the post retirement fund, but if that retirement is 10 years a way, they discount that for that 10 year period by 5%. The fund is actually earning more than 5% so the

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person is paying more than actuarial value any time he makes a payment when he doesn't retire right now.

Mr. Groschen thinks the discount rate should be somewhat higher; somewhat more consistent with current earnings.

Mr. Groschen also referred to refund repayments and military service. He referred to the value of the dollar that the fund gives the person compared to the value the person gives back; that there is no adjustment for inflation in calculating either the refund repayment or a military payment.

Rep. Frank Rodriguez  
Commission Secretary

Eleanor Diebel  
Adm. Secretary