State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

February 8, 1984 Meeting
Room 83 State Office Bldg.
2:00 P.M.

MINUTES

Rep. John Sarna, chair, opened the meeting.

PRESENT: Representatives John Sarna, John Clawson, Frank Rodriguez
Senators Allan Spear, Collin Peterson, Frederickson,
Donald Moe, Earl Renneke

Rep. Sarna turned the explanation of the Department of Finance bill over to Rep. John Clawson.

Rep. Clawson told the Commission that for a period of ten years there had been no major changes to improve the pension funds; that pension fund liabilities are a heavy burden on taxpayers and on future taxpayers; that he volunteered to bring the Winklevoss proposal for new legislation before the Legislature.

He put the recommended proposals into three categories:

1. The goal is to bring contributions more in line with the stated liabilities of the funds. Spread funding out more equitably among the generation of taxpayers responsible for the funding.

   Recommends changing interest assumption to 8% for valuation purposes, change salary assumption to 6.5% for both valuation purposes and for purposes of valuation forecasts; require a a level percentage of payroll amortization of the unfunded accrued liabilities rather than the current level dollar requirement; shorten the amortization period to 25 years; alter the required employer and employee contribution rates to conform with the changes in financing and changes for interest and salary assumptions; make a special provision to guard against depletion of the MERF deposit accumulation fund; increase the amount of police and salaried firefighters state aid by $12 million.

2. Raise the interest required for repayment of refunds, missed payments, purchases of military service credit, etc. to 8%.

   Repeals 353.662 requiring the University of Minnesota to make annual supplemental contributions to the PERA police/fire fund.

   Reduces homestead credit payments to all cities, counties, etc. by one-half of the savings that results by applying the reduced PERA contribution rates to the unit's FY 1984 covered payroll.

   Increase Levy limits for cities and counties.

3. Additional Changes: Requires that assumptions used in valuations are set at levels consistent with those determined in the most recent experience studies.

   Requires commission to hire an actuarial consulting firm, in addition to those valuations performed by each fund's actuary.

   Requires a set of rules for each fund's actuary to follow.

   Establishes a new post retirement system for public employees hired after July 1, 1984, and at the option of current employees.

Places all new elected city and county officials, etc. in the renamed State and Local Unclassified Plan, plus giving the option of joining to the current officials.

Clarifies the definition of "actuarial equivalent"

Formally establishes the Legislators' Plan and the Constitutional Officers plan.

Alters the format of required financial reports to correspond to the introduction of the new post retirement inflation indexed adjustment system.

Some discussion points: Ron Hackett, Finance Dept. reviewed the bill.

1. Which generation should pay the unfunded liability over and above normal cost? How do you arrive at that cost?

2. Ron Hackett requested to get the amount of money needed to fund the TRA without changing assumptions.

3. If the Department of Finance bill were passed, how much more would need to be appropriated from General Revenue, throwing in a recapturing from the local units?

4. Sen. Peterson requested a "sources and application of funds" which shows where the money comes from, where it goes to, etc. "This is what it maps out to be."

5. The bill proposed to save $47 million; $9 million to the first class TRA's, $12 to $14 million to the local municipalities, $12 million to employees by reduced contributions, leaving $10 million left in the cities and counties.

6. Under the new assumptions the liability decreases.

7. What happens in this program if benefits are increased?
Ron Hackett answered that it would require increasing additional contributions to amortize the new unfunded liability.

The discussion of the bill will be continued in a week--next Wednesday, February 15.

Frank Rodriguez
Commission Secretary

Eleanor Diebel
Staff Secretary