

LCP&R June 14, 1984 Meeting  
Room 15, Capitol  
9:00 A.M.

MINUTES

Rep. John Sarna, Chair, opened the meeting.

PRESENT

Representatives Sarna, Metzen, Rodriguez, Clawson, Wigley  
Senators Donald Moe, Collin Peterson, Earl Renneke, Allan Spear

Commission Expanded Duties After "Rule of 85" Bill

Karen Dudley went over the memo which gave an overview of the Commission's expanded duties as provided by the "Rule of 85 bill, Laws 1984, Chapter 564:

1. LCP&R Responsible for Actuarial Valuations - Commission is required to hire an actuarial consulting firm to perform the valuations beginning with the June 30, 1985 valuations.
2. LCP&R to Report Annually to the Legislature - summarizing the results of the valuations and cash flow projections; and recommending needed changes in statutory support rates for each fund in order that each fund be amortized by the required date
3. LCP&R to Draft Guidelines Specifying Actuarial Methods - Section 1 requires that the Commission adopt rules prescribing detailed methods of calculating, evaluating, and displaying information from the valuations.
4. LCP&R to Provide Official Actuarial Information; Current Fund Actuaries to be Advisory
5. LCP&R to Pay for All Actuarial Services - \$800,00 was allocated to the Commission budget to pay for actuarial costs

Guidelines for performance of June 30, 1984 Valuations - James Bordwick,  
Commission Actuary

Mr. Bordewick went over a draft of the guidelines for the 1984 actuarial valuations, contents and procedures. Discussion followed. (copy attached)

Discussion relative to the 2% refund, whether members need to apply for it or not. It was stated that it gives discretion to the individual funds.

Paul Groschen, Executive Director of MSRS, advised the Commission that their payment will be issued through the state payment system; that the advantage is an automatic adjustment of the person's withholding for the year.

St. Clair Beeman, Committee of 13 and the MTRFA, stated he does not know what his group will do and will have his office respond.

Elton Erdahl, TRA, stated that TRA would like the teachers to apply for the refund because of the tax question and also because they do not have the addresses of the teachers; that they have sent the applications to the St. Paul school districts and have asked them to send them out to the teachers.

Lyle Farmer, St. Paul Teachers, stated that because this distribution comes from a qualified plan it comes under certain set of rules; that he called the IRS re the withholding tax and was told to automatically withhold 10%.

Dave Bergstrom, PERA, told the Commission that PERA is not requiring refund applications; that IRS has given them permission to do that; that anything over \$200 they will give that information to the Federal Government; that they have very little problems with addresses of members.

John Chenoweth, Executive Director of MERF, stated that MERF has no requirement for a member to apply for the refund; that the members will be paid by a separate check rather than a deduction from the payroll system. As to the Federal withholding tax, they will follow the IRS procedure; not sure about the 10%.

Relative to the fire and police procedure on the 2%, the Commission staff will advise the police and fire about the IRS requirement.

Jim Ziebol, Minnesota Police Pension Council told the Commission that second class cities are not tax sheltered and that the firefighters are in the same position. First class cities are tax sheltered.

Relative to interest increase on refunds contained in SF 147, the following funds commented:

Paul Groschen, MSRS, stated that the law requires that interest be paid on fiscal year end balances; if no fiscal year end balance, no interest.

PERA have been paying interest on a monthly basis; breaking it down and paying it per month.

TRA gets an annual summary at the end of the year; need for a monthly notification instead of once a year.

Lyle Farmer, St. Paul Teachers, advised that in order to earn interest contributions should have been on deposit for a whole year; that some language should be set up for all funds.

No deadline was set for the 1985 recommendations and proposals from the various funds.

Ron Hackett, Finance Department, advised that the Commission staff and Finance are working together to get standards for putting information together to be used by the funds; that he will meet with the funds and representatives of the cities, counties and schools to gather some method of obtaining information.

Relative to the usage of the Rule of 85, Paul Groschen, MSRS, advised that approximately 1% of the members will retire; that they are swamped with estimates; that only two have retired under the Rule of 85 at this time.

Edward Blanck, Duluth Teachers, told the Commission that 3 1/2% of the members are eligible in the next 2 1/2 years and 5% is the most that will leave; and that the severance program and the Rule of 85 causes trouble; can have one or the other but not both programs.

Senator Collin Peterson moved that the Commission adopt the proposed set of temporary rules for performance of valuations. Motion carried

Next meeting will be scheduled in September.

Eleanor Diebel  
LCP&R Secretary