

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

September 23, 1984
Fairhills Resort
Detroit Lakes, Minnesota
1:30 P.M.

MINUTES

The chair, Rep. John Sarna opened the meeting.

PRESENT: Representative John Sarna Senator Donald M. Moe
 Frank Rodriguez Earl Renneke

1. Summaries of Legislation Enacted in 1984

Jim Heidelberg, Asst. Exec. Sec., summarized the 1984 legislation. Laws 1984, Chapter 564 (SF 147), Section 45, provides a 2% refund and reimbursement of employee contributions. Section 46 provides for a general fund appropriation to reimburse the MSRS Unclassified plan employees.

Chapter 564 also provides that the Commission by June 30, 1985, adopt rules specifying detailed methods for calculating, evaluating, and displaying current liabilities. Section 2 requires the Commission to contract with an established actuarial firm to perform the valuations; also \$400,000 will be appropriated annually for the actuarial services. In addition \$100,000 will be appropriated every fourth year for the experience studies. Section 43 of Chapter 564 specifies that the annual valuations are to be performed in accordance with rules (guidelines) set forth by the Commission. Section 43 also made changes in financing; interest assumption raised from 5% to 8%, salary assumption is raised from 3.5% to 6.5%.

Chapter 547, pension income subject to court orders for child-support.
The actual bill, SF 1492, was not a Commission bill; the Commission approved the concept.

Temporary guidelines were adopted for this year only. The new laws will require changes in contribution rates; also will allow more frequent updating of the actuarial assumptions. Actuary can more accurately predict normal cost.

Lyle Farmer, St. Paul Teachers Retirement Fund, talked about the 2% the retirement funds lost for the year 1983. Because everything is based on full funding, the retirement funds are out the 2%.

Sen. Moe spoke about the \$63 million borrowed from the pension funds and the need for that money to be paid back to the funds.

[See copy of memo attached]

Required Report on Rule of 85: Developments Since Session

Karen Dudley, Exec. Sec., reviewed the memo. Chapter 564 of Laws 1984, Section 44, Subdivision 2, requires preparation of reports to the legislature summarizing information relating to characteristics of retirees retiring under the provisions of the section. Staff requested consideration of an alteration in the methods to be used in securing the required information.

Staff will draft a technical amendment bill on the Rule of 85.

Ron Hackett, Department of Finance, talked about the questionnaire which the Department of Finance plans to send out to all state agencies and local units of government. The questionnaire is an evaluation plan for the Rule of 85.

Harvey Schmidt, TRA, re Rule of 85: Mr. Schmidt distributed copies of a "Rule of 85" Report (copy attached). A total of 847 members retired during the period June 1 through September 1, 1984. 457 were eligible for the "Rule of 85". 429 of these members are receiving the Rule of 85 benefits; while 28 of these members are receiving early retirement benefits.

September 22-25 Minutes continued:

Sept. 23 meeting

John Allers, Interim Exec. Dir. of PERA, told the Commission that 83 members retired under the Rule of 85; that less than 5% now use the Rule of 85.

Paul Groschen, Exec. Dir. of MSRS, explained that 40% of those members eligible for the rule of 85 are utilizing it; that 1134 are eligible during the period of the window provision; that one in 7 who apply pull back their request, mostly because of medical costs; that the required reserves will average about \$100,000.

Lyle Farmer, Sec/Treas., St. Paul Teachers Retirement Fund, explained that when a member reaches 55 or over, his zeal lessens because he cannot live on that type of salary. Nine members out of 41 actually used the Rule of 85. Mr. Farmer does not think that over 25% of the members are going to use the rule of 85; that incentives to stay in the fund are greater than incentives to retire.

Ed. Blanck, Exec. Sec., Duluth Teachers Retirement Fund, stated that 45 members were eligible for the rule of 85. % are taking the rule of 85.

Jim Heller, Minneapolis Teachers Retirement Fund, stated that very few members took the rule of 85 because they have the 30 and out provision.

Eleanor Diebel
Secretary