

State of Minnesota \

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

LCP&R April 12, 1985 Meeting
Room 15, Capitol
9:00 A.M.

MINUTES

Senator Donald Moe, Acting Chair, opened the meeting.

PRESENT

Senators Moe, Pogemiller, Spear, Wegscheid, and Renneke
Representative Wayne Simoneau

First Order of Business: Election of Commission Officers.

Senator Moe asked for nominations. Nomination proposed by Senator Wegscheid, Senator Moe, Chair; Representative Gutknecht, Vice-Chair; Representative Simoneau, Secretary.

There being no further nominations a vote was called. Discussion followed concerning absence of other members of the Commission and the statutory responsibilities of the LCP&R. A question was raised concerning the validity of a vote without the full Commission present and a delay was requested. There was no further discussion.

Senator Moe called for a vote on the issue. Motion carried. Division requested. Sen. Renneke votes No, the remaining members vote Aye.

Senator Moe gave an overview of the responsibilities of the Commission. He noted a number of shortcomings and several possible remedies for them. He also noted that because pensions are a complicated subject there is much work to be done. He further stated the Commission would not meet to review the work of the House, rather the Senate members would meet as a subcommittee and make recommendations to the Senate Government Operations committee on a few bills. A few bills will end up in Conference committee. Members of the Commission should be the conferees.

Second Order of Business: MERF Mortality Assumptions

Karen Dudley went over a Commission memo regarding the new MERF mortality table adopted by their board on June 30, 1984. The Dept of Finance protested acceptance of the table due to a marked increase in the State contribution with its use. A meeting in November of involved parties produced a request for a ruling from the Attorney General on the use of dual tables; one for MERF valuation, and one for the State's contribution. The Attorney General's opinion issued on 3/29/85 rejected the dual table proposal and suggested the Commission had two options: a) require that the 6/30/84 valuation be redone, or b) a new mortality table be adopted to be used by 6/30/85.

Commission staff proposed four alternatives.

- 1) Refuse action - resulting in state contribution increase from 14.2 to 20.8 million dollars in the next biennium.
- 2) Commission direct Wyatt Company to review only the mortality tables in order that MERF adopt the revised tables for the valuation and changing the state contribution for F.Y. 1987.
- 3) Look at all assumptions except salaries and interest and apply revised assumptions prospectively to the 1985 valuation.
- 4) Go through an experience study making sure all assumptions are correct, and require The Wyatt Company to redo the 1984 valuation to change the state contribution for F.Y. 1986.

Discussion of options followed; options 2 and 4 most favorable. Bob Perkins, The Wyatt Co. representative was asked the approximate cost of each option. He responded option 2 about \$3,000 to \$5,000; option 4 about an additional \$10,000.

Motion Representative Simoneau to adopt option 2.

MERF valuations cont'd

Chair recognized John Chenoweth - MERF - Discussion of the issue. Essentially, MERF supports a complete revaluation and to insure credibility proposes the Commission actuary, The Wyatt Company, do the revaluation. MERF proposes to finance the study for either option 3 or option 4.

Representative Simoneau withdrew the previous motion.

Senator Moe moves for the adoption of option 3 as proposed by John Chenoweth; review all assumptions except salary and interest to determine whether or not the current MERF assumptions are accurate. The study will include this current year to date and all previous years.

The report expected within a few weeks. No further discussion. Vote on this issue. Motion carried.

Meeting adjourned, 10:10 A.M.