

May 19, 1986  
Room 15  
State Capitol

MINUTES of the May 19, 1986 Meeting:

The chair, Senator Donald Moe, opened the meeting at 2:18PM

PRESENT: Senators Donald Moe, Lawrence Pogemiller and Earl Renneke  
Representatives Gil Gutknecht, Wayne Simoneau, Steve Sviggum

Senator Moe introduced new staff secretary, Jean Liebgott. George McCormick - Senate Counsel, Mike Norton - on Senator Moe's staff, Lisa Larson - House Research. Senator Moe also introduced Pat Sponum, Committee Administrative Assistant to the House Committee on Gov't Operations, who was not at the meeting.

Minutes

Representative Simoneau moved the minutes of the April 28th meeting be approved. Motion carried.

Report from the Commission Actuary

Mr. Bob Perkins, Commission actuary, reported that he and the Commission staff had met with PERA and members of the St. Paul Ramsey Hospital and will continue to work on that project. In addition they have two dates scheduled to meet with funds regarding data for the upcoming evaluation. The meetings are with MSRS and the Minneapolis Teachers.

Reports from the Pension Fund Administrators

There were no reports from the Pension Fund Administrators.

Report from the State Board of Investment

Howard Bicker, Director of the Board, reported the total rate of return for the basic retirement funds through the quarter ending March 31 was 30.4%. The current asset mix is 60% stocks, 25% bonds and the balance is in alternative investments. They are in the process of publishing a prospectus for the Supplemental Investment Fund in compliance with recently enacted legislation.

Current Commission Business

Guidelines for requests of services to be performed by the commission actuary.

Mr. Larry Martin summarized the Guidelines for requests of services to be performed by the Commission Actuary. Discussion and questions followed. Senator Moe solicited comments from the Commission actuary, Bob Perkins, who stated that he will further review the guidelines in detail but thought they looked good. Senator Renneke questioned what are the sources of inquiry for the services of the actuary. Mr. Martin responded referring to the list on page 4 of the guidelines and also mentioned the retirement systems as a potential source for requests as well as the Department of Finance, the State Board of Investment and the State Auditor. There have been 3 requests within the last 6 weeks from sources other than the pension funds.

Senator Renneke further questioned what services the major pension plans are requesting in addition to what is provided by their own actuaries. Mr. Martin responded that the various pension plans have retained their actuaries with the exception of the St. Paul Teachers, who use the Commission Actuary. At this time, the broad range of services potentially requested by the major pension plans has not been determined. One of the major items that may be required in the future is benefit increase requests. The guidelines would provide for a date to be established sometime during the interim which would be a date for the submission of requests for benefit increases permitting the Commission to go through requests on a request-by-request basis to determine which of these requests would be costed out. The procedure would provide a structure to the system of requesting benefit increases and allowing the actuarial work to be completed in advance of the next session. Senator Renneke asked whether there is a set schedule of fees set up for the use of the Commission Actuary particularly for the St. Paul Teachers use of the Commission Actuary. Mr. Perkins responded that so far no requests have been received so a fee schedule has not been set up.

Senator Pogemiller referenced page 9 and questioned whether any Commission member or Legislator could request services without approval by an officer of the Commission. Mr. Martin responded that the guidelines refer only to requests from outside of the Pension Commission and outside of the Legislative process. Since it refers only to retirement funds, state agencies and non-state government requesters of services, it does not address the situation with respect to members of the Commission or Legislature. Senator Pogemiller then asked what the policy of the Commission was for individual members of the Commission or legislators who do not serve on the Commission. Senator Moe responded that the policy has been that the Commission would have to approve requests for actuarial work for individual members of the Commission for work that wouldn't be taken up by the Commission as a whole.

Senator Moe requested that the Commission review the guidelines and consult with Mr. Martin before the next meeting if there are any questions and, if there are no objections to the guidelines, they will be adopted at the next meeting.

## St. Paul Ramsey Hospital Pension Coverage.

Mr. Martin stated that a meeting has been set up with PERA and representatives of the St. Paul Ramsey Medical Center to discuss the issues involved. Ms. Geraldine Wedel of the Minnesota Nurses Association stated her concern with PERA funding adequacy if members are transferred out of the plan. It is her belief that the PERA plan is the best plan because it is transferrable from hospital to hospital and from agency to agency under government jurisdiction. She also believes PERA is a better plan than the new plan proposed. Discussion followed. Representative Simoneau commented that under the definition of a public employee there is no barrier to identifying the current members as public employees and retaining them in PERA. There was further discussion.

## Interim Agenda.

Senator Moe commended Mr. Martin and Mr. Heidelberg on the thoroughness of the memo setting forth the issues that confront the Commission and recommended the following 6 to be considered as priority interim topics:

1. Benefit adequacy and consistency.
2. Benefits for pre-1973 retirees and the Minnesota Post Retirement Investment Fund.
3. Consolidation of the Local Police and Fire Plan
4. Local investment policies - particularly the report of the State Auditor. This report should be published soon.
5. Pension system management and oversight, potentially involving some Commission staff additions and possibly recommending a Department of Pensions or some agency in the Executive Branch to oversee pensions.
6. Fiduciary responsibilities for the Boards of Trustees for the pension funds. Senator Moe recommends the Commission sponsor a seminar to raise the awareness of the trustees as well as instructing them on how to best meet their fiduciary responsibilities.

Senator Moe stated that the Commission's primary responsibility is to make public pension plans work. Representative Simoneau commented that he would like to add to Senator Moe's choice by combining number 1 and 5 from page 2 with Senator Moe's choice of Benefit adequacy and Consistency. Senator Moe agreed. Senator Pogemiller questioned whether it wouldn't be helpful to set up a tentative schedule for the next legislative session in order to have drafts of bills on the table within the first two days of the new session. Senator Moe agreed that we have a good opportunity in the interim with the staff to get some of this legislation drafted and the background work well underway.

Meeting adjourned at 3:17PM

Wayne Simoneau  
Commission Secretary  
Jean Liebgott