

September 17, 1991  
Room 10 State Office Building

17th Meeting



## LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

### MINUTES

Representative Leo Reding, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 9:35 A.M.

#### Commission members present:

Representatives Richard Jefferson, Bob Johnson and Leo Reding  
Senators Steven Morse, Lawrence Pogemiller and Leroy Stumpf

#### Recap of Testimony from the August 1991 Commission Meeting.

Edward Burek, LCPR Deputy Executive Director, reviewed a summary of the August 5, 1991 presentations by the panel of economists comprised of Arthur Rolnick, Director of Research, Federal Reserve Bank of Minneapolis; Daniel Laufenberg, Senior Economist, IDS; and Pat Meagher, Economic Staff, Department of Finance. Mr. Burek stated that the panel had been requested to speak on the topic of investment earnings assumptions and wage assumptions.

#### The Impact of Different Actuarial Assumptions.

Lawrence A. Martin, LCPR Executive Director, reviewed local police and fire assumptions and the impact different assumptions have on the actuarial costs of pension plans. Mr. Martin stated that prior to 1984, all Minnesota public pension plans used the same assumptions but in 1984 the assumptions were changed for all the funds except local police and paid fire funds. Currently, Minnesota has three different sets of assumptions and members of the Commission questioned whether it made sense to continue the policy of different assumptions.

Sen. Morse questioned whether higher interest assumptions with lower salary assumptions caused a higher unfunded actuarial accrued liability. Mr. Martin responded affirmatively. Sen. Morse questioned what would be considered normal actuarial assumptions on a national level.

Brian Rice, MN Police Pension Council and Minneapolis Police and Fire Relief Associations, responded to Sen. Morse's question. Mr. Rice stated that the 1984 Winkelvoss study suggested an 8% interest and 6.5% salary assumption. He noted that MERF and the police and fire funds were not included in this change in assumptions because the change may have caused a city's budget levy to more than double. Mr. Rice continued by stating that in 1989 the statewide funds changed to an 8.5% interest and 6.5% salary assumption. He further stated that as the police and fire funds become approximately 80% funded, an 8% interest and 6% salary assumption may work for the police and fire funds. He recommended that if the interest and salary assumptions are changed, consideration should also be given to benefit improvements. Discussion followed.

Stan Peskar, League of MN Cities, stated that the LMC does not currently have a position on changing the assumptions. However, the cities want careful consideration to be given to the impact on municipalities of changing the assumptions. Mr. Peskar spoke in opposition to providing benefit improvements for police and paid fire funds at this time. He further stated that he believed the last tax bill eliminated the special levy for the extra costs of pension support. Discussion followed.

#### Continuation of Review of Options in Providing Interstate Portability of Public Pension Plan Benefits or Credit - Review of Experience in Other Jurisdictions.

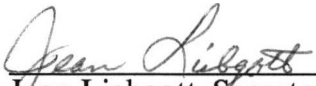
Lawrence Martin reviewed a staff memo on interstate portability and two attached reciprocal agreements. He noted that previously Commission members had expressed an interest in the Canadian method of pension portability and he reviewed the information received by the Commission about the Province of Manitoba Civil Service Superannuation Board. He further stated that information provided by Karen Kilberg, MTRFA Executive Director, and Laurie Hacking, PERA Executive Director, showed that 38 states in the United States offer

some form of a non-actuarial out-of-state teaching service buyback. Discussion followed. Mr. Martin then reviewed federal pension portability initiatives. He then requested further direction from the Commission on this topic.

Rep. Reding stated that the House Mini-Session would be held October 21st, 22nd and 23rd and he asked members if they would like to meet on October 29th and 30th. Staff will check with members to determine an appropriate date.

Rep. Reding stated he wanted to establish a Volunteer Firefighter Subcommittee. Sen. Stumpf expressed an interest in being on a Volunteer Firefighter Subcommittee.

The meeting adjourned at 11:40 A.M.

  
Jean Lieb Gott, Secretary