

July 8, 1992
Room 15 Capitol

31st 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 10:05 A.M.

Commission members present:

Representatives Richard Jefferson, Bob Johnson, Gerald Knickerbocker, Rich O'Connor and Leo Reding

Senators Steven Morse, Lawrence Pogemiller, Earl Renneke, Leroy Stumpf and Gene Waldorf

Rep. Reding introduced the second item on the agenda, the Amendments to the Commission's Standards for Actuarial Work.

Lawrence Martin, LCPR Executive Director, reviewed the staff memo on the Standards for Actuarial Work.

Thomas Custis, Milliman and Robertson, introduced Bill Hogan, also from Milliman and Robertson, and then Mr. Custis began his review of the changes to the Standards of Actuarial Work. He noted that he had recently received comments from the TRA and SPTRFA actuary but did not incorporate those suggestions in the Standards this time. Mr. Custis continued reviewing the changes that were considered substantive. Discussion followed.

Sen. Pogemiller expressed a desire to have the Commission-retained actuary and the pension fund actuaries work out a methodology so that actuarial work provided on proposals during the Legislative Session would be in agreement.

Rep. Reding moved to approve the new Standards for Actuarial Work. **MOTION PREVAILED.** Discussion followed.

Rep. Reding introduced the third item on the agenda, the Commission Study of Survivorship Benefit Gaps in Minnesota Public Pension Plan Coordinated Programs.

Lawrence Martin reviewed the background and staff memo on this issue. He noted that in 1957 Minnesota public pension plans began to add Social Security coverage for members. When the state added Social Security coverage, benefits were downsized to coordinate with the Social Security coverage. This left some members with only Social Security survivor benefits. Mr. Martin further noted that a study on this issue will be presented to the Legislature early in the next session as required by a provision in state law passed last session. Discussion followed.

Stan Peskar, League of MN Cities, responded to a question about the survivor coverage provided by cities. He further stated that most cities offer life insurance based on the employee's annual salary. Discussion continued.

Rep. Reding introduced the fourth item on the agenda, Recent Pension Plan Management and Administrative Issues.

Edward Burek, Deputy Executive Director, updated members on the embezzlement of \$30,000 from the Vergas Volunteer Fire Relief Association. It was suggested that all checks over a certain amount require a countersignature by someone from the city to prevent this kind of problem in the future. This is currently required by state law for police and paid fire relief associations for all disbursements over \$5,000.

Mr. Burek updated members on MERF rental property payment problems. MERF's internal auditing group was examining MERF's vacant units to determine necessary repairs and discovered ten of the units were not vacant. The investigation is continuing into this matter and there will be criminal action.

Sen. Pogemiller questioned whether there is a potential for other pension funds to be

involved in a similar situation. Mr. Burek stated that there was that potential.

James Hacking, MERF Executive Director, stated that prior to 1990, MERF's policy was to handle everything internally. The State Auditor found that MERF's property management function was growing due to a large number of foreclosures and it recommended that MERF perform an intensive internal audit. Mr. Hacking stated that the MERF property manager had been terminated and possibly also will be the subject of criminal action. Since August 1990 when Mr. Hacking was hired, the Board has directed a systematic review of all of the various aspects of the fund's management. The last area for review and audit will be MERF's mortgage servicing function.

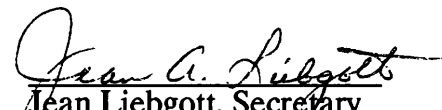
Rep. Reding introduced the first item on the agenda, the Summary of 1992 Session Pension Legislation.

Edward Burek reviewed the summary and noted that one of the significant changes this session was the increase in interest rates from 6% to 8.5% for the repayment of refunds or other repayments.

Further on in his review, Mr. Burek referred members to the controversial interpretation of the lump-sum supplemental retirement benefit appropriation language by the Department of Revenue. The Department of Revenue is interpreting this language as a \$395,000 appropriation for reimbursements the Department made in 1992.

The most significant change that occurred this session was the change in the post retirement adjustment formula. A post retirement increase will be based on three components rather than just on investment gains over 5%.

The meeting adjourned at 12:40 P.M.


Jean Liebgott, Secretary