

November 30, 1992
Room 10 State Office Building

32nd 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 1:10 P.M.

Commission members present:

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

Senators Lawrence Pogemiller and Leroy Stumpf

Rep. Reding introduced the third item on the agenda, the **Investment Performance of Statewide and Larger Local Minnesota Public Pension Funds**.

Edward Burek, LCPR Deputy Executive Director, referred members to the staff memo on the issue entitled Time-Weighted Rate of Return Reporting, Minnesota Public Pension Funds and the tables accompanying the memo. Mr. Burek stated that Table A, contained in the memo, gives an indication of the importance of investment performance in funding the pension plans. The table indicates investment income to be one and one-half times more than the combined employee and employer contributions. Mr. Burek then reviewed non-public safety plans, police and paid fire, and volunteer firefighters investment returns. He noted that the biggest problem with the 1991 time-weighted rate of return forms was asset misclassification. He also noted that the 1991 data seems to have improved over the 1990 data. Mr. Burek summarized the rate of return compliance problems discussed in the staff memo. He recommended reconsideration of legislation passed last session by the Legislature and vetoed by the Governor which would have simplified the time-weighted rate of return formula for certain relief associations.

Sen. Pogemiller questioned whether the funds that had compliance problems were penalized for their non-compliance. Mr. Burek stated that currently there is no penalty for non-compliance but recommended that the Commission consider this issue during the next session. Discussion followed.

Rep. Reding introduced the second item on the agenda, a **Review of Employee and Employer Contribution Rates to the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS General) Under Laws 1992, Chapter 513, Article 4, Section 39**.

Lawrence A. Martin, LCPR Executive Director, reviewed the staff memo and third page draft motion on this issue. He stated that the issue pertains to the budget balancing action taken last session which reduced the MSRS-General employer and employee contributions. The law provided authority for the Commission to increase the MSRS employee and employer contribution if MSRS-General was negatively impacted by the contribution reduction based on the most recent actuarial valuation.

Rep. Johnson questioned whether the motion on page three of the staff memo addressed the Commissions' concerns. Mr. Martin responded that it did.

Sen. Pogemiller requested background information on the history of this issue and the authorization for the Commission to take this action. Discussion followed.

David Bergstrom, MSRS Executive Director, commented on the issue and supported increasing the employee and employer contributions. Discussion followed.

Rep. Johnson moved the motion printed on page three of the staff memo. **MOTION PREVAILED** by majority vote.

Sen. Pogemiller questioned whether the rules of the Commission permitted action on this issue without three Senate and three House member votes. Rep. O'Connor referred members to the second paragraph of Commission rule 5.0 which states that three votes

from both the House and Senate are only required for legislative action, and all other matters require a majority vote.

Rep. Reding expressed his gratitude to the members of the Commission for all their hard work during the last biennium particularly the Chair of the Actuarial Subcommittee, Senator Gene Waldorf, and Chair of the Volunteer Firefighter Subcommittee, Senator Leroy Stumpf.

Rep. Reding introduced the first item on the agenda, **Approval of Minutes of Prior Commission Meetings.**

Rep. Reding called attention to the heavy meeting schedule followed by the Commission as evidenced by the large number of sets of meeting minutes.

Rep. O'Connor moved the seven sets of Actuarial Subcommittee meeting minutes from March 8, 1991 through June 19, 1991, the three sets of Volunteer Firefighter Subcommittee meeting minutes from November 18, 1991 through December 17, 1991, and the 19 sets of Commission meeting minutes for meetings from July 2, 1991 through July 8, 1992.

MOTION PREVAILED.

Rep. Knickerbocker questioned what effect the committee restructuring in the House and Senate would have on the Legislative Commission on Pensions and Retirement. Rep. Reding responded that it was his belief that the Pension Commission would continue to function under the Government Operations Committee.

The meeting adjourned at 2:18 P.M.

Jean Liebgott, Secretary