



August 28-29, 2013

Room 123 Capitol

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

August 28, 2013

Call to order:

Senator Sandra Pappas, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 1:05 p.m.

Commission Members Present:

Representatives Benson, Kahn, Lesch, M. Murphy, Nelson, and O' Driscoll
Senators Goodwin, Johnson, Pappas, Rosen, Saxhaug, and Thompson

Commission Members Absent:

Representative Morgan and Senator Hayden

Agenda Items

Approval of minutes

Sen. Saxhaug moved approval of the April 2, 2013, meeting minutes. **MOTION PREVAILED**

Review of current Minnesota defined benefit public employee retirement plan post-retirement adjustment mechanisms; first consideration

Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, reviewed the first consideration staff memo.

David Bergstrom, Executive Director, MSRS, testified regarding the development of the current MSRS post-retirement adjustment mechanism and that using a one-size-fits-all approach to achieve uniformity between plans doesn't necessarily work in reality.

Laurie Hacking, Executive Director, TRA, testified regarding the development of the current TRA post-retirement adjustment mechanism and that TRA needed a front-loading of savings in 2010.

Mary Most Vanek, Executive Director, PERA, testified regarding the development of the current PERA post-retirement adjustment mechanism and that the board held some very difficult discussions in 2009-2010 regarding PERA plans post-retirement adjustments and again in 2013 for the police and fire plan.

Christine McDonald, Deputy Director, SPTRFA, testified regarding the development of the current SPTRFA post-retirement adjustment mechanism and that reducing the cost-of-living adjustment was intended to include retirees in addressing the plan's funding problems.

Dennis Hoelscher, retired Hennepin County deputy sheriff, testified and provided handout materials regarding the correlation between post-retirement adjustments and increases in the cost of living and that police and fire retirees have fallen well behind when compared to increases in the cost of living.

Kim Crockett, MN Free Market Institute at Center of the American Experiment testified that while the goal to protect public pensions against inflation is reasonable, many retirement plans in the private sector don't have cost-of-living adjustments but rather rely on personal management against inflation. Ms. Crockett urged Commission members to keep in mind how cost-of-living adjustments impact the overall health of a retirement fund.

Brian Rice, representing Minnesota Professional Fire Fighters, Minnesota Police and Peace Officers Association, and SPTRFA, testified that if you look at the 10-year history of post-retirement adjustments, no one has kept up with inflation and DTRFA and SPTRFA are significantly behind. Mr. Rice also commented that police and fire retirees are not covered by Social Security and therefore do not receive the inflation-based increases that most private sector retirees receive in their Social Security benefits.

Recess:

The meeting recessed at 3:00 p.m.

August 29, 2013

Call to order:

Senator Pappas called the meeting back to order at 9:05 a.m.

Commission Members Present:

Representatives Kahn, Lesch, M. Murphy, Nelson, and O' Driscoll
Senators Goodwin, Hayden, Johnson, Pappas, Rosen, Saxhaug, and Thompson

Commission Members Absent:

Representatives Benson and Morgan

Agenda Items, continued

Review of current Minnesota defined benefit public employee retirement plan interest rate assumptions; first consideration

Lawrence A. Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the first consideration staff memo.

Laura Kalambokidis, Minnesota State Economist, reviewed her presentation materials and responded to members' questions.

Howard Bicker, Executive Director, State Board of Investment, reviewed his presentation materials and responded to members' questions.

Becky Gratsinger, CFA, R.V. Kuhns (SPTRFA investment consultant) reviewed her presentation materials and responded to members' questions. When asked if an 8% interest rate assumption is still reasonable, Ms. Gratsinger responded that they believe 8% is still achievable both long- and short-term.

Don Leathers, Legislative Chair, Retired Educators Association of Minnesota (REAM), provided handout materials and testified that REAM's position is to continue the current select and ultimate assumption.

Kim Crockett, MN Free Market Institute at Center of the American Experiment, testified as a critic of an 8% or 8.5% interest rate assumption; that without sufficient funding and assets, a high investment return will still not be enough to fund a plan over time; that the 2010 financial sustainability measures may not have been enough; and urged Commission members to ensure that retirement benefits are appropriate given the available assets of a plan and to avoid "generational theft."

PERA minimum salary membership threshold and related membership inclusion and exclusion issues; first consideration

Mr. Martin reviewed the first consideration staff memo.

Mary Most Vanek, Executive Director, PERA, presented the study report and responded to members' questions. Ms. Vanek noted that none of the proposals would exclude those currently in membership.

Sen. Pappas announced that the topic would be scheduled again for the October Commission meeting to allow for public testimony.

Other public testimony

Tom Threinen, retired Duluth school principal, testified that while public employee pensions morally and legally need to be paid, as a state taxpayer he is concerned about who will pay the \$16.7 billion in unfunded actuarial accrued liabilities and urged members to consider hybrid/defined contribution plans.

Adjournment

The meeting adjourned at 11:35 a.m.