



September 11-12, 2013

Room 123 Capitol

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

September 11-12, 2013

Call to order:

Senator Sandra Pappas, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 1:10 p.m.

Commission Members Present:

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

Commission Members Absent:

Representatives Kahn, Lesch, and Morgan and Senators Hayden and Saxhaug

Agenda Items

First class city teacher retirement plan consolidation study, first consideration

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

Laurie Hacking, Executive Director, TRA, and J. Michael Stoffel, Executive Director, DTRFA, reviewed their presentation materials.

Jan Alswager, Education Minnesota, testified in support of the study but indicated that Education Minnesota won't take an official position on a potential consolidation until the study is completed.

Approval of minutes

Sen. Rosen moved approval of the August 28-29, 2013, meeting minutes. **MOTION PREVAILED**

Minnesota defined benefit public employee retirement plan interest rate assumptions, second consideration

Mr. Martin reviewed the second consideration staff memo on the topic and the potential draft legislation.

J. Michael Stoffel, Executive Director, DTRFA, introduced Jeff Slocum and testified regarding the DTRFA investment policy and allocation.

Jeff Slocum, Jeffrey Slocum & Associates (DTRFA investment consultant) reviewed his presentation materials and responded to members' questions. When asked if an 8-8.5% interest rate assumption is still reasonable, Mr. Slocum responded that, although there are implications, it is achievable.

David Bergstrom, Executive Director, MSRS, provided a handout on the implications of moving to an 8% discount rate; using 2012 data, MSRS would move from being 86% funded to 82% funded.

Mary Most Vanek, Executive Director, PERA, provided a handout on the implications of moving to an 8% discount rate; using 2012 data, the PERA-General actuarial accrued liabilities would increase by \$723 million and the contribution deficiency would increase by 1.5%.

Laurie Hacking, Executive Director, TRA, provided a handout on the implications of moving to an 8% discount rate; using 2013 estimated data, TRA's deficiency would grow by 2.5%.

Recess:

The meeting recessed at 3:10 p.m.

September 12, 2013

Call to order:

Senator Sandra Pappas, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 9:10 a.m.

Commission Members Present:

Representatives Kahn, Nelson, and O' Driscoll

Senators Goodwin, Hayden, Johnson, Pappas, Rosen, and Thompson

Commission Members Absent:

Representative Benson, Lesch, Morgan, and M. Murphy and Senator Saxhaug

Agenda Items, continued

Minnesota defined benefit public employee retirement plan post-retirement adjustment mechanisms, second consideration

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

Representative O'Driscoll staff to provide to provide additional information about the concept of benefit adequacy, including the appropriate level of income replacement.

Sen. Rosen asked staff to provide examples illustrating retiree lost purchasing power if post-retirement adjustments were delayed or if adjustments did not fully compensate for inflation.

Sen. Rosen asked staff to provide information about whether various cohorts of retirees were maintaining their purchasing power given their post-retirement adjustments and inflation over time.

Commission staff was asked to survey other states that have pension systems in similar actuarial condition to that of Minnesota and to report on the post-retirement adjustment procedures used.

Mr. Burek indicated that he would invite a representative of the PEW Foundation to appear before the Commission to review their work.

Adjournment

The meeting adjourned at 10:30 a.m.

Lisa Diesslin, Commission Assistant