



April 8, 2015

Basement Hearing Room, State Office Building

## LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

### MEETING MINUTES

#### **Call to order:**

Representative Tim O'Driscoll, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 5:40 p.m.

#### **Commission Members Present:**

Representatives Albright, Anderson, Erickson, Kresha, Murphy, O'Driscoll, and Thissen  
Senators Goodwin, Johnson, Pappas, Rosen, Saxhaug, and Thompson

#### **Commission Members Absent:**

Senator Hayden

### Agenda Items

#### **Presentation by the Commission actuary, Deloitte Consulting, LLP**

Judy Stromback, Supervising Actuary, and Michael de Leon, Lead Actuary, Deloitte Consulting LLP, provided a brief introductory presentation of Deloitte's role and function as the Commission's actuary and responded to questions from Commission members. Presentation materials were distributed.

#### **Approval of the March 24, 2015, meeting minutes**

Rep. Erickson moved approval of the March 24, 2015, meeting minutes. **MOTION PREVAILED.**

#### **Presentation by the State Board of Investment**

Mansco Perry III, Executive Director, State Board of Investment, provided and reviewed overview materials on the State Board of Investment and responded to questions from members.

#### **Discussion of the MERF-PERA merger**

H.F. 1203 (O'Driscoll) and Thissen amendment H1508-9A were distributed.

Rep. Thissen reviewed the amendment and the history and provisions of the MERF merger. The Thissen amendment is intended to fill in the blanks of the original bill, the state's contribution comes down from \$24 million to \$16. The issue the Pension Commission needs to resolve is to figure out how this fund is sustainable into the future. If we don't make this investment, every employer and every employee and as a result the taxpayers will have to make up the difference.

Shana Jones, Policy Director, PERA, testified that when the MERF fund reached 80% on June 30, 2014, the fund was merged fully into PERA and that the \$37 million figure represents what PERA would need on an annual basis until the full funding date of 2031 and reflects the stronger mortality assumptions and the expected 8% rate of return assumption change.

Rachel Thurlow, Executive Director, Legislative Commission on Pensions and Retirement, reviewed amendment H1508-9A, pointing out section 30 on page 25 requires PERA to perform an actuarial study using both the current PERA-General actuarial assumptions and assumptions recommended in the upcoming experience study.

Rep. Thissen indicated that he believes the study is not needed.

Ms. Jones testified that the proposal to add a MERF member to the board was not discussed by the PERA board and that she requested additional time to get feedback on the issue.

David H. Johnson, Faegre Baker Daniels, testified in support of the bill and provided historical information on the 2010 merger and that all of the parties agreed in 2010 that everyone contribute to the solution, including employees, retirees, the employers, and the state. Mr. Johnson also testified to his concern regarding the actuarial figures provided by PERA and the importance of addressing the remaining unfunded liability.

Ms. Jones testified to PERA's concerns regarding the funding requirements: the rate of return, which has been addressed, the anticipated mortality assumption changes, also now addressed and included in the \$37 million figure. PERA's remaining concern is that this is happening during a high market period and that it may be prudent to anticipate a market correction and to think about what would happen.

Rep. Thissen moved amendment H1508-9A. **MOTION PREVAILED.**

Sen. Pappas, recommendation of reducing contributions to pension funds during good times and we then run into trouble later. Wants to be clear that \$37 takes into account the next 15 years the highs and lows.

Ms. Jones testified a lot of this has happened very quickly and PERA staff has not been able to discuss with board. The \$37 million number looks reliable and they are not opposed to going forward, but haven't really had time to review. They believe the figure is accurate. Ms. Jones indicated that the PERA board next meets in May.

Rep. Thissen, what happens if we don't do anything?

In response to a question from Rep. Thissen regarding the implications of doing nothing, Ms. Jones testified that PERA's legal director looked at statutes and if nothing occurred this year there would be a risk of ambiguity regarding billing for benefits since the bill helps to clarify that the MERF division does not exist and where the payments come from.

Dave de Jonge, Interim Executive Director, PERA, testified that they are comfortable moving forward, that \$37 million is a good number, assumes an 8% return, and that they worked with their actuary.

Rep. Thissen informed members that in 2010 the employees took a reduction in benefits, and the employers and the state shared in the funding in a 52%/47% split, respectively. The proposed amendment reduces the state's share, resulting in a 58%/42% split.

O'Driscoll requested advice from Mark Shepard, House Research and Counsel, from Rep. Thissen, and from Ms. Jones about striking section 30, the special actuarial report.

Rep. Thissen indicated that section 30 could be deleted. Mr. Shepard and Ms. Jones agreed.

Rep. Thissen moved to delete section 30. **MOTION PREVAILED.**

Thissen, thought behind this was that now MERF is making up a significant part of the fund. If we do, need on line 5.3 to increase number of board members?

Ms. Jones requested additional time to consider the issue of adding a MERF member to the board and that they generally prefer to have an odd number of members of the board.

Rep. Erickson asked Mr. Shepard, if he had any recollection of other closed funds that merged having a specified board position. Mr. Shepard responded no.

Mr. Johnson testified in support of adding a MERF member to the board, at least until 2031.

Rep. Thissen moved to amend amendment H 1508-9A, line 5.3, strike "11" and insert "12"; line 5.4 strike "10" and insert "11"; 5.10 strike "5" and insert "6". **MOTION PREVAILED.**

Sen. Pappas moved the H1508-9A amendment, as amended, be recommended to pass and be incorporated into the omnibus. **MOTION PREVAILED.**

Jones testified in support of amendment LCPR15-06A.

Sen. Pappas moved amendment LCPR15-06A. **MOTION PREVAILED.**

**Reconsideration of H.F. 298 (Runbeck); S.F. 251 (Chamberlain): Providing for continued retirement coverage by the Centennial Volunteer Firefighters Relief Association upon withdrawal of one city from the Centennial Fire Department joint powers agreement.**

Ms. Thurlow reviewed the situation of the relief associations and reviewed amendment H1508-8A.

Rep. O'Driscoll moved amendment H1508-8A. **MOTION PREVAILED.**

Randy Ralstad, President, Centennial Volunteer Firefighters Relief Association, testified in support of the amendment, noting that he received support from the city of Lino Lakes today in the form of a letter from the city administrator.

Rep. O'Driscoll moved amendment H1508-7A, as amended. **MOTION PREVAILED.**

Rebecca Otto, State Auditor, testified in support of amendment H1508-10A.

Rep. Murphy moved amendment H1508-10A. **MOTION PREVAILED.**

**Review and final action on the 2015 Omnibus Retirement Bill (H1508-2A).**

Ms. Thurlow reviewed the technical amendments, recommending the correction of a cross-reference in amendment H1508-3A (clarifying the termination of police and firefighter retirement supplemental state aid) on page 1, lines 8 and 16, by deleting "1" and inserting "2".

Sen Pappas moved H1509-3A incorporating the technical correction. **MOTION PREVAILED.**

Sen. Pappas moved H1508-5A (clarifying the SPTRFA post-retirement adjustment mechanism). **MOTION PREVAILED.**

David Bergstrom, Executive Director, MSRS, testified in support of amendment H1509-6A.

Sen. Pappas moved amendment H1508-6A (clarifying the language of the interest rate actuarial assumption provisions). **MOTION PREVAILED.**

Rep. O'Driscoll moved delete-all amendment H1508-2A, as amended, be adopted as the 2015 Omnibus Pension Bill. **MOTION PREVAILED.**

**Adjournment**

The meeting adjourned at 8:00 p.m.

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Lisa Diesslin, Commission Assistant