



February 14, 2012

Room 5 State Office Building

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

**Call to order:**

Representative Morrie Lanning, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 5:05 p.m.

**Commission Members Present:**

Representatives Phyllis Kahn, Mary Kiffmeyer, Morrie Lanning, Mary Murphy, and Steve Smith  
Senators Roger Chamberlain, Theodore Daley, D. Scott Dibble, Sandra Pappas, and Julie Rosen

Agenda Items

**Approval of prior Commission meeting minutes.**

Rep. Kiffmeyer moved approval of the January 31, 2012, meeting minutes. **MOTION PREVAILED.**

Chair Lanning announced that there would be no votes on bills at the meeting, but that the bills would be heard and laid over for possible inclusion in the omnibus retirement bill.

**H.F. 1507 (Banaian); S.F. 1841 (Chamberlain): MN public plans; Interest rate actuarial assumption revisions.**

Rep. King Banaian presented and testified in support of his bill. Rep. Banaian referred to the report "2011 State Pension Funding Review" by Loop Capital Markets, which was provided to members by Kim Crockett, Center of the American Experiment.

Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill, informing members that the bill would need to be considered in the form of delete-all amendment H1507-1A due to statutory changes enacted in 2011.

**H.F. 2168 (Lanning); S.F. xxxx: MN public plans; Interest rate, salary scale, and payroll growth actuarial assumption revisions.**

Rep. Lanning presented and testified in support of his bill.

Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill.

Public Testimony on H.F. 1507 (Banaian) and H.F. 2168 (Lanning)

Mark Haveman, Executive Director, Minnesota Taxpayers Association, testified in support of lowering the interest rate actuarial assumption.

Steve Hunter, Secretary-Treasurer, Minnesota AFL-CIO, and on behalf of the Public Employees Pension Coalition, testified in opposition to lowering the interest rate actuarial assumption. Mr. Hunter also testified to urge members to go slowly and obtain actuarial reports when considering hybrid plans.

Julie Bleyhl, Legislative Director, AFSCME Council 5, testified in opposition to lowering the interest rate actuarial assumption on behalf of the following organizations:

- |                                   |   |
|-----------------------------------|---|
| AFSCME Council 5                  | Minnesota Association of Professional Employees |
| AFSCME Council 5 Retirees United  | Minnesota Government Engineers Council          |
| Education Minnesota               | Minnesota Nurses Association                    |
| Education Minnesota Retired       | Minnesota State College Faculty                 |
| Inter-Faculty Organization        | Minnesota State Patrol Troopers Association     |
| Middle Management Association     | Police Federation of Minneapolis                |
| Minneapolis Committee of Thirteen | Retired Educators Association of Minnesota      |
| Minnesota AFL-CIO                 |   |

Kim Crockett, Chief Operating Officer, EVP and General Counsel, Minnesota Free Market Institute at the Center of the American Experiment, distributed three handouts entitled "2011 State Pension Funding Review" (Loop Capital Markets), "Pension/OPEB 2011 Assumption and Disclosure Survey" (PWC), and her "Testimony Notes," and testified in support of lowering the interest rate actuarial assumption.

Howard Bicker, Executive Director, State Board of Investment, testified to the SBI long-term average returns in 2008 of 9.36% and in 2011 of 8.36%, and responded to questions from members.

David Bergstrom, Executive Director, MSRS, testified that the MSRS board reaffirmed its position of moving to an 8.0% interest rate assumption in steps, but would consider a select-and-ultimate assumption with a 8.0% select period for five years and an 8.5% ultimate rate. The board recommended a shorter select period to encourage a review of the long-term rate.

Laurie Hacking, Executive Director, TRA, testified that the TRA board favors maintaining the current 8.5% interest rate assumption, but would be comfortable with a select-and-ultimate approach so long as the long-term 8.5% rate is maintained.

Mary Vanek, Executive Director, PERA, testified that the PERA board affirmed its position of moving to an 8.0% interest rate assumption in steps, and that the board would be comfortable with a select-and-ultimate approach because it would meet their goal of reviewing the lower rate after a shorter period.

Mr. Bergstrom, Ms. Hacking, and Ms. Vanek distributed the following handouts:

MSRS Handout: "Salary Growth Analysis"

PERA Handout: "Salary Growth Analysis"

TRA Handout: "Salary Growth Analysis"

Retirement Systems of Minnesota Handout: "Analysis of Pension Bill H.F. No. 2168"

#### **H.F. 2179 (Kiffmeyer); S.F. xxxx: MN public plans; MSRS-Unclassified program coverage required for overtime salary.**

Rep. Kiffmeyer presented and testified in support of her bill.

Mr. Martin reviewed the staff memo and policy issues raised by the bill.

David Bergstrom, Executive Director, MSRS, testified to some potential administrative issues regarding local government reporting requirements and the potential that administrative fees can diminish small account balances quickly in a defined contribution plan.

Keith Carlson, Executive Director, Minnesota Inter-County Association, testified to the concerns of human resources directors and payroll administrators about the potential administrative burden, the question of how to deal with combined time/overtime for employees with dual service; i.e., in both a general and a correctional plan, and the potential of the proposal to create an actuarial loss for the plans.

Anne Finn, Assistant Intergovernmental Relations Director, League of Minnesota Cities, testified to the same concerns that Mr. Carlson raised and that their members are concerned that the proposal adds additional complexity to an already complex pension system.

#### **Options relating to the potential establishment of a hybrid retirement plan.**

Mr. Martin reviewed the staff memo on hybrid retirement plans.

### **Non-Agenda Items**

#### **Miscellaneous public testimony**

Mary Raplinger testified concerning the large post-retirement increases in the past that were mentioned by Rep. Kiffmeyer, and asked for information regarding the retiree groups receiving those increases. Rep. Kiffmeyer indicated that she would supply the published information to Ms. Raplinger.

#### **Adjournment**

The meeting adjourned at 7:00 p.m.

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Lisa Diesslin, Commission Assistant