

July 21, 1981
Alexandria, Minnesota

MINUTES

PRESENT: Senators Collin Peterson, Dennis Frederickson, Earl Renneke,
Donald Moe (Also Sen. Anne Stokowski)
Representatives John Sarna, Leo Reding, Frank Rodriguez

Chairman, Rep. Sarna, opened the meeting.

Problems Related to Disability Benefit Coverage

Lawrence Martin, Exec. Sec., presented the memo relative to disability benefit coverage problems. A subcommittee chaired by Rep. Frank Rodriguez, including Representatives Leo Reding and John Sarna, and Senators Dennis Frederickson, Allan Spear and Earl Renneke, will study the disability problem. After five previous hearings on the problem of disabilities, it appears that there is a disability benefit problem among Minnesota public pension funds. It is more significant among some of the local police and salaried firefighters' funds.

Jim Heim, Duluth Firefighters, reported that the totally disabled person receives \$100 per week under Federal law, and if the disability is not working anywhere else, the disability payment is totally deductible.

Dick Nelson, Minneapolis Retired Police Association, discussed the disability problem where employees come in the first five years who go on disability because of adjustment problems, such as stress, alcoholism, etc.

Preliminary Results of 1980 Local Police and Salaried Firefighters Relief Associations' Actuarial Valuations

Karen Dudley, Commission staff, went over the memo and discussion followed. The memo contained a preliminary review of the results of the 1980 local police and salaried firefighters relief association' actuarial valuations.

Normal cost as a percentage of payroll for police is 21.67% and for fire is 23.08%. The funds are required to calculate what their requirements are. Mr. Heim, Duluth Firefighters, told the Commission that the Duluth Fire never get from 2 to 5% of what they are supposed to collect in any one year.

The 1980 Legislature increased the police and fire contributions to 8% of payroll. The projected normal cost figures under the 8% increase for fire will be 32.96% of payroll and for police will be 33.82% of payroll.

Relative to a discussion re the two year time lag problem in the financing requirements, Gary Findlay, Gabriel, Roeder, Smith & Co., told the Commission that the levy is predicated on projected salary and projected revenue and that there will always be this difference but that the gap will narrow in the future but that it will never be exact.

Results of the Recent Experience Studies of the Local Police and Fire Funds

Lawrence Martin went over the memo and discussion followed. Chapter 563, Laws 1978, required for the first time that various local police and salaried firefighters relief associations submit quadrennial experience studies. The memo recommends that the Commission consider the results of these quadrennial experience studies in order to draw the attention of the various relief association boards of trustees to those assumptions which need revision, especially strengthening.

Legislative Audit Reports of MSRS, PERA and TRA

Larry Martin went over the memo. "The audit report summarizes and expresses an opinion on the fairness of the presentation of the financial position of the various retirement funds and plans involved."

A communication from Paul Groschen, Executive Director of MSRS, was presented to the Commission, stating that MSRS does not have authority to have actuarial valuations of the Legislators' plan or the Elective Officers' Plan.

Pat Spellacy, Deputy Legislative Auditor, advised that the Legislative Audit Reports make recommendations when necessary so that the Commission is aware of the situation. The Audit Report made a recommendation for an actuarial valuation for the Legislators Plan and the Constitutional Officers Plan.

Information and charts of the organizational and staffing structure of PERA, MSRS and TRA Funds were distributed to the members of the Commission only.

Pat Spellacy introduced members of the Auditor's staff; Claudia Gudvange and Allen Willie.

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July 22, 1981 Meeting
Alexandria, Minnesota

PRESENT: Representatives Sarna, Reding, Rodriguez
Senators Donald Moe, Collin Peterson, Dennis Frederickson

The chairman, John Sarna, opened the meeting.

Problems Related to the Police and Fire State Aid Programs with Respect to Self Insurers

Larry Martin went over the memo and discussion followed.

The memo states that two state aid programs were established to distribute the revenue obtained by certain specified insurance premium taxes to meet the costs of local police, salaried firefighters and volunteer firefighters relief associations. The fire state aid program distributes the proceeds of the 2% insurance premium tax on fire, lightning, sprinkler leakage and extended coverage insurance written in the state. The police state aid program was established to distribute the proceeds of the 2% insurance premium tax on various types of automobile insurance written in the state.

"In addition to the 2% premium tax on fire, lightning, sprinkler leakage and extended coverage insurance, general law also provides that persons in Minnesota who insure against the risks associated with fire hazards either by insurance with an unauthorized insurance company or by self insurance are required to pay an amount equal to the insurance premium tax which would be payable had the insurance arrangement been regularly subject to the insurance premium tax." This provision has not been enforced by the Commissioner of Insurance since 1943. A copy of the current draft of a bill dealing with self insurers, HF 345 (Sarna), SF 306 (Moe, D.M.) plus an amendment to the bill, were attached to the memo.

Crediting of Service for Less-Than-Full-Time Employment

Lawrence Martin presented the memo and discussion followed. The problems relating to crediting of service for employees who only work part time on a permanent basis and are granted full time service credit by the Minnesota public pension funds were described and discussed by the Commission and staff.

A copy of HF 1531 (Reding) and a summary of the bill were attached to the memo. The bill "provides for the differentiation of service credit in two parts (vesting and benefit accrual) and requires the proration of benefit accrual service credit in the event of less than full time service (generally under 2088 hours)."

Due to the death of the Commission actuary, Dr. Franklin Smith, the Commission discussed a procedure for hiring a new Commission actuary.

Sen. Collin Peterson moved that the executive secretary, Larry Martin, send out notification to the local actuaries. Larry Martin was given the following directives:

1. Actuary to have no conflict of interest; cannot accept work from any of the major funds now or in the future;
2. Want an individual actuary on a long term basis;
3. Executive Committee (officers) plus a minority member to be the selection committee;
4. Larry Martin to screen the potential applicants to 4 or 5 for the selection committee;
5. Larry Martin to write an actuarial job description.

Motion Carried.

Leo Reding Secretary
Eleanor Diebel, Staff Secretary