

October 27, 1981 Meeting  
Room 118 Capitol  
7:00 PM

October 28, 1981 Meeting  
Room 118 Capitol  
9:00 A.M.

#### MINUTES

The chairman, Senator Collin Peterson, opened the meeting.

PRESENT: Representatives Leo Reding, James Rice, Frank Rodriguez, John Sarna  
Senators Collin Peterson, Dennis Frederickson (10/28/81 only)  
Donald Moe (10/28/81 only)

#### Overview of Actuarial Information

The Commission actuary, James Bordewick, presented a brief actuarial overview before reviewing the actuarial valuations of the major statewide funds. Subjects included implicit and explicit assumptions; the relationship between salary and interest assumptions and different actuarial funding methods.

#### Actuarial Valuations Reviewed

Memoranda reviewing the 1980 Actuarial Valuations for the major statewide funds had been prepared by the late Commission actuary, Dr. Franklin Smith, prior to his death. The current Commission actuary, James Bordewick, reviewed the Smith memos and presented the information to the Commission.

The following 1980 Actuarial Valuations were presented with the following changes in assumptions or benefits highlighted:

- a) Minnesota State Retirement System:
  - mortality assumption strengthened in 1980 valuation
  - correctional employees benefits improved
  - both the funding ratio (assets divided by accrued liability) and funded status (assets divided by benefits accrued to date) increased
- b) Judges Retirement Fund:
  - 1979 experience study resulted in deletion of turnover assumption, change in mortality assumption and disability rates and increased assumed retirement age
  - benefit changes increased maximum benefit amount and accrual rate
  - difficulties caused by terminal funding method
- c) Highway Patrol Retirement Fund
  - mortality assumption strengthened; resulted in large increase in normal cost and unfunded accrued liability; statutory contribution rate no longer sufficient to amortize
- d) Teachers Retirement Association:
  - no assumption or benefit changes; extreme salary scale losses
  - unfunded liability increased by 11%
  - current statutory contribution rates are insufficient to meet frozen deficit level financing requirements
- e) Public Employees Retirement Association - 1975-1979 Experience Study:

The purpose of Experience Study is to check actual occurrences against explicit assumptions such as retirement age, death rates, termination rates, etc. The differences between the trends indicated by actual occurrences and the assumptions produce either losses or gains. If deviations between assumptions and actual occurrences are minor, then assumptions do not require change.

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- f) Public Employees Retirement Association
  - no assumption or benefit changes
  - Basic fund is underfunded; Coordinated fund is overfunded; considered together, the funding for PERA is sufficient.
- g) Public Employees Police and Fire Fund
  - no assumption or benefit changes
  - unfunded accrued liability decreased