

Buyback Subcommittee Minutes
December 20, 1983
Room 81, 10 A.M.

Rep. Rodriguez opened the meeting.

PRESENT: Senators Moe, Renneke, Spear
Representatives Rodriguez

Rep. Rodriguez explained to the subcommittee that Jim Bordewick, the Commission actuary, was invited to attend this subcommittee meeting for the purpose of reviewing and explaining further some of his suggestions for consideration in the matter of buybacks.

Mr. Bordewick discussed how you would go about purchasing a buyback and keeping in mind the following objectives:

1. That whatever is done should be fair to the fund and to the participant.
2. Eliminate as many assumptions as possible in these buybacks. The participant ought to state what his intentions are as to when he is retiring and retire when he says he intends to retire-- if he buys back prior to retirement, then the cost ought to be adjusted.
3. In determining the cost of the buyback, the interest assumption and the salary assumption used in Chapter 356--5% and 3 1/2%-- ought to be used in determining cost of the buyback.
4. In order to give flexibility, the person ought to be able to buyback the service and not the benefit credit that went along with that extra year and by doing so you will lower the cost.

Sen. Spear stated a preference for #4 because it is consistent with the principles established the last few years.

Sen. Moe discussed the problem of rewarding the long term employee and not the short term employee.

Sen. Spear moved that the Bordewick recommendation that the purchase price shall be based on the funding ratio of the fund be disregarded.

Motion Carried

St. Clair Beeman informed the Subcommittee that Mr. Gaasedelen, Exec. Sec. of the Minneapolis Teachers Retirement Fund Association would like some time to explain their method of determining the buyback for veterans. Mr. Rodriguez explained that the whole Commission will be asked to deal with this problem. Mr. Gaasedelen explained how the Minneapolis Teachers Fund calculates veterans' buybacks.

Harvey Schmidt, TRA, explained that the date of payment is important-- "the date of payment and the date of retirement is very important and needs to be addressed".

Relative to buying back service credit, Karen Dudley will prepare some information on buying back service credit for the next meeting.

Karen Dudley went over a memo dealing with a number of questions relating to buybacks. Some of the decisions were:

1. The current policy requiring the payment of full actuarial value of the service credit purchased should be retained.
2. Several questions were left for further study: should persons purchasing service credit be permitted to specify their expected retirement date, should teachers forced to resign because their employers did not permit maternity leaves be permitted to buyback, should there be a limit on the number of years of service credit to be purchased?

The next meeting of the buyback subcommittee was scheduled for Thursday, January 5, 1983

Frank Rodriguez
Sec.

Eleanor Diebel
Commission Secretary