

THE MINNESOTA RETIRED STATE EMPLOYEES ASSOCIATION, INC.

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April 28, 2011

Retirement Systems of Minnesota
60 Empire Drive
St. Paul, Minnesota 55103

Attention: Dave Bergstrom, Executive Director
Minnesota State Retirement System
60 Empire Drive, Suite 300
St. Paul, Minnesota 55103-3000

Dear Mr. Bergstrom;

The Minnesota Retired State Employees Association (MRSEA) appreciates the opportunity to review and comment on the draft "Retirement Design Study" dated April 1, 2011. Similarly, we are briefly responding to the retirement and pension policy issues associated with this report. The MRSEA is a statewide organization of approximately 8,000 retired public employees in Minnesota. We advocate for the retirement interests of public retirees, particularly issues associated with pensions and health insurance.

The leadership of the three major public pension systems in Minnesota is to be commended for a very factual in-depth analysis of retirement systems in general but also specific to Minnesota's public employees and retirees. This leadership in consort with the members and staff of the Legislative Commission on Pensions and Retirement has consistently maintained a focus on appropriate pension policy and management that best serves the citizens of Minnesota. Also to be commended must be the State Board of Investment (SBI) and its Investment Advisory Council for effectively managing the \$40+ billion of pension fund investments. Long term investment performance by the SBI has been among the best in the country and has contributed to keeping employee and employer costs to a minimum.

The "Retirement Design Study" provides a good foundation for understanding the current public pension plans in Minnesota, the options available for change and the impacts of potential change on various interested parties. The study: is very factual and provides substantial documented data; furnishes significant information from prior studies throughout the country on pension systems by un-biased reputable organizations and professionals; draws on experience, both good and bad, from other public entities; and provides important comparisons of public versus private pension plans and the impacts on employee retention. The study also contributes rationale for

Defined Benefit plans versus Defined Compensation plans including proponent and opponent views. However, it is our view that most of the statements of the “opponent view” of a Defined Benefit plan (see “study” pages 36 – 38) are not supported with the data and other human resource, economic, investment and pension studies.

This study also helps us to directly face and understand another major emerging problem in America. Based on numerous recent studies, it is obvious that most current employees in this country are financially unprepared for their retirement years. As a result, retirees may spend less money to purchase goods and services in their communities and, out of necessity, will have to increasingly rely on public assistance programs. We urge the legislative leadership to acknowledge and address this reality and seek solutions which will minimize its impacts on us as taxpayers and also on the emotional response of future retirees faced with this reality. Minnesota’s public pension plans directly serve ½ million persons who play a major role in supporting the state’s economy and tax revenues to the state; we must continue that support.


Minnesota, contrary to the actions of many other states, has historically been disciplined in managing its three statewide plans. The most recent pro-active action was in response to the 2008 – 2009 investment market downturn. The 2010 Legislature adopted the recommendations of the three statewide plan boards’ to protect the financial status of the plans (including reduction in post-retirement adjustments) resulting in a cost reduction of nearly \$6 billion. Our organization supported this legislation in the interest of sustaining a solid long-term financial foundation for the pension plans even though it adversely affected the short-term finances of all of our members.

It is readily apparent to the Minnesota Retired State Employees Association that there is no benefit to the employees, the employer or retirees in converting the present Defined Benefit retirement plan to another form such as a Defined Contribution plan or some other combination. On the basis of this study and other similar studies published by un-biased reputable organizations in America, it is obvious that, for a comparable retirement benefit, a Defined Benefit plan is more cost effective than a Defined Contribution plan (see “study” page 31).

We urge the Legislature and other policy-makers to use a diligent and cautious response to changes in pension policy and plans because ill-conceived changes can result in multi-million dollar consequences that may take decades to correct. We believe that actions of this sort require careful consideration of all economic, financial, demographic and societal factors. It also requires compassionate consideration of employees and retirees and their families.

The Minnesota Retired State Employees Association looks forward to continued public dialogue on public employee retirement issues and more specifically on pension policy, human resources, economic and investment issues.

Respectfully Submitted,



Ruth Husom, President