

SENATE FINANCE COMMITTEE  
MINUTES OF MEETING  
JANUARY 21, 1975

13

The meeting was called to order at 8:30 a.m.

Senator Lamb was in the Chair.

PRESENT: Senator Floyd R. Lamb, Chairman  
Senator Warren L. Monroe  
Senator B. Mahlon Brown  
Senator William J. Raggio  
Senator James I. Gibson  
Senator Clifton Young  
Senator Lee E. Walker

MEMBERS PUBLIC EMPLOYEES RETIREMENT SYSTEM:

Elbert B. Edwards, Chairman  
Vernon Bennett, Executive Officer  
Will Keating, Assistant Executive Officer  
Robert C. Weems, Vice Chairman  
L. Ross Culbertson, Member  
Donald L. Ream, Member  
Charles H. Collins, Member

Senator Lamb advised that the Ways and Means Committee had held a meeting for the purpose of presenting to this Committee what they want in the way of legislation and changes in the program adopted two years ago.

Members of the Public Employees Retirement System were introduced by Mr. Edwards, and he then stated that he wished to present a comprehensive reorganization of the legislative package, having re-written the entire chapter on Public Employees Retirement. He advised that priority number one was fiscal soundness of the system and number two, a cost of living increase. Mr. Edwards then called upon Vernon Bennett to review the approach recommended.

Senator Lamb asked Mr. Edwards if he were heading toward a request that this become a fully funded State Board.

Mr. Bennett then spoke for the Board and stated that the Harris, Kerr and Forrester study in 1971 provided the System needed contributions of twenty-three percent. At that time the employee and employers were paying six percent each; July 1, 1973, this was increased one percent each, still nine percent short of the funding necessary according to the study.

He stated further that the total unfunded liability increase was approximately thirty-three million dollars in the past three years because of insufficient funding and the investment program was not fully realized. However, he stated,

the investment program in the past two years has been very good with the exception of the stock market and at the present time about eighty-five percent of the Board's portfolio was locked in to low yield bonds currently having a value of about sixty to seventy cents on the dollars, which have to be phased out in order to go into new investments; that it will take several years before a really productive investment program will yield the sort of return the fund should have.

Mr. Bennett advised that in the past year the Board has been investing about thirty-seven million dollars in short term investments at about ten percent and in some cases thirteen percent, and are also buying some ten to twenty year bonds at nine and a half to nine and seven-eighths.

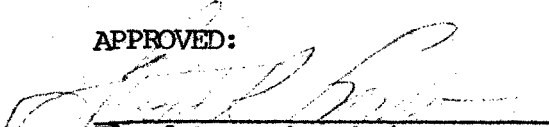
Senator Lamb asked the return of the low yield bonds being held by the Board and Mr. Bennett replied it was two and a half, three to three and a half percent. Senator Lamb then asked if they couldn't move them. Mr. Bennett replied that in the past few months the Board has traded probably fifteen million dollars in bonds and picked up one-quarter, one-eighth to one-half percent total average yield. Senator Lamb asked if they were municipal bonds and was told they were not, that the Board was down to about two hundred fifty million in municipal bonds having very little value.

Mr. Bennett stated the Retirement System considers as their number one priority adequate funding of the retirement system based on present benefits and to see that the unfunded liability does not increase, to freeze it and see that it doesn't grow in the future. The Board has been advised by its actuary that it needs over the next twenty years an average investment return of six percent and the Board would need total contributions of eighteen percent of the compensation.

Respectfully submitted,

*Stephanie Bauer for*  
Secretary  
*Lucy Fischer*

APPROVED:

  
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Floyd R. Lamb, Chairman