

Agenda Item #1

Prior Commission Meeting Minutes

March 16, 2005

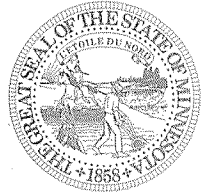
March 30, 2005

April 1, 2005

April 20, 2005

April 21, 2005

May 5, 2005



March 16, 2005
Room 500 North, State Office Building

1st Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Representative Steve Smith, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:10 a.m.

Commission Members Present:

Representatives Mary Murphy, Dennis Ozment, Steve Smith, Paul Thissen, and Lynn Wardlow
Senators Don Betzold, Keith Langseth, Cal Larson, Geoff Michel, and Lawrence Pogemiller

Agenda Items

Approval of Prior Commission Meeting Minutes

Senator Betzold moved approval of the March 9, 2004, March 10, 2004, April 12, 2004, and July 8, 2004, meeting minutes. **MOTION PREVAILED.**

Commission Organization

Senator Betzold nominated Senator Lawrence Pogemiller for the position of Commission Chair.
MOTION PREVAILED. Senator Pogemiller assumed the chair.

Senator Betzold nominated Representative Steve Smith for the position of Commission Vice Chair.
MOTION PREVAILED.

Senator Betzold nominated Representative Mary Murphy for the position of Commission Secretary.
MOTION PREVAILED.

Senator Betzold moved adoption of the Commission rules. **MOTION PREVAILED.**

Chair Pogemiller asked members to review the Commission's Principles of Pension Policy and requested staff to meet with the new members to review the Principles.

Chair Pogemiller drew members' attention to a list of pending pension legislation, and requested members inform the chair of any specific pieces of legislation of interest.

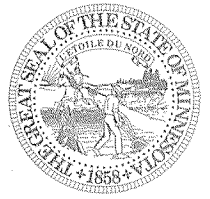
Chair Pogemiller indicated his intent that the Commission try to meet once before the Easter break.

Adjournment

The meeting adjourned at 8:26 a.m.

A handwritten signature in cursive script that reads "Lisa Diesslin".

Lisa Diesslin, Commission Assistant



March 30, 2005
Room 107 Capitol

2nd Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Senator Lawrence Pogemiller, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:05 a.m.

Commission Members Present:

Representatives Mary Murphy, Steve Smith, Paul Thissen, and Lynn Wardlow
Senators Don Betzold, Cal Larson, Geoff Michel, and Lawrence Pogemiller

Commission Members Absent:

Representative Dennis Ozment
Senator Keith Langseth

Agenda Items

Items 1-13; Administrative Provisions

1. S.F. 427 (Betzold); H.F. 2092 (Smith): Elective State Officers Retirement Plan; Applicability and Administration Clarification; Repeal of Certain Plan Provisions as Obsolete
2. S.F. 428 (Betzold); H.F. 2091 (Smith): Legislators Retirement Plan; Legislators Retirement Plan Provisions Modification, Clarification and Recodification
3. S.F. 429 (Betzold); H.F. 2090 (Smith): PERA; Collection Procedures for Unpaid Charter School Employer Contributions
4. S.F. 430 (Betzold); H.F. 2089 (Smith): Various Plans; Public Pension Plan Administrative Expense Itemization in Financial Reports
5. S.F. 431 (Betzold); H.F. 2088 (Smith): First Class City Teacher Plans; Sabbatical Leave Service Credit Provisions Update
6. S.F. 432 (Betzold); H.F. 2087 (Smith): First Class City Teacher Plans; Extended Leave of Absence Program Technical Amendments
7. S.F. 433 (Betzold); H.F. 2112 (Smith): Judges Retirement Plan; Clarification and Judicial Standards Board Provisions Recodification
8. S.F. 434 (Betzold); H.F. 2113 (Smith): Various Plans; Clarification of Consulting Actuary Recommending Actuarial Equivalence Determination
9. S.F. 435 (Betzold); H.F. 2114 (Smith): Various; Omitted Salary Deductions Provisions Update and Clarification
10. S.F. 436 (Betzold); H.F. 2115 (Smith): Various Plans; Average Salary Definition
11. S.F. 437 (Betzold); H.F. 2095 (Smith): First Class City Teacher Plans; Articles of Incorporation and Bylaws Periodic Update Requirement
12. S.F. 438 (Betzold); H.F. 2093 (Smith): Various Plans; Retirement Plans Process and Taxation Exemptions Clarification
13. S.F. 439 (Betzold); H.F. 2094 (Smith): Various Plans; Retirement Provisions Update, Clarification and Correction

Ms. Mary Vanek, Executive Director, PERA, requested clean-up language be included in #4 (S.F. 430; H.F. 2089) to ensure financial reporting standards compliance, and indicated that she has no concerns about the other PERA bills.

Mr. David Bergstrom, Executive Director, MSRS, testified that he has no problem with #1 (S.F. 427; H.F. 2092) or #2 (S.F. 428; H.F. 2091); that he has minor concerns with #4 (S.F. 430; H.F. 2089), testified in opposition to Amendment LCPR05-184 to #7 (S.F. 433; H.F. 2112); and indicated that he would recommend a slight correction to #13 (S.F. 439; H.F. 2094) and that he would like to discuss the amendments to that bill.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified that he agrees with Ms. Vanek regarding some updates to the financial reporting requirements in #4 (S.F. 430; H.F. 2089), and indicated that TRA has no issues with #13 (S.F. 439; H.F. 2094).

Ms. Vanek requested an amendment to broaden the provisions of #3 (S.F. 429; H.F. 2090)

Ms. Karen Kilberg, Executive Director, MTRFA, testified in opposition to #11 (S.F. 437; H.F. 2095).

Mr. Philip Kapler, Executive Director, SPTRFA, testified in opposition to #11 (S.F. 437; H.F. 2095), and recommended that items #4, 5, 6, 9, and 11, be moved to interim discussion so the fund directors have additional time to review the proposals.

Mr. Jay Stoffel, Executive Director, DTRFA, recommended adding #12 and 13 to Mr. Kapler's list for interim discussion, and that DTRFA would like to propose some minor amendments to the bills.

Ms. Judith Johnson, Executive Director, MERF, pointed out that S.F. 439; H.F. 2094 puts an 8.5% interest rate into MERF for repayment of refunds. MERF's current law is 6%; but if you repay a partial refund the rate is 8.5%. Ms. Johnson recommended either putting the current 6% into the bill if the intent is to be purely administrative; but that 8.5% would be acceptable with small (six-month) window.

Senator Betzold moved S.F. 427 (Betzold); H.F. 2092 (Smith) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Representative Smith moved S.F. 428 (Betzold); H.F. 2091 (Smith) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 429 (Betzold); H.F. 2090 (Smith), S.F. 431 (Betzold); H.F. 2088 (Smith, S.F. 432 (Betzold); H.F. 2087 (Smith), and S.F. 435 (Betzold); H.F. 2114 (Smith) were laid over.

Senator Betzold moved amendment LCPR05-051 to S.F. 433 (Betzold); H.F. 2112 (Smith). **MOTION PREVAILED.**

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the LCPR05-184 amendment would eliminate the fail-safe contribution provision. Mr. Bergstrom testified that it is unlikely the fail-safe contribution would be needed, but it is good to have.

Ms. Sandra Neren, representing the Minnesota District Judges Association, testified that she reviewed the changes proposed in the bill, and recommended retaining the fail-safe provision.

Senator Larson moved S.F. 433 (Betzold); H.F. 2112 (Smith), as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Representative Murphy moved S.F. 434 (Betzold); H.F. 2113 (Smith) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Senator Michel moved S.F. 436 (Betzold); H.F. 2115 (Smith) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 437 (Betzold); H.F. 2095 (Smith) was laid over.

Items 14-17; Privatizations

14. S.F. 888 (Kubly); H.F. 704 (Koenen): PERA; RenVilla Nursing Home Privatization Special Law Approval Filing Date Extension
15. S.F. 1091 (Dille); H.F. 1100 (Newman): PERA; Privatized Public Hospital Benefits for Hutchinson Area Health Care Employees
16. S.F. 1149 (Skoe); H.F. 1808 (Eken): PERA; Privatized Public Hospital Benefits for Ada Bridges Medical Services Employees
17. S.F. 1352 (Neuville); H.F. 920 (Cox): PERA; Northfield Hospital Pension Benefits Provided upon Privatization

Mr. Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, briefly reviewed the privatization bills.

S.F. 888 (Kubly); H.F. 704 (Koenen): PERA; RenVilla Nursing Home Privatization Special Law Approval Filing Date Extension

Representative Koenen testified in support of S.F. 888 (Kubly); H.F. 704 (Koenen), noting that there is local support, and that the deal should be completed this summer.

Ms. Vanek testified that the actuarial work has already been completed and the PERA board has reviewed and approved the RenVilla privatization because the cost of the enhanced benefits is covered by the actuarial gain. Ms. Vanek expressed concern regarding the actuarial work practice and the augmentation rate model, and reviewed the history behind the augmentation model. Ms. Vanek indicated that it is unclear if the Hutchinson privatization will occur, that Northfield and Ada Bridges privatizations are ready to go.

Mr. Martin reviewed that privatization actuarial work practices.

There was no action on the bill.

S.F. 1091 (Dille); H.F. 1100 (Newman): PERA; Privatized Public Hospital Benefits for Hutchinson Area Health Care Employees

Senator Dille and Representative Newman testified in support of S.F. 1091 (Dille); H.F. 1100 (Newman), and introduced Mr. Mark Sevara, Hutchinson City Attorney, Mr. Phil Graves, the Hutchinson Area Health Care Administrator, and Ms. Linda Zemer, with Hutchinson Area Health Care Human Services.

Mr. Burek reviewed the potential amendments.

Senator Betzold moved amendment LCPR05-089. **MOTION PREVAILED.**

Mr. Sevara testified that the preference of the Hutchinson Area Health Care would be to be included in the privatization chapter rather than to remain in PERA.

There was no further action on the bill.

S.F. 1149 (Skoe); H.F. 1808 (Eken): PERA; Privatized Public Hospital Benefits for Ada Bridges Medical Services Employees

Senator Skoe and Representative Eken testified in support of the bill, noting that the representative of the Ada Bridges Medical Services was unable to attend the meeting. Senator Skoe indicated that the transfer is expected to take place on March 1 and requested retroactivity. Mr. Burek indicated retroactivity is covered by the bill as drafted.

There was no action on the bill.

S.F. 1352 (Neuville); H.F. 920 (Cox): PERA; Northfield Hospital Pension Benefits Provided upon Privatization

Mr. Burek indicated that the actuarial work for S.F. 1352 (Neuville); H.F. 920 (Cox), Northfield Hospital privatization has been completed.

Senator Betzold moved Amendment LCPR05-068. **MOTION PREVAILED.**

Senator Neuville testified in support of the bill, and asked if allowing the employees to remain in PERA would be a possibility. Mr. Burek noted that there would be additional cost to the purchaser if the employees were to remain as PERA members, so that approach can hamper a privatization.

Mr. Ken Bank, President, Northfield Hospital, testified in support of the bill, indicated they did not believe there would be a problem with the bill given the actuarial work, and that they have not considered the option of staying in PERA. Ms. Sue White, Northfield City Administrator, testified in support of the bill and that they hope this privatization would be considered as other privatizations in the past.

There was no further action on the bill.

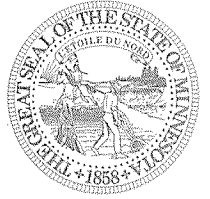
Ms. Vanek indicated that she will work with the actuary and the Commission staff regarding the actuarial work issues and that she will report back to the Commission on Friday.

Adjournment

The meeting adjourned at 9:02 a.m.



Lisa Diesslin, Administrative Secretary



April 1, 2005
Room 15 Capitol

3rd Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Senator Lawrence Pogemiller, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:05 a.m.

Commission Members Present:

Representatives Mary Murphy, Dennis Ozment, Steve Smith, Paul Thissen, and Lynn Wardlow
Senators Don Betzold, Keith Langseth, Cal Larson, Geoff Michel, and Lawrence Pogemiller

Agenda Items

Continued Discussion of Privatization Bills from the March 30, 2005, Meeting

Ms. Mary Vanek, Executive Director, PERA, testified that she spoke with the consulting actuary and the actuary calculated that based upon the funded ratio they could offer 4% and 6% augmentation rates rather than the current 6.5% and 7.5% rates, but Ms. Vanek recommended granting the current provisions to these four privatizations and then close out the current provisions and replace them with 4% and 6% augmentation rates.

Representative Smith moved S.F. 888 (Kubly); H.F. 704 (Koenen) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Senator Betzold moved S.F. 1091 (Dille); H.F. 1100 (Newman), as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Senator Larson moved S.F. 1149 (Skoe); H.F. 1808 (Eken) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Representative Wardlow moved S.F. 1352 (Neuville); H.F. 920 (Cox), as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

**S.F. 995 (Betzold); H.F. 2109 (Smith): Various Plans; State Salary Limit Exceptions for Public Pension Purposes; and
S.F. 1206 (Betzold); H.F. 1250 (Smith): Various Plans; Public Pension Salary Limits Local Elected Officials Exemption**

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill.

Ms. Sandra Neren, representing the Minnesota County Attorneys Association and the Minnesota Sheriff's Association, testified in support of S.F. 1206; H.F. 1250.

Mr. Doug Carnival, representing the Southern Minnesota Municipal Power Association, testified in support of S.F. 995; H.F. 2109.

Mr. Al Bunnett, Hay Group, testified as a consultant to the Southern Minnesota Municipal Power Association in response to a question from Senator Larson about the agency's top salaries. Mr. Bunnett indicated that the top salary is approximately \$160,000 and that they have done studies on behalf of the agency with regard to organizations with which they compete in the utility industry, and that salary figure is considerably below the median.

Mr. Martin reviewed the statutory salary limitation provisions and referred members to a chart showing the history of increases in the Governor's salary.

Senator Larson requested Mr. Martin draft an amendment regarding Duluth Port Authority employees.

Mr. Gary Carlson, League of Minnesota Cities, testified in support of S.F. 995; H.F. 2109, clarified that there are two statutes regarding salary limits and that some individuals are not covered by 43A.17 but are covered by the 356.611 pension cap, and suggested the possibility of ending this problem by amending the statute more generally.

Mr. Keith Carlson, Metropolitan Inter-County Association, began his testimony by disclosing that he is personally affected by the bill. He indicated after last year's legislation, non-school local governments are essentially the only entities that remain subject to the cap. Mr. Carlson indicated that S.F. 995 provides exceptions for four county attorneys, but since the bill was drafted the Olmstead county attorney is also now over the cap and he recommended this individual also be covered. He also noted that more county attorneys and county sheriffs will be over the cap in the future, so he agreed with Gary Carlson's recommendation of a more general provision.

Representative Smith offered amendment LCPR05-195.

Ms. Vanek testified that she did not ask the PERA Board to take a position because it is an issue of what are the appropriate levels of salary to be paid top local government officials, but that PERA has monitored salaries every year since the law passed and has communicated with individuals affected by the cap. Ms. Vanek said PERA will continue to monitor salary levels because of the federal cap, which is currently at \$210,000 and is only increased when inflation increases the amount by \$5,000, and that the salary cap is becoming an increasing issue.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified that TRA does audits on admissible salary and submitted a report on those individuals whose salaries for pension purposes were reduced due to inadmissible items, such as car allowance, that had been included in salary.

Ms. Vanek testified that amendment LCPR05-195 would address PERA's concerns, but that there two Regions Hospital nurses not named in the 2004 legislation PERA would also like to exclude from the cap.

Mr. Martin clarified that amendment LCPR05-195 would exempt individuals who are quasi-governmental enterprises; the individuals who are still covered by the employee relations cap on their actual salary are local governmental employees and they have a mechanism to seek an individual exemption from the 43A.17 limit and would then automatically be also exempt from the 256.611 limit.

Mr. Keith Carlson testified that there have been approximately 54 requests for exemption and approximately 36 have been granted. He offered several examples, including Minneapolis exemption requests for a wide range of positions, a number of which were denied.

Mr. Greg Hubinger, Executive Director, Legislative Coordinating Commission and the Subcommittee on Employee Relations, testified that under law a local government may apply for a waiver from the cap and the Commissioner may grant a waiver but the Commissioner is required to request advice from Subcommittee on Employee Relations before granting a waiver. The standard in the law requires that the employer needs to offer a higher salary to attract or retain an employee. In the case of Minneapolis, the market data did not support granting the waiver for about half of the requests. Mr. Hubinger indicated that the Commission has applied a stricter standard about what market conditions exist in the state and as such has turned down a number of requests in the past months. Mr. Hubinger also noted that the Commissioner is only required to request the advice of the Subcommittee if a waiver is being considered, the request for advice is not required if a waiver is not going to be granted.

Mr. Keith Carlson indicated that Commissioner has gone against Subcommittee recommendations in a number of cases.

Ms. Vanek testified that this is an issue she has discussed with Board. Ms. Vanek said that the federal limit exists and they always have to follow it, but there are states that limit the growth of the salary during the final years. She noted that one of the staff amendments includes such a provision and that while she doesn't necessarily agree with the 106% recommended in the staff amendment, PERA does think this is a reasonable option. Ms. Vanek indicated the problem not addressed is how to address actual promotions in the final years prior to retirement.

Senator Larson and Representative Murphy moved the handwritten amendment to include the Duluth Seaway Port Authority. **MOTION PREVAILED.**

Ms. Neren requested the inclusion of language to make the law retroactive to the original effective date so the individuals would have never been subject to the cap, similar to the 2004 provisions.

Representative Smith moved amendment LCPR05-195, amended to include a retroactivity clause and to require salary audits and a report on those audits. **MOTION PREVAILED.**

Mr. Keith Carlson indicated that the list on page 5 may not be complete, but the positions are either not currently at the cap, are already exempted, or would be covered by amendment LCPR05-195.

Mr. Hubinger testified that the packet a city or county submits with a waiver exemption request includes a resolution from the city or council supporting the increase.

Senator Larson moved technical amendment LCPR05-156. **MOTION PREVAILED.**

Senator Pogemiller requested that the fund directors discuss the limit on end-of-career salary increases.

The bills were laid over.

S.F. 1556 (Betzold-by req.); H.F. 2101 (Murphy): MnSCU; Individual Retirement Account Plan Investment Option Modification

Mr. Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill.

Mr. Gary Janikowski, Assistant Director of Personnel, MnSCU, testified that the recommendation came from the Defined Contribution Retirement Plan Advisory Committee and the intention is to simplify the plan to narrow the choices.

Mr. Russ Stanton, Inter-Faculty Organization, testified that the committee included all of the employee groups and it is not a major issue for the faculty.

Representative Murphy moved S.F. 1556; H.F. 2101 be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1431 (Wiger); H.F. 1603 (Slawik): Maplewood and Oakdale Volunteer Firefighter Relief Associations; Liability and Asset Transfer for Six Firefighters

Mr. Martin reviewed the staff memo and policy issues raised by the bill, and reviewed the amendments.

Senator Wiger and Representative Slawik testified in support of the bill.

Senator Betzold moved amendment LCPR05-144. **MOTION PREVAILED.**

Representative Murphy moved amendment LCPR05-187. **MOTION PREVAILED.**

Representative Smith moved amendment LCPR05-188. **MOTION PREVAILED.**

Captain Mike Stroeing, Oakdale Fire Department Relief Association, and Mr. Ed Dietz, treasurer of the Maplewood Firefighters Relief Association, were present in support of the bill.

Senator Larson moved S.F. 1431; H.F. 1603, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1741 (Betzold); H.F. 1934 (Wardlow): Supplemental Pension Plans; Public Funds Contribution Restriction Exemption Clarification

Mr. Martin reviewed the staff memo and policy issues raised by the bill.

Ms. Cheryl Furrer, Education Minnesota, testified in support of the bill.

Representative Wardlow moved S.F. 1741; H.F. 1934 be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1763 (Pogemiller); H.F. 2031 (Thissen): PERA-P&F; University of Minnesota Police Officers Exclusion

Mr. Martin reviewed the staff memo and policy issues raised by the bill.

Ms. Shelly Carthen Watson, University of Minnesota Associate General Counsel, testified in support of the bill and noted that the two police chiefs are included in the faculty retirement plan.

Ms. Vanek testified that the University never intended the police chiefs to be covered by PERA-P&F, that PERA encouraged the University to seek this legislation, and that PERA supports the bill.

Representative Thissen moved amendment LCPR05-189. **MOTION PREVAILED.**

Representative Thissen moved amendment LCPR05-190. **MOTION PREVAILED.**

Representative Thissen moved S.F. 1763; H.F. 2031, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 259 (Betzold); H.F. 1706 (Smith): VFRA; Implementing the Volunteer Firefighter Relief Association Working Group Recommendations Relating to Firefighter Retirement Financing and Benefits

Mr. Martin reviewed the staff memo and policy issues raised by the bill.

State Auditor Patricia Anderson testified in support of the bill and reviewed the working group process.

Mr. Ed Dietz, Maplewood Firefighters Relief Association, testified in support of the bill.

Mr. Nyle Zikmund, representing Minnesota fire chiefs and Spring Lake Park-Blaine-Moundsview, testified in support of the bill and in support of amendments LCPR05-025 and LCPR05-026.

Senator Betzold moved amendment LCPR05-025. **MOTION PREVAILED.**

Senator Betzold moved amendment LCPR05-026. **MOTION PREVAILED.**

Mr. Dave Ganfield, Secretary, Minnesota State Fire Department Association and administrator for Apple Valley Fire Relief, testified that some of the amendments weren't brought up in the working group, that the group will continue to meet, and recommended allowing the group to discuss the issues.

Mr. Zikmund commented that while they don't believe there are a lot of relief associations invested in junk bonds, they don't know who is and getting that information would take some time. Mr. Zikmund said an immediate effective date may cause a number of associations to not get certified for state aid.

Auditor Anderson said they are working on a separate bill on the investment issue that includes a three-year phase-in and they will continue to work with funds.

Senator Betzold moved S.F. 259; H.F. 1706, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 623 (Tomassoni); H.F. 240 (Rukavina): VFRA; Aurora, Biwabik, Hoyt Lakes and Palo Volunteer Firefighter Relief Associations Service Pension Calculation after Consolidation

Mr. Rick Bradford, Hoyt Lakes City Administrator, testified in support of the bill.

Representative Rukavina testified in support of the bill and provided letters of support from all four units of government.

Mr. Martin reviewed the amendments.

Representative Ozment moved amendment LCPR05-153. **MOTION PREVAILED.**

Representative Rukavina testified that he is not opposed to amendment LCPR05-154.

Representative Murphy moved amendment LCPR05-154. **MOTION PREVAILED.**

Representative Ozment moved S.F. 623; H.F. 240, as amended, be recommended for inclusion in the omnibus retirement bill.

The bill was temporarily laid aside until a quorum was present.

S.F. 157 (Tomassoni); H.F. 94 (Rukavina): Eveleth P&F; Eveleth Police & Fire Trust Fund Ad Hoc Post-Retirement Adjustment

Representative Rukavina testified in support of the bill, noting that there are only five remaining affected individuals.

Mr. Burek reviewed the staff memo and policy issues raised by the bill.

Representative Murphy moved amendment LCPR05-035 be recommended for full Commission consideration. **MOTION PREVAILED.**

Representative Murphy moved S.F. 157; H.F. 94, as amended, be recommended for inclusion in the omnibus retirement bill.

The bill was temporarily laid aside until a quorum was present.

Mr. Martin referred members to document LCPR05-201, the current working version of the omnibus retirement bill reflecting the Commission action as of March 30. Mr. Martin noted for audience members that the document is posted on the Commission website.

A quorum was now present.

Representative Smith moved to confirm the adoption of amendments LCPR05-153 and LCPR05-154 to S.F. 623 to H.F. 240. **MOTION PREVAILED.**

Representative Ozment renewed his motion that S.F. 623; H.F. 240, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Representative Murphy moved to confirm the adoption of amendment LCPR05-035 to S.F. 157; H.F. 94. **MOTION PREVAILED.**

Representative Murphy renewed her motion that S.F. 157; H.F. 94, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1927 (Betzold); H.F. 1799 (Wardlow): VFRAs; Statewide Volunteer Firefighter Retirement Plan Study

Mr. Burek reviewed the staff memo and policy issues raised by the bill.

Mr. Nyle Zikmund testified in support of the bill and amendment LCPR05-177.

Representative Wardlow moved amendment LCPR05-177. **MOTION PREVAILED.**

Mr. Zikmund requested a verbal amendment to address Representative Hackbarth's concern to clarify that the task force members are volunteer firefighters.

Representative Wardlow moved to amend S.F. 1927; H.F. 1799 as follows: on page 1, lines 14, 16 and 18, after "members" insert "who are volunteer firefighters". **MOTION PREVAILED.**

Representative Wardlow moved S.F. 1927; H.F. 1799, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1682 (Pogemiller); H.F. xxx: PERA; Defining Covered Salary to Include Certain Employer Contributions to Supplemental Retirement

Mr. Todd Pufile, Business Manager for City Employees Local #363, testified in support of the bill and an amendment to be offered by PERA.

Ms. Vanek distributed amendment LCPR05-202, and requested a verbal amendment as follows: line 4, delete "and the" and delete lines 5-6.

Representative Thissen moved amendment LCPR05-202 as verbally amended. **MOTION PREVAILED.**

Senators Betzold and Larson moved to delete Section 3. **MOTION PREVAILED.**

Mr. Russ Stanton, Inter-Faculty Organization, gave background information on the MnSCU \$2,700 limit.

Representative Thissen moved S.F. 1682, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1865 (Kelley); H.F. xxx: TRA; School Administrators Retirement Coverage Option; Cooperative Agreements with Other States for Combined Service

Mr. Martin reviewed the staff memo and policy issues raised by the bill.

Senator Kelley testified in support of the bill and provided background information.

Mr. Charlie Kyte, Executive Director, Minnesota Association of School Administrators, testified in support of the bill and explained the need for the proposed legislation. Mr. Kyte testified that Minnesota needs a larger pool for leadership positions and that the challenge is the larger districts; we will lose 70% of metropolitan superintendents in the next two years.

Dr. Ted Blaesing, White Bear Lake Area School District Superintendent, testified in support of the bill. Dr. Blaesing said that he has been assisting the superintendent search firm of Hazard, Young, & Attea which has conducted over 500 searches across the country over the past 20 years and that the number of applicants is dropping – ten years ago there would have been 50-60 applicants, last year there were 20, and 2 top level applicants chose to withdraw their applications after using the TRA online calculator.

Mr. Dale Feste, Hopkins School Board Chair, testified in support of the bill. Mr. Feste told Commission members that the Hopkins superintendent will be forced financially to return to Wisconsin to finish his career because of the lack of pension portability and the high cost of a service credit purchase. He also said that attracting new superintendents is also a concern.

Mr. Thompson testified that purchases of service credit can be very expensive, particularly close to retirement. Mr. Thompson indicated TRA's concern about the multi-state combined service annuity provision and recommended the provision be deleted.

Senator Kelley noted that as school districts have become more diverse, school boards have deemed it advisable to seek candidates who are racially or ethnically diverse and thus have sought candidates from outside the state.

Mr. Kyte testified that they have had success at moving principals up into superintendent positions, but the challenge is in the larger metropolitan and suburban school districts and often the best pool of applicants is those who are serving in similar districts in other parts of the country.

Senator Kelley distributed amendments SCS1865A-1, SCS1865A-2 and SCS1865A-3.

Ms. Furrer testified that there needs to be some portability for superintendents and that there are real challenges in recruiting and retaining superintendents. Ms. Furrer suggested including the cities of the first class in the legislation.

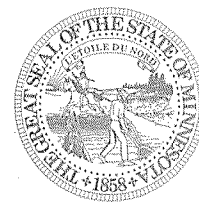
The bill was laid over.

Adjournment

The meeting adjourned at 11:25 a.m.



Lisa Diesslin, Administrative Secretary



April 20, 2005
Room 15 Capitol

6th Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Senator Lawrence Pogemiller, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:00 a.m.

Commission Members Present:

Representatives Mary Murphy, Dennis Ozment, Steve Smith, Paul Thissen, and Lynn Wardlow
Senators Don Betzold, Keith Langseth, Cal Larson, Geoff Michel, and Lawrence Pogemiller

Agenda Items

S.F. 1557 (Betzold); H.F. 1738 (Murphy): MnSCU IRAP/TRA; Higher Education IRAP Members Permitted Up to Five Years to Elect Between Defined Benefit and Defined Contribution Plan Coverage.

Mr. Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill.

Mr. Gary Janikowski, Assistant Director for Personnel, MnSCU, testified in support of the bill, stating that this recommendation came out of their faculty IRAP advisory committee with regard to simplifying the plan and making it easier for members to understand.

Mr. Russ Stanton, Director of Government Relations for the Inter-Faculty Organization, testified in support of the bill, also stating that this proposal came out of a joint employee/management task force and this represents one of their higher priorities.

Mr. Michael Lang, State Cloud State Technical College faculty member, representing the Minnesota state college faculty of the two-year colleges and Education Minnesota, testified in support of the bill.

Mr. Gary Austin, Executive Director, TRA, testified that they talked with their actuary about the adverse selection situation and it is difficult to quantify. Mr. Austin stated that one year should be adequate.

Representative Murphy moved amendment LCPR05-147, inserting "one year" into the blank on line 3. **MOTION PREVAILED.**

Representative Murphy moved S.F. 1557; H.F. 1738, as amended, be added by amendment to the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1963 (Betzold); H.F. xxx: PERA; Privatized Water and Wastewater Facility Employees Coverage Elimination.

Mr. Burek reviewed the staff memo and policy issues raised by the bill.

Ms. Mary Vanek, Executive Director, PERA, testified that PERA came across this provision while doing some research on privatization last year, and that the current model should be followed. Ms. Vanek also expressed PERA's desire to work over the upcoming legislative interim on the augmentation issue.

Senator Betzold moved technical amendment LCPR05-217. **MOTION PREVAILED.**

Senator Betzold moved S.F. 1963, as amended, be added by amendment to the omnibus retirement bill. **MOTION PREVAILED.**

S.F. xxx (Pogemiller); H.F. xxx, Document LCPR05-091: PERA; Providing Interest on Minneapolis Community Development Agency Service Credit Purchase Payment Overages and Permitting Purchasers to Revoke Purchase.

Ms. Vanek testified that many of the affected employees have already purchased past service based on overstated eligible salary figures and therefore overpaid on the purchases. Ms. Vanek said the law does not allow for the payment of interest on that returned overpayment, and PERA is asking that these individuals be allowed to receive interest in order to make them whole.

Senator Larson moved LCPR05-091, amended to add a June 30, 2005, expiration date for Section 2, be added by amendment to the omnibus retirement bill. **MOTION PREVAILED.**

S.F. xxx; H.F. 1504 (Thissen): Minneapolis Fire; Service Credit Clarified, Disability Benefits Recomputed, Pension Benefit Reductions Prohibited.

Mr. Walter Schirmer, Executive Secretary, Minneapolis Firefighters Relief Association, testified in support of the bill.

Mr. Brian Rice, attorney representing the Minneapolis Firefighters Relief Association, testified in support of the bill and provided background information on the proposed legislation.

Representative Thissen moved amendment LCPR05-256. **MOTION PREVAILED.**

Representative Thissen moved amendment LCPR05-152. **MOTION PREVAILED.**

Mr. Pat Born, Chief Financial Officer, City of Minneapolis, testified in support of the bill as amended.

Representative Thissen moved H.F. 1504, as amended, be added by amendment to the omnibus retirement bill. **MOTION PREVAILED.**

S.F. xxx (Pogemiller); H.F. xxx, Document A05-0388: Minneapolis Police; Service Pension Schedules Applicable if Funding Ratio is Less than 90 Percent.

Mr. Rice, representing the Minneapolis Police Relief Association, testified in support of the bill.

Senator Betzold moved amendment LCPR05-255. **MOTION PREVAILED.**

Mr. Born testified in support of the bill as amended.

Mr. Dick Nelson testified in support of the bill.

Senator Betzold moved A05-0388, as amended, be added by amendment to the omnibus retirement bill. **MOTION PREVAILED.**

S.F. xxx; H.F. 853 (Kelliher): MERF; Executive Director Salary; Fund Investment, and Transfer Liquidity Flexibility.

Representative Kelliher testified in support of the bill.

Ms. Judith Johnson, Executive Director, MERF, testified in support of the bill, indicating that she met with Commission staff on the issue and that the proposal was approved by both the MERF Board and by the Minneapolis City Council in December, although they still expect to see a local approval clause.

Mr. Born testified that the Minneapolis City Council did approve the provision in its current form and supports the bill. Mr. Born also stated the city's position that the salary cap does presents problems and should be eliminated.

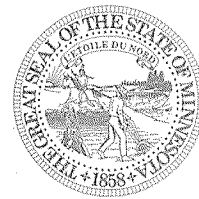
The bill was laid over.

Adjournment

The meeting adjourned at 9:00 a.m.



Lisa Diesslin, Administrative Secretary



April 21, 2005
Room 15 Capitol

7th Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Senator Lawrence Pogemiller, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:05 a.m.

Commission Members Present:

Representatives Mary Murphy, Dennis Ozment, Steve Smith, Paul Thissen, and Lynn Wardlow
Senators Don Betzold, Keith Langseth, Cal Larson, Geoff Michel, and Lawrence Pogemiller

Agenda Items

S.F. 543 (Larson); H.F. 914 (Beard), and S.F. 838 (Gaither); H.F. xxx: TRA; Pre-1969 Teachers Provided with Partial Improved Money Purchase Program Savings Clause Benefit Adjustment.

Senator Larson, Senator Gaither, and Representative Beard testified in support of the bills.

Mr. Tom Selwold and Mr. Rick Winters, representing the Pre-69 teachers, testified in support of the bill.

Mr. Gary Austin, Executive Director, TRA, testified in opposition to the bill and referred members to the TRA perspective handout in their packets.

Mr. Curt Hutchens, TRA Board President and a Pre-69 teacher, testified in opposition to the bill, stating TRA would rather see benefits improved for all teachers through the Rule of 90 and formula multiplier.

Ms. Cheryl Furrer, Education Minnesota, testified in opposition to the bill.

Mr. Joe O'Neill, attorney representing the Pre-69 teachers, testified in support of the bill.

There was no action on the bills.

S.F. 1519 (Pogemiller); H.F. 1615 (Smith): MTRFA/TRA; MTRFA Consolidation with TRA.

Ms. Karen Kilberg, Executive Director, MTRFA, testified in support of the bill. Ms. Kilberg provided historical funding information, stating that they are now in a position where they can see a point when they may not be able to pay full benefits to their members. She requested that, at a minimum, the Commission provide a benefit guarantee to MTRFA members.

There was no action on the bill.

S.F. xxx; H.F. 2264 (Knoblach): MTRFA; Investment Authority Transfer and Other Investment Regulations Modified.

Representative Knoblach testified in support of the bill, asking the Commission to consider the language as processed in the House State Departments bill, H.F. 1481 (Seifert).

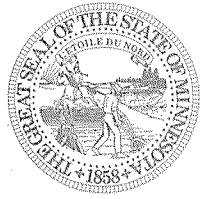
There was no action on the bill.

Adjournment

The meeting adjourned at 9:05 a.m.



Lisa Diesslin, Administrative Secretary



May 5, 2005
Room 118 Capitol

9th Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Senator Lawrence Pogemiller, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:10 a.m.

Commission Members Present:

Representatives Mary Murphy, Dennis Ozment, Steve Smith, Paul Thissen, and Lynn Wardlow
Senators Don Betzold, Keith Langseth, Cal Larson, Geoff Michel, and Lawrence Pogemiller

There is no audio recording of this meeting due to a recording malfunction.

Agenda Items

S.F. 264 (Betzold, by request); H.F. 1757 (Smith): MSRS-General; Employee and Employer Contribution Rate Increases.

Mr. David Bergstrom, Executive Director, MSRS, testified in support of the bill and distributed handout materials.

Ms. Bonnie Wurst, Mercer Human Resources Consulting, reviewed the actuarial information and basis for the contribution rate increases.

S.F. 997 (Betzold, by request); H.F. 1753 (Wardlow): MSRS-Correctional; Employee and Employer Contribution Rate Increases.

Mr. Bergstrom testified in support of the bill and distributed handout materials.

Ms. Wurst reviewed the actuarial information and basis for the contribution rate increases.

Mr. Bergstrom informed members that disability claims have increased and that MSRS would like to discuss that issue during the legislative interim.

Mr. Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, reviewed amendment LCPR05-146, which would change the amortization date.

Ms. Wurst said it would be consistent with actuarial principles and that she would have to look at what date that would be.

S.F. 998 (Betzold, by request); H.F. 1754 (Smith): State Patrol Plan; Employee and Employer Contribution Rate Increases.

Mr. Bergstrom testified in support of the bill and distributed handout materials. Mr. Bergstrom also noted that MSRS is looking at assumption changes regarding mortality and lower turnover.

Ms. Wurst reviewed the actuarial information and basis for the contribution rate increases.

S.F. 286 (Betzold, by request); H.F. 1755 (Smith): PERA-General; Employer and Employee Contribution Rate Increases.

Mr. Mary Vanek, Executive Director, PERA, testified in support of the bill and distributed handout materials.

Ms. Bonnie Wurst, Mercer Human Resources Consulting, reviewed the actuarial information and basis for the contribution rate increases.

Ms. Vanek testified that the PERA board believes the deficiency is severe and is convinced that the deficiency will continue to worsen. Ms. Vanek requested that the Commission consider giving the PERA board the authority to implement minor contribution rate revisions.

S.F. 621 (Betzold, by request); H.F. 1756 (Smith): PERA-P&F; Employee and Employer Contribution Rate Increases.

Mr. Vanek testified in support of the bill and distributed handout materials. Ms. Vanek noted that while PERA-P&F is currently 101% funded, the funding level is expected to drop below 100% in 2005 and that the normal cost has gone up significantly due to the 2003 assumption changes.

Additional Testimony from Interested Parties

In response to a question from Senator Pogemiller, Mr. Bergstrom said MSRS would agree with giving the MSRS board authority to make minor contribution rate changes in addition to PERA.

Mr. Curt Yoakum, Association of Minnesota Counties, testified that all 87 counties have discussed this issue and are expecting and support the contribution rate increases and they also support the proposal to give the board the flexibility to make minor adjustments. Mr. Yoakum also urged the Commission to consider the S.F. 620 augmentation the rate change proposal.

Mr. Keith Carlson, Executive Director, Metropolitan Inter-County Association, testified in support of S.F. 286, that the cities, counties and major employee groups are all on board, and that the proposal should not be delayed. Mr. Carlson said that they also believe the change in the augmentation schedule is a fair proposal. Regarding PERA-P&F, Mr. Carlson said that they have not taken a formal position but based on an informal polling it would be better to take the issue on now rather than waiting. Mr. Carlson expressed preference that the increases be phased in, and also noted concerns about generous disability benefits.

Ms. Laura Offerdal, League of Minnesota Cities, testified that League board supports S.F. 286 and would encourage the Commission to consider the S.F. 620 augmentation rate changes. Ms. Offerdal indicated the League also supports the PERA-P&F increases and the phase-in, and fixing the disability issues.

Mr. Carlson noted that they also support the basic outline of the plan to cap post-retirement benefit increases at 5%.

Ms. Vanek testified that the PERA board supports the S.F. 620 augmentation rate changes, but requests that all of the major retirement systems have the same augmentation rates. She provided some historic information regarding the augmentation rates.

Mr. Frank Miskowicz, President, SEIU Local 63, testified in opposition to S.F. 286, stating that the funding problem should not be resolved by an increase in employee contribution rates that does not result in increased benefits.

Ms. Janelle Rau-Clauson, Political/Communications Director, SEIU Local 284, testified in opposition to S.F. 286.

Ms. Cheryl Furrer, Education Minnesota, testified in opposition to the contribution rate increases, stating that there are 8,000 non-teaching members who make around \$14,000-21,000 per year and an increase would hit them hard.

Mr. Bob Johnson, representing Teamsters 320, the Police Federation, Minneapolis Police and Fire, and the Peace Officers of Minnesota, testified that their members understand the need for contribution rate increases

There was no action on the bills.

Adjournment

The meeting adjourned at 10:05 a.m.



Lisa Diesslin, Administrative Secretary