

April 3, 1989
Room 112
Capitol

7th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Donald M. Moe, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 7:55 A.M.

Commission members present:

Senators Donald Moe, Steven Morse, Larry Pogemiller, Earl Renneke, and Gene Waldorf
Representatives Robert A. Johnson, Gerald Knickerbocker, Rich O'Connor, Leo Reding, and Wayne Simoneau

A quorum was present.

Senator Moe noted, for the benefit of the audience, that the agenda did not contain any police or fire items. He then introduced the first item on the agenda, the Commission budget, and asked Mr. Lawrence A. Martin, Executive Director of the Commission, to review the staff memo and biennial budget. Mr. Martin noted that the LCC would be taking action on the budget later that day and the House State Departments Subcommittee would be looking at the budget on the next day. Mr. Martin noted that the budget was put together using the State Department guidelines recommended for commissions by the LCC. The two increased items were fringes and the actuarial consultant. Discussion followed.

Rep. Knickerbocker moved approval of the Commission budget. **MOTION PREVAILED.**

Senator Moe introduced the second item on the agenda, S.F. 153 (Waldorf); H.F. 118 (Simoneau): Various Funds; Pre-73 Retiree Post Retirement Adjustment. Mr. Edward Burek, Deputy Executive Director of the Commission, reviewed the staff memo on this bill and noted that the amount of the lump sum payments would be \$25 per year of service payable in 1989 and 1990 and would total approximately \$12,000,000. Mr. Burek went on to note that the total amount previously granted to the pre-73ers through these benefit increases was \$152,000,000 which was in addition to the post retirement adjustments granted to all retirees. Discussion followed.

Sen. Moe asked Mr. Burek to review the staff memo on the fifth item of the agenda, S.F. 949 (Moe); H.F. ____ (): Major Plans; Interest Assumption Change, Ad Hoc Benefit Increase, as an alternative to S.F. 153; H.F. 118.

Mr. Robert Perkins, Commission actuary from The Wyatt Company reviewed the formula in S.F. 949 for the benefit of Commission members.

Discussion followed.

Sen. Moe moved approval of S.F. 153; H.F. 118. **MOTION PREVAILED.**

Sen. Moe laid over S.F. 949 temporarily.

Senator Moe introduced the third and fourth items on the agenda, S.F. 307 (Moe); H.F. ____ (): Major Plans; Age 62 and Level Benefit Formula, and S.F. 1329 (Pogemiller); H.F. 1302 (Simoneau): Various Funds; Various Benefit Modifications. Mr. Martin reviewed the staff memos on the bills beginning with S.F. 307 and noted that this bill contains five major changes. In reviewing H.F. 1302, Mr. Martin noted that this bill makes several major changes and applies generally, to more retirement plans.

Rep. Simoneau made a presentation on H.F. 1302 and noted that this bill was the result of conversations between the Governor's office, the Department of Finance, House and Senate staff, and some of the pension plan administrators to provide a benefit increase without cost, if possible. Rep. Simoneau provided handouts to members and went on to note that inequities occur at the time of retirement for employees retiring under the different major plans. This is due in a small part to different contribution rates but in a large part to the formulas used by the major plans which provide different retirement annuities for an employee although the retirement age, length of service, and salary would be the same. Rep. Simoneau went on with his presentation.

James Hacking, Executive Director of the Public Employees Retirement Association, testified on behalf of H.F. 1302. Mr. Hacking noted that this bill has PERA Board endorsement because the bill achieves a number of their objectives such as no benefit take-aways, a relatively reasonable net cost, uniformity between the major funds, and a phased-in level benefit.

Paul Groschen, Executive Director of the Minnesota State Retirement System, spoke in support of H.F. 1302 on behalf of the MSRS Board of Directors and noted that the state employees are willing to increase their contributions to receive these benefit increases.

Elton Erdahl, Executive Director of the Teachers Retirement Association, spoke in support of H.F. 1302 on behalf of the TRA Board of Directors.

Discussion followed.

Sen. Moe continued further discussion to a future meeting as another committee needed the meeting room.

The meeting adjourned at 10:00 A.M.