

March 7, 1990
Room 10 State Office Building

16th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Representative Bob Johnson, Vice Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:20 A.M.

Commission members present:

Senators Donald Moe (arrived shortly after the meeting began), Lawrence Pogemiller, Earl Renneke and Gene Waldorf
Representatives Robert A. Johnson, Gerald Knickerbocker, Rich O'Connor, Leo Reding and Wayne Simoneau

Representative Johnson referred members to the first item in their packets, LCPR100, which was a compendium of the legislation the Commission had agreed to prior to this meeting.

Representative Johnson introduced the first item on the agenda, MSRS Unclassified Retirement Plan; Inclusion of Unclassified State Lottery Employees. Lawrence A. Martin, Executive Director of the Commission, reviewed his memo of March 2, 1990, and an amendment to LCPR87 numbered LCPR101. Mr. Martin noted that the amendment, LCPR101, would reduce the number of state lottery employees to be covered by the MSRS Unclassified Retirement Plan from 91 to 15. This would include 14 managerial state lottery employees beyond the Lottery Director who is included in the Unclassified Plan under current law.

Rep. Simoneau moved approval of LCPR87 and the amendment, LCPR101. Discussion followed. **MOTION PREVAILED.**

Senator Moe introduced the second item on the agenda, PERA; Elimination of the Elected Official Optional Membership Provision and Authorization of the Purchase of Prior Service. Mr. Martin reviewed his memo of March 2, 1990, and two alternative drafts of legislation, LCPR97 and LCPR98, which at the last Commission meeting, the Commission had requested he provide. Mr. Martin stated that these proposed defined contribution plans are alternatives to mandatory PERA coverage for local elected officials. LCPR97 would include local elected officials who are not covered by PERA in the MSRS Unclassified Plan and would involve an employee contribution of 4.00 percent and an employer contribution of 6.00 percent. LCPR98 would establish a separate defined contribution local elected officials retirement plan to be administered by PERA with an employee and employer contribution rate of 5.00 percent. Discussion followed. This item was laid over.

Senator Moe introduced the third item on the agenda, S.F. 2003 (D. Moe); H.F. 2450 (Osthoff): PERA-P&F Consolidation Accounts; Maximum Municipal Contribution for Consolidating Relief Associations. Edward Burek, Deputy Executive Director of the Commission, reviewed his memo of March 2, 1990, and an amendment, LCPR102. Mr. Burek stated that the amendment, LCPR102, would place a one year cap on the maximum municipal contribution for the first year after consolidation providing a maximum contribution amount of either the amount required by current actuarial funding procedures, or the amount equal to the previous year's contribution, whichever is less. Discussion followed.

Mr. Joe O'Neill, an attorney representing the St. Paul Fire Relief Association, stated that they support the proposed one year cap amendment.

Rep. O'Connor spoke in opposition to this bill.

Rep. Reding commented that the worst case scenario costs for the first year after consolidation may need to be studied further. Rep. Reding also noted that the League of Minnesota Cities is interested in having the Commission address the first year consolidation costs. Discussion followed.

Sen. Moe moved approval of S.F. 2003 (D. Moe); H.F. 2450 (Osthoff). **MOTION FAILED.**

Senator Moe introduced the fourth item on the agenda, Major and Statewide Retirement Plans; Allocation of Actuarial Valuation and Experience Study. Mr. Martin referred members to the three items on this issue in their packets, two of the items were prepared by The Wyatt Company and the third was the Solon/Johnson legislation introduced this session. He further referred members to Exhibit 3 which laid out the changes in the allocation of costs.

Rep. Simoneau stated that the recommendation by the Commission actuary shifts the costs but does not solve the problem. The Johnson bill goes a long way toward solving the problem.

Rep. Reding requested that the House and Senate try to find some middle ground that could be agreed on in an effort to reduce the costs for actuarial services.

Rep. Knickerbocker agreed with Rep. Reding. Discussion followed. Rep. Knickerbocker requested that a joint committee be appointed to work out a compromise. Sen. Moe agreed. This item was laid over for further consideration.

Senator Moe introduced the fifth item on the agenda, S.F. 1788 (Marty); H.F. 1973 (McGuire): St. Paul Fire Department Relief Association; Authorizing Benefit to Surviving Former Spouses of Certain Members. Mr. Martin reviewed his memo dated March 5, 1990, and a delete everything amendment, LCPR103. Mr. Martin noted that this bill provides a surviving spouse benefit for a former spouse of a retired St. Paul firefighter who was living with the retired firefighter at the time of the firefighter's death.

Sen. John Marty spoke in support of this bill and also noted that this bill would only provide future benefit payments and would not permit retroactive benefits.

George McCormick, Senate Counsel, provided background on this bill. Mr. McCormick spoke in support of this bill and in opposition to the delete everything amendment that would extend this benefit to other pension plans with status survivor benefit coverage and would possibly make the coverage retroactive. Discussion followed.

Sen. Renneke stated that this bill raises major policy questions.

Sen. Marty stated that he had requested that this bill be tightly drafted to pertain only to this situation.

Rep. Johnson requested that the Commission consider only the original bill and the amendment, LCPR103. Rep. Simoneau agreed with Rep. Johnson.

Sen. Waldorf questioned whether this bill would set a precedent. Mr. Martin responded that this was the first time that he was aware of that a former spouse would gain the legal status of a spouse for pension benefit purposes. Discussion followed.

Mr. Jerry Bridgeman, Secretary of the Minneapolis Police Relief Association, suggested that the Commission move cautiously on this issue.

Rep. Johnson moved approval of this bill. **MOTION FAILED.**

Senator Moe introduced the sixth item on the agenda, S.F. 2218 (Stumpf); H.F. 2395 (Sparby): Thief River Falls Police Relief Association Trust Fund; Requiring Less Frequent Actuarial Surveys. Mr. Burek reviewed his memo dated March 6, 1990, and a staff amendment, LCPR106.

Rep. Reding spoke in support of this bill noting that there are only five members left in the relief association and that this bill would save the association about \$600 per year.

Sen. Moe moved approval of this bill and amendment LCPR106. **MOTION PREVAILED.**

Senator Moe introduced the seventh item on the agenda, S.F. 2017 (Moe, D.M.); H.F. 2170 (O'Connor): PERA Exclusion of Minneapolis and St. Paul Student Interns.

Rep. O'Connor spoke in support of this bill and noted that it was requested by the cities involved.

Sen. Moe moved approval of this bill. **MOTION PREVAILED.**

Rep. Reding requested the Commission consider draft legislation he is proposing. Mr. Martin explained that as part of the Fiduciary Responsibility law passed in the last session, there is a requirement that the Boards of Trustees and chief administrative officers of pension funds file Economic Interest statements. The form that is used by the Ethical Practices Board is broader than the law requires. There have been several complaints from volunteer firefighters relief associations. The language in Rep. Reding's legislation would specify the required items for those relief associations.

Rep. Reding moved approval of SA90-353. **MOTION PREVAILED.**

Rep. Simoneau requested the Commission consider H.F. 1856 (Simoneau) which changes the effective date of Laws 1989, Chapter 319, Article 17, Section 18, to be retroactive to May 29, 1989 to permit an increased survivor benefit to a spouse of a PERA-P&F member who died between the time the Governor signed last year's omnibus pension bill and the effective date of that bill. This item was laid over for further consideration.

Rep. Reding requested the Commission consider H.F. 1419 (Olsen) which would permit spouses of St. Louis Park Police officers to remarry without termination of surviving spouse benefits. This item was laid over for further consideration.

Rep. Reding requested the Commission consider additional amendments to previously approved legislation for the State University and Community Colleges. This item was laid over for further consideration.

The meeting adjourned at 10:00 A.M.