



March 2, 1987
Room 10
State Office Building

2nd Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Representative Wayne Simoneau, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:30 A.M.

Commission members present:

Representatives:

Clark
B. A. Johnson
Reding
Simoneau

Senators:

D. Moe
Pogemiller
Renneke
Waldorf
Wegscheid

Member absent:

Knickerbocker

A quorum was present.

Rep. Johnson moved adoption of the Minutes of the February 24, 1987 meeting. The MOTION PREVAILED.

Rep. Simoneau introduced Senator Gene Waldorf who is replacing Senator John Marty on the Commission.

Rep. Simoneau called for the 2nd item on the agenda, correspondence. There was no correspondence.

Rep. Simoneau called for the 3rd item on the agenda, a report from the Commission Actuary. The Commission Actuary had no report.

Rep. Simoneau called for the 4th item on the agenda, reports from the fund administrators. There were no reports from the fund administrators.

Rep. Simoneau called for the 5th item on the agenda, an amendment to the Rules of the Commission regarding a time limit on hearing bills. This item was set aside until Senator Pogemiller's arrival.

Rep. Simoneau called for the 6th item on the agenda, five year vesting, HF463 (Simoneau). James Hacking, Executive Director of the Public Employees Retirement Association, was asked to make a presentation on PERA's view of five year vesting. Mr. Hacking distributed a single sheet handout on this item. After his

presentation, Mr. Hacking alluded to the last item on the handout showing PERA's estimate of the cost of five year vesting for PERA's general fund, both Coordinated and Basic, as .11 percent of payroll. The cost for the Police and Fire fund would be .16 percent of payroll.

Rep. Simoneau asked Mr. Robert Perkins, the Commission actuary, for his comments. Mr. Perkins noted that his costs differed with those provided by PERA. The Commission actuary estimated the cost of five year vesting for PERA's general fund to be .26 percent of payroll and the cost to the Police and Fire fund to be .56 percent of payroll.

Rep. Simoneau asked the Commission actuary to discuss the differences between the figures he presented and the figures PERA presented with Gabriel Roeder, PERA's actuary, to resolve the differences. Discussion followed.

Rep. Simoneau again called for agenda item 5, the amendment to the Rules of the Commission. After discussion, Senator Pogemiller moved the amendment to the Rules of the Commission. Senator Wegscheid moved to strike the phrase "in both house". Senator Pogemiller accepted this change to the amendment. Senator Wegscheid seconded the motion to amend the Rules of the Commission. The MOTION PREVAILED as follows:

9.0 TIME LIMIT. The Commission shall only consider bills proposing any change in pension or retirement law if they are introduced on a timely basis. For the 1987 Legislative Session, a bill which has not been introduced ~~in both houses~~ prior to April 1, 1987 shall not be considered to have been introduced on a timely basis.

Rep. Simoneau called for agenda item 7, pension guarantees, HF458 (Simoneau), HF113 (Sviggum) and HF122 (Riveness).

Rep. Simoneau asked Mr. Lawrence Martin, Executive Director of the Legislative Commission on Pensions and Retirement, to make a presentation on the policy question involved with pension guarantees.

Mr. Martin noted that each member's packet contained a memo from him regarding this issue. Mr. Martin referred the Commission members to the second page of his memo noting the issue of pension plan coverage as a contractual right, particularly in Pennsylvania, is due to a lack of well developed fiduciary regulation. Mr. Martin went on to say the legislation proposed is directed towards the state legislature which either directly or substantially sets the policy for Minnesota public pension plans. The proposed legislation has several inherent problems. The legislation is generally ambiguous, no specific type of contract is involved, it establishes a precedent in treating legislation as a contractual offer, the application of contractual elements and defenses are unclear, it transforms public pension plan issues to federal constitutional issues and it does not take the actuarial impact into consideration. These bills would reduce the policymaking flexibility of the Legislature. Commission staff is currently preparing other relief in the form of a revision of the fiduciary responsibility regulation for consideration by the Commission. Two proposed amendments to these bills were also included in member's packets as alternative protection of the benefit coverage of pension plan participants.

Mr. James Hacking, Executive Director of the Public Employees Retirement Association, distributed copies to the members of three surveys taken by PERA showing the concern among PERA plan participants as to the guarantee of pension benefits.

Discussion followed.

The meeting adjourned at 10:00 A.M.

Wayne Simoneau, Chair

Jean Liebgott, Secretary