

March 3, 1993
Room 318
Capitol

5th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Phil Riveness, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 2:25 PM.

Commission members present:

Representatives Mindy Greiling, Bob Johnson, Phyllis Kahn, and Leo Reding
Senators Steven Morse, Phil Riveness, LeRoy Stumpf, and Roy Terwilliger

S.F. 20 (Beckman); H.F. 7 (Cooper): Ambulance Personnel; Longevity Award Program.

Sen. Riveness introduced Rep. Cooper to briefly describe the specifics of the amendment (LCPR93-35) drafted after the last Commission meeting. Rep. Cooper stated that this amendment provides for the ambulance program to be funded out of the state general fund rather than the two dollar surcharge on drivers licenses. He further stated that the program would currently be administered by the Department of Health in conjunction with the ambulance services but the amendment contains a provision to establish a procedure for selecting a different administrator. The Commissioner of the Department of Employee Relations would make recommendations to the Governor and the Governor would appoint an appropriate administrator.

Sen. Stumpf questioned whether the amount for the ambulance program was a biennial appropriation. Rep. Cooper stated that the \$2 surcharge on the 780,000 drivers licenses renewed annually would have raised \$1.56 million dollars per year. Rep. Kahn questioned why the dollar amount jumped from \$800,000 annually to \$1.56 million. Rep. Cooper responded that the Department of Public Safety had advised him that a \$2 surcharge on drivers licenses would have raised \$1.56 million and he was not sure where the \$800,000 came from. Discussion followed.

Rep. Kahn questioned the 400 person annual limit to receive the longevity award. Lawrence A. Martin, LCPR Executive Director, responded that the 400 person limit was suggested by the Department of Health. He further noted that this is a defined contribution plan rather than a defined benefit plan. The plan is set up to provide a \$400 per year of service contribution for eligible personnel and requires a five year vesting period. Discussion followed.

Rep. Kahn moved to delete page 7, section 8, lines 23 through 28 from S.F. 20, the first engrossment. Discussion followed and a question came up regarding what is the practice of volunteer firefighter relief associations in paying a benefit to the estate of a deceased active firefighter.

Gus Welter, a representative of volunteer firefighters, responded to the question by stating that most lump sum volunteer firefighter relief associations include surviving spouse, child, or estate benefits.

Rep. Kahn renewed her motion. **MOTION FAILED.**

Rep. Johnson moved amendment LCPR93-35. **MOTION PREVAILED.**

Rep. Johnson moved S.F. 20, H.F. 70 as amended. **MOTION PREVAILED.**

S.F. 86 (Janezich); H.F. 55 (Rukavina): Eveleth Police and Fire Trust Fund; Post Retirement Adjustment.

This item was postponed to a future meeting.

S.F. 566 (Morse); H.F. 490 (Johnson, R.): Major Funds; Permanent Rule of 90.

Sen. Morse presented the bill and stated that it would simply repeal the sunset provision that was included in the 1989 Rule of 90 legislation.

Mr. Martin reviewed the background on this issue for members. He stated that in 1973 a provision was enacted to reward employees with long service by providing a benefit at age 62 with 30 years of service. In 1982 a Rule of 90 provision was enacted for PERA members in lieu of the age 62 with 30 years of service provision. In 1989 the Rule of 90 was extended to MSRS, TRA and the first class city teacher plans. Mr. Martin also reviewed the policy issues raised by this legislation.

Sen. Morse requested a review of the utilization rate for the Rule of 90.

David Bergstrom, MSRS Executive Director, reviewed a handout titled a "Rule of 90 Utilization Review." He stated that more males than females utilize the Rule of 90 (132 males, 35 females). Mr. Bergstrom also stated that between 6/1/89 and 6/30/92, 3,025 MSRS employees retired and if those using the Rule of 90 during the paid health insurance windows were included, the utilization rate for MSRS retirees is less than 17%. Discussion followed.

Gary Austin, TRA Executive Director, stated that TRA's actuary assumes a 45% utilization rate for basic members and a 32% - 35% utilization rate for coordinated members. Discussion followed.

David Bergstrom stated that MSRS members want a permanent Rule of 90 to permit potential retirees to make plans.

Sen. Stumpf questioned what the average age was of people using the Rule of 90. The response was age 60 for Rule of 90 users and age 63 for other retirees.

Cheryl Fuhrer, Director of Legislative Affairs for MEA, testified that her membership strongly supports this bill and making the Rule of 90 permanent. She stated that 66% of the states in this country have better early retirement incentives than the Rule of 90.

Rep. Kahn questioned whether some school districts provide health care coverage for their retirees. Ms. Fuhrer responded that some districts have negotiated retiree health care coverage. Rep. Kahn stated that she is interested in anyone that has done a cost effectiveness study on early retirement. It was noted that possibly the Department of Administration may have conducted a study on that issue.

Sen. Morse moved approval of S.F. 566; H.F. 490. **MOTION PREVAILED.**

Legislative Commission on Pensions and Retirement Proposed Budget.

Lawrence Martin reviewed the LCPR proposed budget. Sen. Riveness stated that the Commission Executive Committee had reviewed the budget.

Rep. Johnson moved adoption of the LCPR Budget. **MOTION PREVAILED.**

Sen. Riveness stated that two subcommittees would be appointed. One to review and make recommendations on the major plan administration bills and the other to review and make recommendations on special legislation bills.

Approval of the Minutes of the February 17, 1993 Commission meeting.

Rep. Reding moved approval of the minutes. **MOTION PREVAILED.**

The meeting adjourned at 3:40 P.M.


Jean Lieb Gott, Secretary