

March 24, 1993
Room 123 - Capitol

8th 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 6:50 PM.

Commission members present:

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

S.F. 625 (Solon); H.F. 663 (Reding): First Class City Teachers; Administrative Provisions

Edward Burek, LCPR Deputy Executive Director, reviewed the policy issues raised in the staff memo by this bill. Mr. Burek also reviewed amendment LCPR93-80. Some of the amendment's provisions would avoid repetitious language, would change the minimum interest charge in the bill from \$25 to \$10, and would authorize a bylaw change to permit members up to 90 days retroactivity on retirement annuity applications after termination of employment.

J. Michael Stoffel, DTRFA Executive Secretary, testified in support of this amendment.

Rep. Reding moved amendment LCPR93-80. **MOTION PREVAILED.**

Mr. Burek reviewed Article 3 of the bill which permits the St. Paul Teachers Retirement Fund Association to change its post retirement mechanism. The bill authorizes StPTRFA to implement these changes through bylaw amendment. Sen. Riveness questioned the cost of this change.

Eugene Waschbusch, StPTRFA Executive Secretary, testified that if this change had been effective this year, the cost would have been an additional \$70,000.

Mr. Burek reviewed Article 4 which deals with administrative expenses related to investments. He further noted that this article does not define investment expenses and therefore provides the boards of the funds with complete discretion. Discussion followed.

Rep. Kahn stated that she plans to amend this bill to require comprehensive, detailed expense reporting. Discussion followed.

Rep. Reding offered amendment H663A1, which dealt with surviving spouse optional annuities. Mr. Stoffel reviewed and testified in support of the amendment.

Dave Bergstrom, MSRS Director, provided a handout which dealt with the survivor benefit issue with regard to MSRS. He stated that the cost for MSRS would be three-hundredths percent of payroll. Rep. Reding moved amendment H663A1. **MOTION PREVAILED.**

Rep. Reding moved S.F. 625; H.F. 663 as amended. **MOTION PREVAILED.**

Dick Wasko, a member of the St. Paul Teachers Ad Hoc Committee and a retired St. Paul teacher, requested an opportunity to speak in opposition to this bill. Mr. Wasko stated that the Ad Hoc Committee specifically opposes the part of Article 3 which reduces the waiting period for the thirteenth check from three years to one year. One reason for their opposition is that it makes the thirteenth check mechanism more acceptable to StPTRFA retirees. This may continue the flawed thirteenth check approach used by St. Paul Teachers and may delay consolidation of the StPTRFA with TRA. Mr. Wasko continued his testimony. Discussion regarding consolidation with TRA followed.

Sen. Pogemiller questioned whether Article 4 requires clarification of administrative expenses. Mr. Waschbusch responded that Article 4 would separate the expenses that are due to investment costs from other administrative expenses. Rep. Kahn again stated that she will have an amendment that will require detailed reporting of investment and administrative expenses. Discussion followed and it was agreed that the first class city teachers will clarify the language in this article.

S.F. 519 (Stumpf); H.F. 574 (Reding): Major Plans; Administrative Provisions

Sen. Stumpf reviewed the Subcommittee action and amendments on this bill.

Mr. Bergstrom stated that Rep. Reding has an amendment for the statewide plans to provide optional annuity survivor benefits similar to the amendment offered earlier in the meeting for the first class city teacher plans.

Mr. Robert Whitaker, President of the Association of Minnesota Retired Public Employees, testified in support of providing the lists of retirees to this organization for recruiting purposes.

Sen. Stumpf provided an amendment that would permit the University of Minnesota as well as the statewide pension plans to have the lists. It was suggested that the amendment restrict the two organizations from releasing the list to anyone else. Lawrence Martin, LCPR Executive Director, drafted a handwritten amendment to Sen. Stumpf's amendment to restrict use of the list and to allow retirees to periodically have the opportunity to remove their name from the list.

Sen. Stumpf moved the unnumbered amendment to page 45, line 12, as amended by the handwritten amendment drafted by Mr. Martin. **MOTION PREVAILED.**

Sen. Stumpf noted one other issue on page 62, section 16, regarding employees of labor organizations on authorized leave of absence. Mr. Burek reviewed the Subcommittee action which was a verbal amendment to page 62, line 33, in which after the word "current" the word "coordinated" was inserted.

Dan Cherryhomes, representative of the Laborer's Local 363 Minneapolis City Employees, testified that retroactivity was needed for a particular individual.

Sen. Stumpf moved the unnumbered amendment which began "Page 99, after line 3 insert Article 7." **MOTION PREVAILED.**

Mr. Martin reviewed an unnumbered 29 line amendment to Sec. 353.64, Subdivision 3. He noted that the language provides basic PERA-P&F coverage for fire marshals, inspectors and investigators rather than strictly for employees who are engaged in the hazards of firefighting. Discussion followed and it was agreed that although this item was discussed at the subcommittee level, brief testimony would be permitted.

Mike Stockton, Professional Firefighters Association, provided a fact sheet for members review and introduced Ms. Arnold, Deputy Fire Marshal for the city of Maple Grove. Mr. Stockton testified that the fact sheet showed the cities in which the fire marshals, inspectors, and investigators are currently members of PERA-P&F versus the cities in which they are not currently members of PERA-P&F. He continued with his testimony in support of the amendment. Discussion followed, Mr. Martin drafted additional language, and it was agreed that this issue should be laid over for interim study.

Sen. Stumpf introduced and reviewed three staff amendments pertaining to age discrimination, LCPR93-83 (age discrimination safe harbor language), LCPR93-88 (used the normal retirement age of each fund rather than the safe harbor language), and LCPR93-93 (language in original bill).

Laurie Hacking, PERA Executive Director, testified in support of LCPR93-83.

Sen. Stumpf moved amendment LCPR93-83. **MOTION PREVAILED.**

Mr. Burek reviewed amendment LCPR93-82 which incorporates three amendments brought to the Subcommittee by the pension funds as well as other changes agreed on by the

Subcommittee. Mr. Burek referred members to page 3, line 6, and suggested deleting "6" and inserting "17" to comply with Commission action at this meeting. Sen. Stumpf moved this verbal amendment. **MOTION PREVAILED.**

Mr. Burek referred members to page 4, lines 20 to 23, and suggested deleting these lines since they would be redundant in light of Commission action approving LCPR93-83. Rep. Johnson moved this verbal amendment. **MOTION PREVAILED.**

Mr. Burek referred members to an incorrect effective date on page 5, lines 3-5. Rep. Johnson moved that staff correct this effective date. **MOTION PREVAILED.**

Sen. Stumpf moved LCPR93-82 as amended. **MOTION PREVAILED.**

Sen. Pogemiller moved to amend the unnumbered amendment to page 45, line 14, previously approved by the Commission, by adding the following language to line 10, "at its discretion,". **MOTION PREVAILED.**

Sen. Stumpf moved S.F. 519; H.F. 574 as amended. **MOTION PREVAILED.**

S.F. 860 (Stumpf); H.F. 1131 (Johnson, R): IRAP; Administrative Provisions

Rep. Johnson reviewed the bill. Mr. Martin reviewed the staff memo and two attached amendments, LCPR93-77 (requested by the IRAP administrators), and LCPR93-78 (a technical amendment). Mr. Martin noted two changes to amendment LCPR93-77. The changes are to page 1, after line 2, insert "Page 1, after line 36, insert" and to page 4, line 20, delete "(2)" and insert "(b)".

Rep. Johnson moved amendment LCPR93-77 as amended. **MOTION PREVAILED.**

Rep. Johnson moved amendment LCPR93-78. **MOTION PREVAILED.**

Rep. Reding offered amendment LCPR93-86 for discussion.

Mary Stanton, representing the State University System, testified in opposition to LCPR93-86 and stated that the purpose of Article 2, Section 1, was to stay consistent with the portability of the defined contribution plan.

Russ Stanton, representing the faculty of the State University and Community Colleges, testified in support of this bill and in opposition to LCPR93-86. He stated that they are asking for the same treatment as the unclassified employees who are permitted to transfer employee and employer contributions plus six percent interest from the Unclassified Plan to MSRS General.

Steven Berg, faculty member at Winona State University, testified in opposition to LCPR93-86. Discussion followed.

Gary Austin, TRA Executive Director, testified in opposition to the bill. He stated that all members eligible for the IRAP now have more than three years of service. He stated that younger members who transfer from TRA to IRAP cause adverse selection and leave only older members with a high liability that will harm TRA. He further stated that the employer additional contribution is used to fund the TRA unfunded liability. Discussion followed.

Mr. Martin stated that the language that reopens or broadens the opportunity for employees to transfer to IRAP is on page 5, line 14, striking the words "less than three years of prior service." The language that transfers money for the employees who were not vested is on page 8, lines 6 to 16, it restores their prior employer contributions plus interest. Mr. Austin stated that permitting the transfer of the employer contributions would set a precedent. Discussion followed. The question was asked as to how many individuals transferred from TRA to IRAP without their employer contribution. The response was 310 from the state universities and 19 from the community colleges. The question was asked as to what would be the amount of employer contribution that would be captured by the language in section 6. The response was \$710,000 from the state universities and \$60,000 from the community colleges.

Rep. Reding withdrew LCPR93-86.

Cheryl Fuehrer, MEA representative, testified in opposition to this bill due to the impact on TRA. Discussion followed.

Phil Kapler, Department of Finance, testified in opposition to permitting a transfer of the employer share from TRA.

Mr. Austin reviewed a March 24, 1993, memo estimating the financial impact of this bill on TRA as calculated by their actuary, W.F. Corroon. Discussion followed.

Rep. Knickerbocker moved amendment LCPR93-86. Discussion followed and Sen. Morse moved to amend LCPR93-86 by deleting page 1, line 4 and on line 5, deleting "5" and inserting "6". Rep. Knickerbocker moved to delete article 2, section 1, on page 5. **MOTION PREVAILED.**

Rep. Knickerbocker moved to delete section 6 and 7 on page 8.

Mr. Bergstrom and Ms. Hacking testified in opposition to permitting a transfer of the employer share of contributions from TRA. Rep. Knickerbocker questioned where the \$800,000 would come from. Mr. Austin stated that any shortfall would come from employer and employee contributions. Sen. Pogemiller stated that contributions would not be increased. Mr. Austin stated that the unfunded actuarial accrued liability would be increased. Discussion continued and it was agreed that the issues of defined contribution plans and portability would be studied during the interim. Discussion continued. Rep. Knickerbocker's motion to delete section 6 and 7 on page 8 was renewed. **MOTION FAILED.**

Rep. Johnson reviewed amendment LCPR93-84 and stated that this amendment would make the State Board of Investment an option for the IRAP. Rep. Johnson moved amendment LCPR93-84. **MOTION PREVAILED.**

Rep. Reding moved amendment LCPR93-85 which would expand participation in the IRAP to the technical colleges.

Mary Stanton testified in support of this amendment particularly in light of the merger in 1995. Ms. Stanton provided a letter from the Chancellor of the Technical College System in support of this amendment.

Gary Austin testified in opposition to LCPR93-85. Discussion followed.

Cheryl Fuehrer testified in support of LCPR93-85 but believes that participation should be optional for new employees of the Technical College System rather than mandatory.

Rep. Reding's motion on amendment LCPR93-85 was renewed. **MOTION PREVAILED.**

Glen Anderson, a TIAA/CREF representative, testified in support of S.F. 860. Sen. Pogemiller questioned the exclusion of the first class city teacher plans from IRAP. The response was that the first class teacher plans requested exclusion.

Rep. Johnson moved S.F. 860; H.F. 1131 as amended. **MOTION PREVAILED.**

The meeting adjourned at 11:00 P.M.


Jean Lieb Gott, Secretary