

March 29, 1993
Room 15 - Capitol

9th 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 7:00 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. 825 (Metzen); H.F. 977 (Milbert): MERF; Public Works Employee Purchase of Prior Services
Mr. Edward Burek, LCPR Deputy Executive Director, reviewed the bill and Subcommittee amendment LCPR93-74. Mr. Burek suggested a technical correction to the bill, on page 3, line 13, delete "1" and insert "2".

Sen. Pogemiller moved amendment LCPR93-74 and the technical correction. **MOTION PREVAILED.**

Sen. Pogemiller moved S.F. 825; H.F. 977 as amended. **MOTION PREVAILED.**

S.F. 833 (Kelly); H.F. 1161 (Farrell): PERA; Waiver of Deadline For Payment In Lieu of Deductions
Mr. Lawrence A. Martin, LCPR Executive Director, reviewed the bill and Subcommittee amendment LCPR93-73.

Sen. Pogemiller moved amendment LCPR93-73. **MOTION PREVAILED.**

Sen. Pogemiller moved S.F. 833; H.F. 1161 as amended. **MOTION PREVAILED.**

S.F. 255 (Kroening); H.F. 192 (Reding): MSRS; U of M Steam Plant Employees
Sen. Kroening reviewed the bill and amendment SCS0255A-1. He stated that the steam plant employees would like to remain in MSRS even though they are no longer public employees and that this amendment would require the Commission to study the issue of public employees who become privatized.

Sen. Pogemiller moved amendment SCS0255A-1. Discussion followed and it was noted that the word "gaming" should be changed to "gambling" on page 1, line 12 of the amendment. The motion was renewed. **MOTION PREVAILED.**

Sen. Kroening introduced Ken Bodell, Tom Koehler, Jim Moyle, for testimony. Mr. Moyle provided background on the bill.

David Bergstrom, MSRS Executive Director, testified in opposition to this bill due to the Attorney General's opinion that including private employees in a public plan may jeopardize MSRS's tax qualification status. He noted that MSRS administers several pension plans of private employees and these jeopardize tax qualification for the 47,000 public employees covered by MSRS. Discussion followed.

Mr. Bergstrom questioned whether the effective date in the bill should be made retroactive to provide service credit from the date of privatization if the Commission passes the bill. Discussion followed and Mr. Martin provided a handwritten amendment to address this issue.

Rep. Kahn moved the handwritten amendment. **MOTION PREVAILED.**

Rep. Kahn moved S.F. 255; H.F. 192 as amended. **MOTION PREVAILED.**

S.F. (....); H.F. 388 (Sarna): Various Plans; Rule of 85 Option
Rep. Sarna reviewed the bill and stated that providing a Rule of 85 option under this bill would not cost any money.

Sen. Riveness stated that his school district has a problem with using this option on a selective basis. Rep. Sarna referred him to page 4, subdivision 7, as a possible remedy. Discussion followed.

Mr. Martin reviewed amendment LCPR93-75 which restricts the accrual rates in this bill to those in effect before May 15, 1989.

Rep. Reding moved amendment LCPR93-75. **MOTION PREVAILED.**

Sen. Pogemiller stated that the Minneapolis school district had negotiated early retirement benefits. Discussion followed. Mr. Martin stated that PELRA law excludes pension plans from the definition of terms and conditions of employment and that has been interpreted as prohibiting or not requiring mandatory bargaining on pensions.

Norm Moen, a Business Agent for the Minneapolis Federation of Teachers, stated that in 1989 a cash payout early retirement incentive was negotiated. Discussion followed and it was agreed to add a two year sunset provision to this bill. Mr. Martin drafted a handwritten amendment to page 4, after line 19, inserting a new section 3 which would state that "Section 1 is repealed on June 30, 1995."

Sen. Riveness moved the handwritten amendment. **MOTION PREVAILED.**

Rep. Reding moved H.F. 388 as amended. **MOTION FAILED.**

S.F. 579 (Metzen); H.F. 570 (Reding): PERA-P&F; Benefit Accrual Rate Increase

Rep. Reding introduced amendment LCPR93-109. Mr. Martin reviewed the amendment and stated that the amendment requires an increase in employee and employer contributions on a 40/60 basis if after passage of the bill the PERA-P&F fund actuarial valuation indicates an unfunded accrued liability. The increased contributions must continue until the shortfall is eliminated. Discussion followed.

Rep. Reding moved amendment LCPR93-109. **MOTION PREVAILED.**

A PERA board member provided a three page handout and testified in support of this bill.

Marie Puschinski, Minneapolis Police Officer, testified in support of this bill.

Dick Nelson, MN Police Pension Council, testified in support of this bill.

Sen. Riveness questioned how this increase would effect the consolidated police and fire funds. He asked if the cities with consolidated police and fire funds would be required to levy higher to cover their share of the increased cost. Discussion followed. A PERA board member testified that 5500 PERA-P&F members should not be penalized because of consolidated relief associations. Discussion followed.

Sen. Stumpf introduced amendment LCPR93-108.

Rep Irv Anderson reviewed LCPR93-108 and stated that the amendment permits a constituent who is an employee with the city of Deer River to purchase prior service and to transfer from a defined benefit plan to a defined contribution plan. Rep. Reding reviewed the Subcommittee action.

Laurie Hacking, PERA Executive Director, testified on this amendment and stated that it does set a precedent by permitting an appointed official to switch from a defined benefit plan to a defined contribution plan. Darlene Vobedja, the City Clerk for Deer River, testified in support of this amendment.

Sen. Stumpf moved amendment LCPR93-108. **MOTION PREVAILED.**

Stan Peskar, League of Minnesota Cities, testified in opposition to this bill due to current revenue shortfalls and also testified that the PERA-P&F benefits are not inadequate.

Rep. Reding moved S.F. 579; H.F. 570 as amended. **MOTION PREVAILED.**

S.F. 1151 (Pappas); H.F. (....): PERA; St. Paul Supervisors Organization Buyback
Sen. Pappas reviewed the background on this issue and introduced an unnumbered amendment that limits payment and has a local approval clause. Mr. Martin suggested incorporating compliance with Minnesota Statutes, Section 645.021, into the amendment.

Rep. Reding moved the unnumbered amendment as amended. **MOTION PREVAILED.**

Mr. Martin provided further background information on this bill. Ms. Hacking testified that PERA law does not permit PERA to accept as salary any payments that an employer makes for health insurance. She stated that this bill renews the agreement between St. Paul and the Supervisors and has an effect on the high five salary for these members. Sen. Pappas stated that these employees have agreed to be responsible for the total cost of their health insurance including future increases and in exchange, these payments would apply toward their pensions. Discussion followed.

Rep. Johnson stated that the situation between St. Paul and the Supervisors Organization developed due to a misunderstanding between the employer and employees and that this is a very unique situation.

Jim O'Leary, St. Paul Supervisors Organization, testified in support of this bill and reaffirmed that the bill does have local approval.

Mr. Martin suggested a technical amendment to the amendment previously passed.

Rep. Johnson moved the technical amendment to the previously approved amendment. **MOTION PREVAILED.** Discussion followed.

Sen. Pogemiller moved S.F. 1151 as amended. **MOTION PREVAILED.**

S.F. 1086 (Morse); H.F. 1056 (Johnson, R): Statewide Plans; Benefit Accrual Rate Increase
Rep. Johnson reviewed this bill and stated that this bill does have a cost. Sen. Riveness advised members that the preliminary actuarial estimate for this benefit accrual rate increase would be \$122 million dollars and suggested that the Commission study this issue further over the interim. Discussion followed. It was agreed that this bill would be **LAID OVER** for interim study.

S.F. 545 (Morse); H.F. 598 (Reding): Statewide Plans; Coordinated Program Survivor Benefit Increase
Rep. Reding reviewed the background on this bill and requested that Dave Bergstrom further review the bill. Mr. Bergstrom provided a handout and testified in support of this bill. He referred members to the cost of this benefit as shown in the handout and continued with his testimony. Discussion followed.

Rep. Reding moved a delete everything amendment number HA93-094. **MOTION PREVAILED.**

Rep. Reding moved S.F. 545; H.F. 598 as amended. **MOTION PREVAILED.**

S.F. 162 (Morse); H.F. 147 (Reding): IRAP; Contribution Rate Increases and Various Changes
Sen. Morse introduced amendment LCPR93-107 and requested that Mr. Martin further review the amendment. Mr. Martin stated that the amendment deletes sections 3, 4, and 6, which were dealt with previously in the IRAP administrative bill; sections 1, 2, and 5 remain. Sen. Morse stated that currently IRAP employer and employee contributions are equal. This bill would increase the employer contribution to 6% to and would be used as a recruiting tool.

Russ Stanton, State University and Community College faculty representative, testified in support of this bill and stated that the cost to the State University System would be \$636,000 and the cost to the Community College System would be \$90,000-\$100,000.

Mary Stanton, State University System representative, testified in support of this bill. Discussion followed and members were referred to a handout provided by Ms. Stanton.

Sen. Morse moved amendment LCPR93-107. **MOTION PREVAILED.**

Sen. Morse moved S.F. 162; H.F. 147 as amended. **MOTION PREVAILED.**

S.F. 1064 (Morse); H.F. 1282 (Reding): State University and Community Colleges; Alternative Coverage for Certain Members

Mary Stanton, reviewed the background on this bill and testified that there is no additional cost for this alternative coverage.

Anne Weyandt, Community College System, testified that Sections 2 and 3 correct an oversight in drafting when the IRAP plan was originally created.

Sen. Morse moved S.F. 1064; H.F. 1282. **MOTION PREVAILED.**

S.F. 817 (Morse); H.F. 744 (Johnson, R.): Various Plans; Early Retirement Medical Insurance Incentive

Rep. Johnson reviewed the background on this bill and noted that during previous discussion, members expressed a desire to see the incentive limited to agencies involved in layoffs. He referred members to an unnumbered amendment. Discussion followed and it was agreed that page and line references needed to be changed. Members also suggested that they would like this incentive to apply to local government units as well.

Rep. Johnson stated that he would prefer to have the incentive mandatory but would compromise and make it permissive.

Sen. Stumpf introduced and reviewed MS72, a delete everything amendment to this bill. Rep. Johnson spoke in support of the amendment and bill.

Dave Bergstrom testified that the MSRS Board did not take a position on this bill. He further stated that the cost of the incentive for MSRS would be .03% of payroll or \$800,000, the cost for TRA would be .07% of payroll or \$1.4 million dollars, and the cost for PERA would be .04% of payroll or \$1.7 million dollars.

Gary Austin, TRA Executive Director, testified that the TRA Board did not take a position on this bill and he believed that approximately 2,300 TRA members might utilize the incentive. Discussion followed.

Rep. Greiling referred members to page 3, subdivision 7, and stated that in the Education Committees they are utilizing different school aids rather than property taxes. Discussion followed.

Mr. Martin reviewed an amendment to MS72 that he drafted to incorporate members suggestions that would make the incentive mandatory for state agencies that will suffer layoffs and permissive for other government units without regard to the layoff issue. Discussion followed.

Sen. Stumpf moved amendment MS72 as amended. **MOTION PREVAILED.**

Sen. Stumpf moved S.F. 817; H.F. 744 as amended. **MOTION PREVAILED.**

S.F. 1103 (Stumpf); H.F. 1222 (Kahn): Optional Retirement Plan for State Historical Society

Rep. Kahn reviewed the bill and stated that it would provide a defined contribution pension plan for the Historical Society.

John Glidden, Minnesota Historical Society, testified in support of this bill.

Ian Stewart, Deputy Director of the Minnesota Historical Society, testified in support of this bill and stated that it is necessary as a recruitment tool. Discussion followed regarding portability and TIAA-CREF.

Dave Bergstrom testified in opposition to this bill. He questioned whether there was a difference between these employees and other state employees and further stated that if a case could be made that there was a difference, rather than create a new pension plan these employees could become members of the unclassified employees plan. Discussion followed.

Sen. Riveness asked that this bill be **LAI D OVER** for interim study.

S.F. 1282 (Pogemiller); H.F. xxx (....): First Class City Teachers; Funding Provisions

Sen. Pogemiller reviewed the background of this bill and stated that this bill provides a solution that shares the pain. It requires a contribution of \$3 million from the City of

Minneapolis, \$3 million from the Minneapolis School District, \$1.5 million from the employees, and a \$7.5 million matching amount from the State of Minnesota. He further stated that if the Commission preferred to consolidate the first class city teacher plans, he would not object.

Karen Kilberg, MTRFA Secretary, testified regarding the MTRFA \$1.5 million dollar member contribution to reduce the unfunded actuarial liability. Ms. Kilberg explained that half of the \$1.5 million would be achieved by increasing contributions and half would be achieved by changing retiree benefit increase computations. Retiree benefit increases would be paid from an annuity reserve fund on investment earnings over 8.5% to the degree that MTRFA is funded (currently MTRFA is 54% funded). Discussion followed. It was noted that this bill has local approval.

Sen. Riveness stated that he would like a variance to the bill deadlines from House and Senate leadership to further discuss this issue. This bill was **LAI D O V E R** to the next meeting.

S.F. 553 (Kelly); H.F. 637 (Dawkins): TRA; StPTRFA Consolidation

Sen. Kelly reviewed the background on his bill and provided an amendment, LCPR93-94, for Commission consideration. He testified that four teacher funds are unnecessary, and with consolidation, duplicative administration costs could be eliminated. He further stated that StPTRFA provides a thirteenth check but does not have a COLA. Mr. Martin further reviewed amendment LCPR93-94.

Sen. Morse moved amendment LCPR93-94. **MOTION PREVAILED.** Discussion followed.

Dick Wasko, Chair of the StPTRFA Teachers Retirement Ad Hoc Committee, testified in support of this bill and amendment. Mr. Wasko introduced his associates, Paul Christianson and Gordy Grant and continued his testimony. Discussion followed.

Eugene Waschbusch, StPTRFA Secretary/Treasurer, testified in opposition to this bill and amendment and responded to Mr. Wasko's comments.

Gary Austin, TRA Director, testified that if StPTRFA consolidated with TRA, differences in benefits would need to be addressed.

This bill was **LAI D O V E R** to the next meeting.

S.F. 1280 (Piper); H.F. 1416 (Reding): Austin Fire: Post Retirement Medical Coverage and Surviving Spouse Benefit Coverage
(Withdrawn by author)

S.F. 937 (Riveness); H.F. 973 (Mahon): Bloomington Police; Benefit Improvements

Sen. Riveness provided background on this bill and testified that this bill would enable the Bloomington Police Relief Association to consolidate with PERA-P&F. He further stated that this provides an enhancement for retirees and is similar to what Richfield did last session to facilitate consolidation.

Brian Rice, representing the Bloomington Police Relief Association, reviewed the benefit enhancements that would be provided by this bill. Mr. Rice stated that the Bloomington Police Relief Association is over 100% funded and even with these benefit improvements, the city would save \$250,000 per year if the relief association consolidated. Discussion followed. Mr. Martin reviewed amendment LCPR93-104 and Mr. Rice's unnumbered two page amendment.

Sen. Pogemiller moved amendment LCPR93-104 as amended by the unnumbered two page amendment. **MOTION PREVAILED.** Discussion followed.

Sen. Pogemiller moved S.F. 937; H.F. 973 as amended. **MOTION PREVAILED.**

The meeting adjourned at 12:05 A.M.

Jean Liebgott, Secretary