

April 27, 1993
Room 112
Capitol

10th 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 8:45 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

Ellendale Fire Benefit and Aid Usage.

Rep. Reding reviewed the Ellendale Fire situation and noted that this legislation was necessary to address the issues raised by the State Auditor's Office regarding the Ellendale Fire Department Relief Association's not having bylaws prior to 1990 and, therefore, not authorized to pay benefits. Rep. Reding also noted that Ellendale's state aid is being withheld.

When a quorum was present, Rep. Reding moved amendment LCPR93-136 drawn to the first engrossment of H.F. 972. **MOTION PREVAILED.**

Full Time MTC Police Pension Coverage Issue.

Sen. Ellen Anderson reviewed the MTC police pension issue. Sen. Riveness noted that this issue was not brought before the Pension Commission previously because it was not believed to be a pension issue.

Edward Burek, Deputy Executive Director, further reviewed the MTC police pension issue.

Tom Johnson, a representative from MTC, stated that these police officers were POST certified sworn officers.

William Carter, Board of Peace Officers, stated that the MTC officers would operate similar to the way the airport police operate.

Sen. Stumpf moved amendment LCPR93-137. **MOTION PREVAILED.**

Approval of the Minutes of the February 24, 1993 Commission meeting.

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

First Class City Teacher Structure and Funding Issues.

Sen. Riveness reviewed the background on this issue. He further stated that he has been substituted as chief author of S.F. 553 in the Senate and that Rep. Reding has been substituted as chief author of H.F. 637 in the House. Sen. Riveness referred members to a chart he had provided which showed the administrative expenses for the first class city teacher funds and TRA over a ten year period expressed as a percentage of covered payroll.

Rep. Reding questioned whether investment expenses were included in administrative expenses. Sen. Riveness responded that they were included. Discussion followed concerning investment and non-investment expense.

J. Michael Stoffel, DTRFA Executive Secretary, stated that the first class city teacher funds do not have the economy of scale that TRA has and that as DTRFA assets grow their investment fees will also grow. He stated that the DTRFA Board is opposed to this proposal. Mr. Stoffel referred members to a table in members packets that showed the two year annualized time weighted rate of return for the first class city teacher plans and TRA. This table showed that DTRFA had the highest returns of the four plans. Mr. Stoffel also noted that comparing the expenses of the first class city teacher funds to TRA on a per

member basis may not be the fairest comparison. He stated that the expense for the PERA-P&F consolidation funds is \$147 per member, for PERA-P&F it is \$153 per member, and for PERA it is \$42. He requested that DTRFA be removed from this bill. Discussion followed.

Sen. Stumpf questioned whether Mr. Stoffel's statement regarding the economy of scale that TRA has doesn't argue in favor of consolidating with TRA. Discussion followed.

Karen Kilberg, MTRFA Executive Secretary, stated that the Commission was not comparing apples and apples in their comparison of the first class city teacher investment expenses with TRA's investment expenses. She further stated that increases in assets caused the investment expenses to increase.

Sen. Riveness noted that according to tables provided by Commission staff, TRA has \$6.5 billion invested at a cost of \$5.3 million and MTRFA has 1/2 billion invested at a cost of \$2.07 million. Discussion followed.

*Sen. Terwilliger questioned why the Commission doesn't require all pension plans to report all their expenses in the same way. Discussion followed.

Gene Waschbusch, StPTRFA Executive Secretary, referred members to a Commission staff memo dated November 7, 1991, dealing with comparative administrative expenses. Discussion followed.

Sen. Pogemiller stated that in studying the MTRFA funding problem during the interim, he realized that all of the players contributed to that funding problem of MTRFA. He favored legislation that solves the MTRFA funding problem and preferred not to spend any more time placing blame for the funding problem.

Rep. Greiling questioned what the first class city teacher plans consider to be the state share. Sen. Riveness provided background and noted that at some point in time, the Legislature did not require the school districts and the city to levy sufficiently to pay the benefits and also some benefit increases were granted without commensurate compensation from the city or the school district.

Rep. Reding stated that the St. Paul delegation has not reached a consensus on this issue and would prefer to delay action for St. Paul at this time. Rep. Greiling stated that she was also asked to delay action for St. Paul teachers until the delegation reached a consensus on this issue. Sen. Riveness stated that he believed it would be helpful to address the first class city teacher issues in one package. He noted a strong interest on the part of Senate leadership and the Senate Finance Committee Chair to try to bring all teacher funds current in terms of employee and employer contributions and to make progress in addressing their administrative issues. Sen. Pogemiller stated that he does not want to lose the opportunity to help Minneapolis this year. Discussion followed. Sen. Riveness stated that if the Commission members feel there is some urgency to provide funding this year, then it is necessary, he determined from his conversation with the Finance Chair and other Senate members, to provide some of the changes made in this bill in order to get the state to match state dollars with local dollars. It is necessary to do something about the administrative cost differences between the first class city teacher funds and in the case of StPTRFA it may be necessary to change the contribution rate of the Basic members from 8.0% to 8.5% if they stay in this bill. Discussion followed.

Mary Gilbert, St. Paul School District, testified that any levy that it would be necessary to impose to match state funds would be delayed due to the school district's accounting methods.

Rep. Reding moved amendment LCPR93-135 drawn to S.F. 553 and H.F. 637. **MOTION PREVAILED.**

Gene Waschbusch reviewed the other points of the Commission staff memo and objected to the employee contribution being increased from 8.0% to 8.5% when their expense for the normal cost of benefit does not show a need for that increase. He stated that past Commission policy was to have the employee and employer pay only the normal cost of their benefits.

Dick Wasko, retired StPTRFA teacher, testified in support of Sen. Riveness's proposal.

He strongly supports the Commission study of the options for consolidation with TRA during the interim as required by Sen. Riveness's proposal. He also supports the additional state funding in this proposal.

John Latchem, StPTRFA teacher for 23 years, stated that when the Commission undertakes the consolidation study, attention should be paid to the current provisions of the StPTRFA such as, part-time teaching, military leaves, and maternity leaves, to assure that members who may be using these provisions do not fall through the cracks in a consolidation action.

Sen. Pogemiller moved an amendment as follows: Page 11, line 23, after the period insert "The Commission shall set up a study group composed of Commission staff, fund administrators, and representatives of bargaining units who represent fund members, to advise the Commission on the options." **MOTION PREVAILED.**

*Sen. Pogemiller moved an amendment as follows: Page 5, lines 21 and 24, delete "excess" and insert "supplemental." **MOTION PREVAILED.**

Sen. Riveness **LAI D O V E R** this bill until Thursday, April 29, 1993. Rep. Greiling suggested that the matching state support be provided for a specific timeframe and that the usage of this state aid be restricted to pension funding.

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

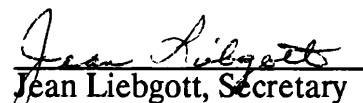
Rep. Reding reviewed the concept of an amendment he plans to offer to reduce the employee and employer contributions for PERA-P&F. He noted that he will have the language at the Thursday Commission meeting.

Sen. Morse questioned what the cost of this proposal would be for the consolidated funds. Rep. Reding stated that it would cost the City of Austin approximately \$1,000. Sen. Morse suggested using the excess PERA-P&F funding to fund the consolidated police and fire funds.

Laurie Hacking, PERA Executive Director, testified regarding the PERA-P&F sufficiency/deficiency. She noted that the experience study currently being performed by the Commission-retained actuary is pointing toward changing the salary assumption as it seems to be too aggressive. Rep. Reding stated that the benefit increase should be delayed until the actuary presents the experience study.

Richard Nelson, MN Peace Officers Association, testified in support of the bill and supports excluding the consolidated funds from the increased benefit accrual rate. He also suggested that the excess employee and employer contributions be used for retiree health care.

The meeting adjourned at 11:35 P.M.


Jean Lieb Gott, Secretary

- * The tape player used for this meeting only operated for the portion of this meeting between the asterisks.