

April 29, 1993  
Room 10 State Office Building

11th 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 6:32 PM.

Commission members present:

Representatives Mindy Greiling, Bob Johnson, Phyllis Kahn, Gerald Knickerbocker, and Leo Reding

Senators Steven Morse, Phil Riveness, and Roy Terwilliger

**First Class City Teacher Structure and Funding Issues**

Sen. Riveness summarized some of the discussions on the concept of supplemental administrative costs. It was determined that at this time it would be difficult to deal with the investment expense side of the administrative costs and that it would be more straightforward to deal with the administrative expenses that are not investment oriented. The new draft legislation calls on the funds to assess their members for the difference between their non-investment administrative costs and those same costs in TRA, it removes Duluth Teachers Retirement Fund Association from the bill, and it leaves unchanged the StPTRFA employee and employer basic contribution.

Mr. Edward Burek, LCPR Deputy Director, reviewed the other major changes from the last version and specifically the change to the MTRFA and the StPTRFA post retirement provisions. Sen. Riveness stated that this change would reduce the cost of living increases currently provided to the two funds while they are trying to address their unfunded liability. Mr. Burek also noted that the state matching contributions to the funds are indexed to increases in the education aids formula. Discussion followed and it was agreed to clarify the wording regarding the education aids formula.

Sen. Morse moved amendment LCPR93-143. **MOTION PREVAILED.**

Rep. Kahn moved the amendment to clarify the education aids formula wording. **MOTION PREVAILED.** Discussion followed.

Mr. Burek reviewed amendment LCPR93-146 and noted that it would discontinue state aid when the StPTRFA and MTRFA funding ratio equaled TRA's funding ratio.

Rep. Greiling moved amendment LCPR93-146. **MOTION PREVAILED.**

Sen. Riveness suggested delaying the \$500,000 aid to StPTRFA since Minneapolis will not be able to levy to match the state contribution until FY'94 and FY'95. Ms. Gilbert reviewed an unnumbered amendment regarding a phase-in for StPTRFA. Discussion followed.

Linda Sandvig, Minneapolis schools, testified regarding the ability of Minneapolis to levy and the change in basic program contributions. Discussion followed and it was agreed to continue studying these particular issues to assure that everyone was comfortable with the solution.

Sen. Terwilliger moved the unnumbered amendment regarding the St. Paul phase-in. **MOTION PREVAILED.**

Sen. Riveness reviewed amendment LCPR93-145 regarding increasing basic program contributions. He further noted that the amendment has an effective date of July 1, 1997. Discussion followed. Sen. Riveness laid the amendment over for further review.

Mr. Burek reviewed the concept of the additional language worked out.

Karen Kilberg, MTRFA Executive Secretary, testified that under this bill MTRFA would receive less in FY'93 than they would have received under current law and that not until FY'94 would MTRFA receive the full amount. Discussion followed.

Morgan Fleming, Committee of Thirteen, testified in support of this state aid to MTRFA. Mr. Fleming referred to page 3 in the staff memo and reviewed the table regarding MTRFA's unfunded liability.

Rep. Kahn moved the concept language for MTRFA with the funding ratio modification and the administrative supplemental surcharge. **MOTION PREVAILED.**

Rep. Kahn moved S.F. 553; H.F. 637 as amended. **MOTION PREVAILED.**

**S.F. 1094 (Neuville); H.F. 1283 (Rodosovich): Faribault Fire Consolidation Account; Provide Post Retirement Adjustment in Certain Cases**

Rep. Rodosovich reviewed this bill and stated that it would permit two former firefighters to receive a full post retirement benefit adjustment to their PERA-P&F benefit for FY'91. He stated that this is a unique situation and that the bill has local approval. Discussion followed.

Sen. Stumpf moved S.F. 1094; H.F. 1283 as an amendment to S.F. 485. **MOTION PREVAILED.**

Rep. Reding reviewed an amendment to be offered by Rep. Rukavina numbered HA93-478. Mr. Burek reviewed the issue and stated that apparently these contributions were omitted by the employer and should have been made ten years ago. He further noted that Commission policy requires full actuarial value for purchases of prior service rather than contributions plus interest. Discussion followed and since this omission was an employer error, it was agreed to require the employee to pay the employee contribution plus interest and to require the employer to pay the difference between that and the full actuarial value.

Rep. Reding moved HA93-478 as amended. **MOTION PREVAILED.**

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

Rep. Reding reviewed amendment H570A1. He stated that the original bill provided an increase in the PERA-P&F multiplier. He further stated that the Senate amended the bill to include a local approval clause for consolidated police and fire funds. Rep. Reding's new amendment would reduce the employee and employer contribution rates if the fund had a sufficiency greater than .5 percent. Rep. Reding also stated that he supports the Senate amendment which requires local approval before permitting the increased multiplier benefit for consolidated police and fire funds as he does not want to mandate this benefit. Sen. Riveness stated that if the cities do not provide the benefit they will get a windfall through reduced employer contributions. Discussion followed.

Dick Nelson, Minnesota Police Pension Council, testified that he is opposed to the Senate amendment providing a local approval clause as it would create a two tier system in PERA-P&F but he supports an increase in the multiplier.

Rep. Reding moved amendment H570A1. **MOTION PREVAILED.**

The meeting adjourned at 7:45 P.M.

  
Jean Lieb Gott, Secretary