



November 4, 1993  
Room 15 Capitol

15th 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 A.M.

Commission members present:

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

**Options Available to Enhance Opportunities For Phasing-Out Into Retirement (Second Consideration of Topic)**

Edward Burek, LCPR Deputy Executive Director, briefly summarized the October 11th staff memo on this issue and also referred members to an article out of Pension & Investments magazine dealing with the impact health care coverage has on retirement.

Ron Hackett, Department of Finance and representing the Department of Employee Relations at this meeting, provided a one page handout on this issue to members. Mr. Hackett testified regarding the five points specified in his handout. He began with projected Minnesota demographics and stated that in 25 years, the 25-54 age group may decrease by 5.8% and that may require more services from the 55 and over age group. Mr. Hackett continued with his testimony and noted that federal action on health reform may accelerate the need to implement programs that retain older employees in the workforce.

Rep. Johnson asked what will happen if federal health reform passes, in both the public and private sector where there has been a collective bargaining agreement to provide health benefits from retirement to age 65 or until death. Mr. Hackett responded that he believes that will be up to the collective bargaining units to resolve. Rep. Johnson stated that this is a complicated issue as employees may have given up wage increases to get these improved health benefits. Rep. Reding stated that federal health reform may provide only a bare bones plan and the collective bargaining units may need to supplement that plan.

Sen. Stumpf stated that in the past, partial benefits for part-time employees have not been well thought out and he questioned whether the Department of Employee Relations is studying this issue. Mr. Hackett responded that he believes they are looking at this issue. Mr. Hackett further testified that a good principle to follow regarding phase-ins or early retirement incentives is to establish them only as temporary measures that can be implemented on a needs basis rather than as ongoing entitlements. He also testified that whatever policy changes are made, clear financial responsibility for those changes should be established, the agency providing the option should be responsible for all the costs associated with that option and should not be able to shift the financial responsibility to another level of government or another generation. Discussion followed.

David Bergstrom, MSRS Executive Director, provided a handout and testified as to how major Minnesota public pension plans may look 25 to 30 years from now when current new employees may be retiring.

Laurie Fiori Hacking, PERA Executive Director, reviewed the graphs provided in the handout and noted that for persons 65 or older, life expectancy has increased dramatically while labor force participation for men 65 or older has decreased dramatically. She further noted that health care spending for persons 65 or older has increased substantially and often makes early retirement unaffordable. Ms. Hacking testified that the three statewide plans normal retirement age will increase at the same rate as the Social Security normal retirement age. Rep. Johnson referred to page six of the handout and commented on the

the employees received two of the components, and TRA will not be required to pay any benefits to these employees.

Rep. Greiling questioned whether it may be advantageous to tie this issue to the action that may be taken on the technical college issue.

Hank Stankiewicz, MEA, testified in opposition to permitting a transfer of employer contributions from TRA to IRAP. Discussion followed.

Rep. Johnson stated that TRA has realized a large actuarial gain due to a 6% statutory salary assumption while actual salary increases have been much less than the assumption.

The meeting adjourned at 11:20 A.M.

  
Jean Lieb Gott, Secretary