February 17, 1994
Room 15 Capitol

18th 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 2:20 P.M.

Commission members present:

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

Mandated Commission Interim Project: Study of Benefit Options For Public Employees Who Become Nonpublic Employees (Third Consideration).

Vernon Roeske, St. Paul Ramsey Medical Center, testified that he first became an employee of St. Paul Ramsey Medical Center by passing a civil service test and was then employed as a public employee working for a public hospital. He further testified that employees have not had a voice in the changes that have taken place at St. Paul Ramsey and are requesting that St. Paul Ramsey PERA covered employees be permitted to remain PERA members after the merger with the Group Health Plan.

Sen. Riveness noted that the Commission does not have a bill before it and no action will be taken on this issue today.

Annette Chuhel, St. Paul Ramsey Medical Center, testified in support of permitting St. Paul Ramsey PERA covered employees to remain in PERA after the merger. She testified that she does not have enough time left in her working career to earn a Social Security benefit.

Linda Stein, representing PERA covered St. Paul Ramsey employees, testified in support of continued PERA coverage for the 650 remaining PERA covered employees. She testified that St. Paul Ramsey is the only hospital in the state with a statutory obligation to keep employees in PERA. She further testified that St. Paul Ramsey is a non-profit 501(c)(3) organization that receives only a one percent public subsidy while still carrying out a major public function.

Jeff Farmer, Local 113, testified in support of continued PERA coverage for St. Paul Ramsey employees and noted that the IRS has not ruled on this issue. He testified that there is no imminent danger of loss of tax qualification status for Minnesota public pension plans. Rep. Johnson stated that he believed that the state could still make the case that St. Paul Ramsey employees would qualify for PERA coverage under IRS codes. Mr. Farmer testified that the organizational structure of the hospital has not yet been determined. Sen. Riveness stated that if the organizational structure has not yet been determined, the St. Paul Ramsey Board should take pension coverage into consideration when determining that structure.

Larry Calhoun, pharmacist at St. Paul Ramsey, testified in support of continued PERA coverage for St. Paul Ramsey employees and provided Commission members with further history on this issue.

Mary Lane, emergency room nurse at St. Paul Ramsey, testified in support of continued PERA coverage for St. Paul Ramsey employees.

Steve Hunter, AFSCME representative, testified in support of continued PERA coverage for St. Paul Ramsey employees.

Approval of Minutes From December 1 and 2, 1993, and January 13 and 14, 1994, Meetings.

Sen. Terwilliger moved approval of the meeting minutes from December 1 and 2, 1993, and January 13 and 14, 1994. **MOTION PREVAILED.**

Commission Interim Project: Options for Adapting Retirement Coverage For Teachers Engaged in Job-Sharing (Second Consideration).

Lawrence A. Martin, LCPR Executive Director, reviewed the staff memo and updated hypothetical situation. He noted that the updated hypothetical reflects TRA's actual practice and that by using TRA's method, the impact of job-sharing is greatly reduced. Mr. Martin also stated that Mr. Robert Wedl, the Deputy Commissioner of the Department of Education, had been invited to provide information on the extent that job-sharing is utilized in Minnesota. Neither Mr. Wedl nor any other representative from the Department of Education appeared to testify before the Commission.

Cheryl Furrer, MEA representative, testified in support of job-sharing. Job-sharing permits employees to phase into retirement, it enables new teachers to get jobs, and it allows school districts to keep the expertise of older teachers. Discussion followed.

Bob Gunderson, MFT representative, testified in support of job-sharing. He testified that job-sharing provides flexibility and although this is important the penalty financially is too severe.

Sen. Morse questioned TRA's practice of calculating service credit for the high-five based on ten years of service if a teacher job-shared. Mr. Martin stated that it was his understanding that TRA credits 1/2 of a year's salary for each of the last ten years to calculate a job-sharing teachers high five average salary. Sen. Morse questioned the legal authority for this practice. Mr. Martin referred to TRA's letter responding to his questioning of this practice in which TRA cited Minnesota Statutes, Section 354.44, Subd. 6, referencing the average salary for the highest five successive years of service credit.

Gary Austin, TRA Executive Director, testified that TRA keeps accurate records of service credit for the 170 day school year. If a teacher gets a fraction of a year service credit, TRA adds back until the person acquires a full year of service credit. That has been long term TRA practice. Discussion followed.

Rep. Greiling testified that the only change this bill makes in TRA's current law, Minnesota Statutes, Section 354.66, is to reduce the years of service required to qualify for the job-sharing from 20 years of service to 15 years of service. She stated that she would prefer to permit job-sharing at any number of years of service.

Sen. Riveness asked whether the employer would be required to pay a double contribution for each job-sharing position. Mr. Austin testified that under the current provision the employee is responsible for the difference between their actual member contribution and the contribution owed on full salary but the employee can negotiate with the school district to have the school district pay the employer contribution and employer additional contribution.

Sen. Krentz testified that for a 15 year employee, this bill would mandate an employer to pay the full employer contribution and employer additional contribution if the job-share program is offered by the school district. She testified that this money would be available to school districts from the salary savings obtained by having a long term teacher work less than fulltime. Discussion followed.

Commission Interim Project: Potential Major General Employee Pension Plan Benefit Accrual Rate Increase (Third Consideration).

Gary deNault, Director of Middle Management Association representing the Public Employees Pension Coalition, testified in support of the increased accrual rate. He stated that Minnesota public employees receive 18% less in benefits than the national average. The Minnesota benefit is lower because of the low benefit accrual rate, the multiplier is applied to a high five years rather than fewer years, and the employer and employee contribution rate is significantly lower than the rate in other states. Rep. Johnson asked if other states have better formulas but do not finance their pension benefits as well as Minnesota? Hank Stankiewicz stated that he would provide a comparison of other states funding of teachers pension benefits within a week. Rep. Reding stated that the State of Washington has a high 3 year and a 2% benefit accrual rate formula but they are poorly funded. Sen. Riveness stated that increasing the benefit accrual rate by .25% would cost Minnesota taxpayers approximately $70 million. Mr. deNault testified that as an equity issue, Minnesota public employees should receive benefits comparable to public employees in other states. He also testified that his organization has been unable to make a comparison between public and private pensions because the information they have is not comparable. Sen. Terwilliger stated that he doesn't understand why a comparison of public and private pensions is like comparing apples and oranges. Sen. Riveness stated that he had hoped Mr. Blazer from the Chamber of Commerce would testify to that issue but Mr. Blazer had declined the Commission's invitation to testify. Discussion followed.

Sen. Morse questioned whether a benefit comparison of Minnesota retirees with other state's retirees after five or ten years of retirement would continue to show Minnesota retirees receiving a lower benefit. Mr. Stankiewicz responded by providing a report, Coming Up Short, referred members to page 20, and testified that after a five year time period, Minnesota retirees still come up short.

Eugene Waschbusch, Executive Secretary of StPTRFA, testified that StPTRFA and DTRFA post fund adjustment is the thirteenth check and not a COLA.

Mr. Stankiewicz testified that 25 other states offer state paid health insurance to their public employee retirees.

Sen. Riveness requested that fund directors get all administrative bills in early in the session and that they minimize the size of the administrative bills.

Mandated Commission Interim Project: Study of Teacher Retirement Fund Associations Phase-Out or Consolidation Options (Third Consideration).
Lawrence Martin stated that a Technical Advisory Group was established in legislation passed in the 1993 Session to study this issue. It was anticipated that their report would be available at this meeting, but it had been delayed. Mr. Martin then reviewed the staff memo on this issue and referred members to cash flow projection graphs. He noted that 1993 legislation provided additional funding for MTRFA and probably bought MTRFA 25 more years.

Phil Kapler reviewed an outline and provided an update on the status of the Phase-Out or Consolidation Options report. He further stated that the Technical Advisory Group does not plan to make a recommendation but simply to analyze an array of options and inform the Commission on what the Advisory Group perceives to be the fiscal and policy impact of selecting any of the options. Mr. Kapler briefly explained a method being used somewhere in California to fund pension plans by issuing potential 6.5% to 7% municipal taxable bonds, servicing the bonds and realizing a savings when taking into account what must be paid to the bondholder and the potential 8.5% to 9% that can be earned on the assets over the longterm. He also stated that the Technical Advisory Group report should be available March 1, 1994.

The meeting adjourned at 4:15 P.M.

Jean Liebgott

Jean Liebgott, Secretary

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