



March 21, 1994  
Room 318 Capitol

23rd 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 6:10 P.M.

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

- 5. S.F. 2213 (Lessard); H.F. 2411 (Solberg): PERA; Coverage For Itasca Medical Center Employees**  
Sen. Lessard and Rep. Solberg briefly reviewed the bill and noted that the Administrator of the Itasca Medical Center was available to respond to questions.

Sen. Riveness reminded the authors that if the Commission approved this bill, it was contingent on a favorable IRS ruling since it deals with privatized public employees. The authors agreed.

Lawrence A. Martin, LCPR Executive Director, stated that the amendment, LCPR94-107 was a technical amendment.

Rep. Johnson moved approval of amendment LCPR94-107. **MOTION PREVAILED.**

Rep. Johnson moved approval of S.F. 2213; H.F. 2411 as amended. **MOTION PREVAILED.**

- 1. S.F. 1771 (Finn); H.F. 1887 (Solberg): Judges Plan; Optional Annuity Calculation Subsidy**  
Rep. Solberg reviewed the background on this bill. He testified that a younger surviving spouse of a judge that retired at age 62 or 65 receives a larger benefit than a younger surviving spouse of a judge that retired at age 70.

Mr. Martin stated that this bill permits a judge who retires after age 65 to have a single life annuity calculated as if the judge were 65. The optional annuity forms are all made equivalent to the single life annuity. This would permit a higher benefit for the judge and the surviving spouse.

Dave Bergstrom, MSRS Executive Director, testified that there would be a cost to the Judge's Plan if this bill were enacted and this bill would set a precedent. Discussion followed.

This bill was **LAI D O V E R** for interim study.

- 13. S.F. 2593 (Anderson); H.F. 2226 (Krueger): MSRS Unclassified; Benefit Coverage For Minnesota Project Innovation, Inc.**  
Sen. Anderson reviewed this bill and introduced Randall D. Olson, Executive Director of MN Project Innovation.

Sen. Riveness asked what defined a public agency for purposes of a pension. Mr. Bergstrom stated that one requirement was that the agency be primarily publicly funded.

Mr. Olson testified that MN Project Innovation has a current budget of \$1.2 million and approximately \$500,000 of that comes from the State of Minnesota. They use that money to leverage grants and contracts from other federal agencies

Rep. Johnson moved approval of a verbal amendment to page 1, line 18, before "employees" add "all." **MOTION PREVAILED.**

Sen. Morse questioned whether all the employees of MN Project Innovation belonged in the Unclassified Plan. Discussion followed. Mr. Bergstrom testified that this group consists of 15

employees. The Unclassified Plan is primarily made up of department heads and legislative employees. He further testified that MN Project Innovation employees currently have the option of joining MSRS-General.

Mr. Martin reviewed amendment LCPR94-101 and stated that it clarifies that this is the Unclassified Plan and provides the appropriate statute references.

Rep. Johnson moved approval of amendment LCPR94-101. **MOTION PREVAILED.**

Sen. Morse asked why these employees should not become members of the MSRS-General Plan rather than the Unclassified Plan. Discussion followed and it was agreed that it would be more consistent for long term employees to be members of MSRS-General while high level, potentially short term employees should be members of the Unclassified Plan.

Mr. Martin recommended that the Commission reconsider LCPR94-101 and act on the handwritten amendment provided.

Rep. Johnson moved to reconsider and deny amendment LCPR94-101. **MOTION PREVAILED.** Discussion followed.

Rep. Kahn moved approval of the handwritten amendment to provide the Project Innovation employees the same pension coverage as the Minnesota Technology employees. **MOTION PREVAILED.**

Rep. Kahn moved approval of S.F. 2593; H.F. 2226 as amended. **MOTION PREVAILED.**

**7. S.F. 2300 (Langseth); H.F. 2732 (Peterson): TRA; Inclusion of Certain Retiree in 1993 Early Retirement Incentive Program**

Sen. Langseth reviewed the particular situation of Mr. Roland Jordahl who worked for the Glencoe School District.

Rep. Johnson stated that he had correspondence from several people with unique situations. However, the early retirement incentive was an employer bill meant to prevent layoffs and reduce the size of government during a budget crises and he, therefore, opposed this bill.

Sen. Morse concurred and stated that the bill was not enacted to provide a windfall for employees but as an employer management tool. Discussion followed.

Rep. Johnson requested that this bill be **LAI D O V E R.**

Rep. Kahn reintroduced an amended version of the amendment to the IRAP bill which was defeated at a previous meeting. She reviewed SA94-257 with an amendment to page 2, to delete lines 13 to 18. The amendment as amended applies only to the State Arts Board and Humanities Commission.

Rep. Kahn moved amendment SA94-257 as amended. **MOTION PREVAILED.**

**12. S.F. 2519 (Metzen); H.F. 2839 (Pugh): South St. Paul Police; Credit For Certain Probationary Employment Periods**

Sen. Metzen reviewed the bill and introduced Rep. Pugh.

Sgt. Bjork, South St. Paul Police, testified in support of this bill and testified that in 1978 the Civil Service and City of South St. Paul changed the probationary period from a six month period to a variable period dependent on when POST certification was received. This caused Sgt. Bjork and Sgt. Voyavich to have probation periods of 18 months and 16 months respectively and to lose potential relief association membership credit for one year and ten months respectively.

Rep. Johnson moved a technical amendment LCPR94-106. **MOTION PREVAILED.**

Rep. Knickerbocker reviewed amendment LCPR94-104 and stated that this amendment would permit a Hennepin County Sheriff's employee to purchase service at full actuarial value in PERA-P&F for Bloomington police service. The amendment has a local approval clause. Discussion followed.

Rep. Reding spoke in opposition to this amendment as it is not a unique situation and it sets a precedent.

Ms. Laurie Fiori Hacking, PERA Executive Director, testified in opposition to the amendment as it sets a precedent

Rep. Knickerbocker withdrew amendment LCPR94-104.

Sen. Terwilliger moved approval of S.F. 2519; H.F. 2839 as amended. **MOTION PREVAILED.**

**6. S.F. 2250 (Metzen); H.F. 2551 (Pugh): PERA; Optional Annuity Modification For Certain Members**

Sen. Metzen reviewed the background on this bill and testified that the two people involved in this issue are divorced, are both PERA members, and each wants to take a single life annuity. There is a legal opinion that each of these parties should be permitted to take a single life annuity.

Wallace Martin testified in support of this bill and stated that he and his ex-wife wish to relinquish their claim on each other's pension benefits.

Ms. Hacking stated that this bill would set a precedent since many individuals request changing their survivor options. She further noted that if this bill passed, Mr. Wallace Martin would get a pension benefit increase of \$300 per month.

Rep. Kahn stated that the fact that a judge has expressed a legal opinion in this case makes it unique and eliminates the precedent potential. Discussion followed.

Rep. Greiling stated that she sympathizes with this situation but would prefer that the Commission study the policy implications of this issue further during the interim.

Mr. Martin reviewed a handwritten amendment which laid out in clauses the very unique circumstances of this one employee and narrows the application of this bill to this specific situation. The amendment to page 1, line 20, protects the integrity of the fund by requiring that the revised benefit after this optional annuity is waived would have the same present value as the person's current benefit.

Rep. Kahn moved approval of the handwritten amendment reviewed above. **MOTION PREVAILED.**

Rep. Kahn moved approval of S.F. 2250; H.F. 2251 as amended. **MOTION PREVAILED.**

**14. S.F. 792 (Terwilliger); H.F. 860 (Pauly): Eden Prairie Volunteer Firefighters; Service Pension Amount**

Sen. Terwilliger reviewed the issue and introduced Mayor Tenpas from Eden Prairie.

Mayor Tenpas testified in support of this bill and noted that the bill provides for the Eden Prairie City Council to annually set and fund benefits for the volunteer firefighters relief association. Sen. Riveness asked about the recruitment and retention problems experienced by Eden Prairie. Discussion followed.

Rep. Reding does not support automatic escalation or the creation of another plan similar to Bloomington's. Discussion followed.

Sen. Riveness **LAI D O V E R** this item until the meeting of March 22, 1994.

**10. S.F. 2432 (Samuelson); H.F. 2626 (Wenzel): TRA; Merchant Marine Service Buyback For Certain Retiree**

Rep. Wenzel testified in support of and provided background information on this bill. Discussion followed.

Edward Burek, LCPR Deputy Executive Director, reviewed the issue as heard in 1991 and also reviewed amendment LCPR94-109 which required the purchase of service to be at full

actuarial value and permitted the purchase of service for only that portion of service that met the definition of "active military service."

Gary Austin, TRA Executive Director, testified that the amendment addresses TRA's concerns and that he does not oppose this bill.

Rep. Johnson moved approval of amendment LCPR94-109. **MOTION PREVAILED.**

Rep. Kahn moved approval of S.F. 2432; H.F. 2626 as amended. **MOTION PREVAILED.**

**3. S.F. 2288 (Stumpf); H.F. 2405 (Reding): Major Funds; Administrative and Other Changes**  
Rep. Reding requested that the fund directors explain their provisions in the bill.

Doug Mewhorter, MSRS Assistant Director, testified that Section 1 changed the Legislators Plan to provide, at no cost to the plan, an 100% joint and survivor annuity. Section 2 and 3 provided for full credit during final months prior to retirement, stopped retirement deductions on lump sum vacation and overtime payments and would not give extended service credit for that time. Mr. Mewhorter's review continued. Mr. Bergstrom reviewed a five page unnumbered amendment and testified that it would require plan administrative bills to be submitted and reviewed prior to certain deadlines before the next session begins. The amendment also lists issues that the pension funds will address in the next administrative bill. Mr. Bergstrom continued with his review.

Mary Vanek, PERA, began the review of the PERA article and testified that it tightens up the salary definition as it pertains to fringe benefits and makes changes to the reemployed annuitant provisions. Ms. Hacking reviewed an amendment dealing with PERA board membership that would convert a Governor appointed position to a member elected position and would add an 11th board member to be a retiree representative. Ms. Hacking testified that Section 17 of the article would permit PERA-P&F contribution rate changes to occur every four years to coincide with experience studies rather than the current practice of every three years. Mr. Martin stated that since experience studies are not performed for PERA-P&F that reason for the change does not apply. Ms. Hacking stated that the results of the PERA experience study do precipitate changes to the actuarial assumptions for PERA-P&F as well. Ms. Hacking reviewed a provision to permit last session's increase in the multiplier to 2.65% for PERA-P&F to be included in a combined service annuity. Mr. Burek testified that Commission policy has been that the maximum that could be used for a combined service annuity was 2.5% and that this change would effect the Legislators Plan and the Judges Plan. Discussion followed.

Rep. Johnson presented an amendment dealing with PERA Board composition. Ms. Hacking reviewed the amendment. Rep. Knickerbocker provided historical background on the current PERA Board composition and questioned whether it should be changed. Discussion followed.

Rep. Johnson moved approval of the PERA Board composition amendment. **MOTION PREVAILED.**

Rep. Reding presented an amendment to provide a six month window for consolidated relief association active members to elect PERA-P&F coverage. Rep. Reding moved approval of this amendment. **MOTION PREVAILED.**

Gary Austin and Judy Strobel, TRA, reviewed the TRA article, specifically Sections 30 to 32. Mr. Austin stated that these sections permit TRA to implement a new payroll reporting system and authorizes TRA to charge a non-compliance penalty fee at the discretion of the Executive Director. Discussion followed.

Mr. Martin referred members to page 3, lines 12 and 13, in the bill which reduce a State Patrol pre-73 retiree benefit. Mr. Bergstrom stated that the original provision has already done more than was originally promised and this change has MSRS Board approval. Discussion followed.

Rep. Reding moved approval of the five page unnumbered amendment. **MOTION PREVAILED.**

Mr. Martin reviewed amendment LCPR94-92 and stated that it restricts the pension plan membership of labor union employees.

Rep. Johnson requested that on page 2, line 5; page 3, line 35; and page 4, line 34, delete "65" and insert "75."

Rep. Knickerbocker moved approval of amendment LCPR94-92 with the change from 65 to 75. **MOTION PREVAILED.**

Sen. Pogemiller moved approval of an amendment to line 8, after "a" insert "deputy auditor" and delete "state or public employee." **MOTION PREVAILED.**

Rep. Reding moved approval of S.F. 2288; H.F. 2405 as amended. **MOTION PREVAILED.**

**11. S.F. 2500 (Kelly); H.F. ( ): StPTRFA; Proportional Representation on Board of Trustees**

Sen. Kelly reviewed the bill and testified that the bill proposed to do five things that would modify the current governance structure of the StPTRFA Board. These changes would increase representation of retirees and coordinated active members, eliminate proxy influence, eliminate the self-selection nature of the board by requiring special elections for board vacancies, require clear delineation between the board and the chief employee by prohibiting the secretary\treasurer from board membership.

Dick Wasko, StPTRFA retiree, reviewed the proportional board representation proposal. Discussion followed.

Paul Christenson, a Johnson High School teacher, testified in support of this bill.

Eugene Waschbusch, StPTRFA Secretary/Treasurer, provided a handout and reviewed the StPTRFA voting and proxy process. He further testified in opposition to the proportional board representation proposal as reviewed by Mr. Wasko. Mr. Waschbusch agreed that proportional board membership between active and retired members rather than coordinated and basic active and retired members was acceptable. Discussion followed.

Sen. Kelly stated that he was willing to work with both sides. Discussion followed.

Mr. Martin reviewed technical amendment LCPR94-105 which clarified some provisions.

Rep. Greiling moved approval of amendment LCPR94-105. **MOTION PREVAILED.**

Mr. Martin reviewed a handwritten amendment which restricted board representation to groups which comprised more than 10% of the total membership in StPTRFA. Discussion followed.

Carol Adams, StPTRFA Board Vice President, testified in opposition to this bill.

Carl Grittner, retired St. Paul teacher, testified in opposition to this bill and suggested that the bill have a local approval clause.

Rep. Greiling spoke in opposition to proportional board representation as she believes that board members should look at the big picture. Discussion followed.

It was agreed that the Commission would review this bill at the next Commission meeting to give Sen. Kelly time to draft an amendment with the compromises agreed upon at this meeting and to enable staff to provide Commission members with a copy of a memo to Sen. Kelly from Mr. Martin on this issue.

**8. S.F. 2332 (Piper); H.F. 2553 (Reding): PERA; Buyback for Soil and Water Conservation Employees**

Rep. Reding presented the bill.

Duane deZiel, Soil and Water Executive Director, testified in support of this bill and noted that on page 1, line 14, after "association" members should insert "or a member of the MSRS general plan." Mr. Martin asked whether current MSRS members should be eligible to buyback service credit as well as PERA members. Mr. deZiel stated that some Soil and Water Conservation employees became MSRS members during the three year period. Mr.

Martin suggested amending page 1, line 10, rather than line 14 to empower current members of MSRS who fit the characteristics of this bill to purchase the service credit. Discussion followed.

Rep. Reding moved approval of an amendment to page 1, line 10, before "who" insert "or a member of the general state employees retirement plan of the Minnesota state retirement system." **MOTION PREVAILED.**

Rep. Reding moved approval of S.F. 2332; H.F. 2553 as amended. **MOTION PREVAILED.**

Sen. Stumpf requested Commission action on the technical amendment LCPR94-91 which inadvertently was not acted on when the Commission considered the Higher Ed bill.

Sen. Stumpf moved to reconsider S.F. 2498. **MOTION PREVAILED.**

Mr. Martin reviewed LCPR94-91.

Sen. Stumpf moved approval of amendment LCPR94-91. **MOTION PREVAILED.**

Sen. Stumpf requested that a change be made in the effective date for section 3 to 7/1/94. Mr. Martin suggested on page 14, line 26, after "1" insert ", 2, 4" and on line 27, delete "Section 7 is" and insert "Sections 3 and 7 are."

Sen. Stumpf moved approval of the amendment as stated above. **MOTION PREVAILED.**

Sen. Stumpf moved approval of S.F. 2498 as amended by LCPR94-91 and the verbal amendment approved above. **MOTION PREVAILED.**

The meeting adjourned at 10:30 P.M.

  
Jean Lieb Gott, Secretary