



April 11, 1994
Room 112 Capitol

25th 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 9:30 P.M.

Commission members present:

Representatives Mindy Greiling, Phyllis Kahn, and Leo Reding
Senators Phil Riveness and Roy Terwilliger

- 2. **Employer Matching Contribution Tax Sheltered Annuities: Amendment Requiring Compliance With Certain Internal Revenue Code Provisions (LCPR94-134)**
Sen. Riveness reviewed the issue.

Lawrence A. Martin, LCPR Executive Director, referred members to the staff memo on tax sheltered annuities in their packets and reviewed the background on this issue. He stated that the State of Minnesota permits employers to match contributions to various retirement savings programs. If employers make matching contributions to tax sheltered annuities, the program has to conform to certain federal tax laws which pertain to those pension programs. One of the regulations that may be a problem for state employers to comply with is a nondiscrimination test which requires no favoring of highly compensated employees.

Mr. Martin reviewed amendment LCPR94-134 which would require public employers to certify that they have complied with IRS tax qualification provisions. Discussion followed and it was suggested that House members amend LCPR94-134 to H.F. 2124.

The meeting adjourned at 10:00 P.M. due to the lack of a quorum.

=====

April 19, 1994
Room 107 Capitol

26th 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 7:00 P.M.

Commission members present:

Representatives Mindy Greiling, Phyllis Kahn, and Leo Reding
Senators Steven Morse, Lawrence Pogemiller, Phil Riveness, and LeRoy Stumpf

- 1. **H.F. 3041 (Jefferson): Target Center; Minneapolis Police and Fire Amortization Aid Reduction and Thirteenth Check Changes**
Rep. Jefferson reviewed the bill and stated that the Metropolitan Sports Commission would acquire the Target Center for \$42 million, the Metropolitan Council would sell revenue bonds, and the City of Minneapolis would take charge of the Target Center except for the Health and Sports Club. Part of the revenue stream that would cover the debt service would come from the \$750,000 amortization aid reduction for Minneapolis Police and Fire.

Sen. Riveness said that the Commission's purpose was to discuss the reduction in the amortization aid and the thirteenth check and whether this use of a pension funding mechanism is appropriate for the purpose of funding the Target Center.

Sen. Morse questioned how the tax would be collected. Rep. Jefferson responded that the Met Sports Commission would collect the new 10% tax plus the \$1 surcharge in place of the current 3% tax. The 10% tax would raise \$2.4 million and the \$1 surcharge would raise \$1.5 million.

Edward Burek, LCPR Deputy Executive Director, reviewed the staff memo on this issue and stated that the Minneapolis Police amortization aid would be reduced by \$400,000, the Minneapolis Fire amortization aid would be reduced by \$350,000, and the thirteenth check mechanism would be changed. Discussion followed.

Brian Rice, attorney for the Minneapolis Police and Fire Relief Associations, provided members with the time-weighted rates of investment returns and salary increases for the last five years. He also provided a handout that analyzed the results on the property tax levy for Minneapolis Police and Fire pension benefits since authorization of the thirteenth check mechanism. He testified in support of the pension aspects of the Target Center bill.

Rep. Kahn stated that the authorization of the thirteenth check mechanism for Minneapolis Police and Fire Relief Associations occurred in the 1989 State Department Appropriations bill. The purpose of this mechanism was to add some money to the State General Fund and to fund special projects that might provide a metro wide benefit.

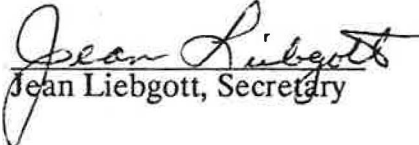
Sen. Riveness stated that he does not support exchanging a reduction in amortization aid with a benefit improvement. He also does not support linking pension policy and the Target Center issue. He stated that changes to pension policy should be authorized only for pension related reasons. Discussion followed.

Rep. Reding stated that he is concerned with tying pension policy to the Target Center. He also questioned why if this amortization aid reduction money was added to the General Fund, should it continue to be earmarked for Minneapolis. Discussion followed.

Rep. Greiling stated that she is also concerned about the pension policy aspects and linkage in this bill. Discussion followed.

Rep. Kahn moved that the Legislative Commission on Pensions and Retirement recommends that the appropriate Legislative Committees and the Legislature approve the pension-related changes contained in H.F. 3041. **MOTION FAILED.**

The meeting adjourned at 8:15 P.M.


Jean Lieb Gott, Secretary