

February 22, 1995  
Room 10 State Office Building

2nd Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Representative Richard Jefferson, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 5:55 P.M.

Commission members present:

Representatives Jeff Bertram, Richard Jefferson, Bob Johnson, Phyllis Kahn, and Steve Smith  
Senators Lawrence Pogemiller, Phil Riveness, LeRoy Stumpf, and Roy Terwilliger

2. **Summary of 1994 Actuarial Valuations For the Statewide and Major Local Public Pension Plans.**

Lawrence A. Martin, LCPR Executive Director, introduced Thomas Custis, the Commission retained actuary from Milliman & Robertson, Inc., to review the Summary of 1994 Actuarial Valuations.

Mr. Custis began his review and noted that he would review the appropriateness of the funding levels for each of the plans, any trends that might have emerged from the valuation data, and any changes that might have occurred since the last valuation. He noted that all of the plans experienced asset losses and investment losses. He referred members to the tables on pages 9 and 10 and noted that the tables identify PERA-P&F Consolidation account funding levels and the potential need for future municipal assessments. In reviewing MSRS administered plans, Mr. Custis suggested that the Commission look at recommending prefunding the Legislators Plan and the Elective State Officers Plan.

Rep. Johnson noted that the Governor's budget showed a \$38 million dollar surplus for TRA while the 1994 actuarial valuation for TRA showed a contribution deficiency and asked for Mr. Custis's comments on the issue. Mr. Custis reaffirmed Rep. Johnson's observation that TRA has a deficiency according to the 1994 actuarial valuation which used the actuarial assumptions approved by the LCPR. Discussion followed and when Rep. Jefferson noted a quorum was present, he asked for a motion to approve the February 10, 1995, meeting minutes.

1. **Approval of Minutes of February 10, 1995 Meeting.**

Rep. Bertram moved approval of the February 10, 1995 meeting minutes. **MOTION PREVAILED.**

Mr. Custis continued with his review. Sen. Riveness asked for further clarification of the surplus in the supplemental appropriation as shown in the Governor's budget. Discussion followed.

Phil Kapler, Finance Department, testified regarding the Governor's budget recommendation. He testified that the Governor recommends that the TRA Board be given the authority to change TRA's contribution rates subject to approval or denial by the LCPR. Mr. Kapler reviewed the background for the Governor's recommendation and testified that in 1993 following the experience studies for the major statewide pension plans, the Commission looked at retirement age assumptions and a move to an age related table for retirement age assumptions similar to the table used for mortality assumptions. The Governor's recommendations were based on that preliminary review by the LCPR and the recommendations on the assumption changes by the LCPR actuary rather than the actual assumption changes that were approved by the LCPR after a consensus was reached by all the actuaries involved. Sen. Riveness questioned how Mr. Kapler's review of the Governor's process to make recommendations works with the information that TRA has a .07% deficiency as shown in the Summary of Actuarial Valuations provided today? Mr. Custis stated that Mr. Kapler's review of the background on this issue is correct except that the Commission's further review of the issue brought out that not all the evidence supported the changes recommended in the preliminary review and those changes might have put TRA in some jeopardy due to unexplained losses sustained by TRA. Discussion followed and Mr. Custis concluded his presentation.

3. **Overview of Likely Public Pension Issues For the 1995 Legislative Session.**  
Edward Burek, LCPR Deputy Executive Director, reviewed the staff memo on the issues the Commission might see in the 1995 legislative session. Rep. Jefferson advised members that the Commission has been given a deadline of March 17, 1995, for bills the Commission wants to recommend to the Government Operations Committees.
4. **Consideration of Commission's Fiscal Year 1996-Fiscal Year 1997 Budget Request.**  
Rep. Jefferson postponed review and action on this item until the next meeting.
5. **H.F. 48 (Bertram); S.F. 17 (Bertram): Fire Plans; Increase in Fire State Aid Funding.**  
Mr. Martin reviewed the staff memo on the bills introduced to increase fire state aid funding. He referred members to the table on page 2 of the memo and stated that the concern with the fire state aid program is related to the negative numbers in the final column in the table which show a decline in the amount of fire state aid that has been allocated in some years. He reviewed the legislative action in 1988 and 1991 that caused the changes in the fire state aid amount and also reviewed the policy issues raised by these bills. Discussion followed and Rep. Jefferson stated that he planned to take testimony on all the bills tonight and take action at a future meeting.

Sen. Bertram provided a handout and testified in support of the bill that would increase the amount of fire state aid allocated by appropriation from the state general fund.

John Domeier, Manager of Bird Island Mutual Insurance Company and member of the Bird Island Volunteer Fire Department, testified in support of Sen. Bertram's bill and in opposition to the bills that would increase the tax on mutual insurance companies.

Rep. Bertram provided a handout from the Department of Revenue and stated that from 1988 to 1990 an appropriation was made to fire state aid from the general fund. Since 1991, the tax has been collected but no further appropriation were made. Discussion followed.

Ron Sieloff, representative of township mutual insurance companies, testified in support of this bill and in opposition to the bills that would increase the percentage paid by township mutuals. He testified that the 1988 change in law was revenue neutral.

Dan Winkel, President of the MN State Fire Department Association, testified in support of reinstating the fire state aid by whichever method the legislature decides.

Gus Welter, lobbyist for the MN State Fire Department Association, testified in support of reinstating the fire state aid by whichever method the legislature decides.

Nyle Zikmund, President of the Spring Lake Park/Blaine/Moundsview Fire Relief Association, testified in support of restoring the fire state aid. He stated that the retirement benefit is an important retention tool for their relief association. He further testified that at the MN Fire Chiefs Association meeting the only issue brought to a vote was the issue of restoring the fire state aid.

Brian Rice, representing Minneapolis Firefighters Relief Association, testified in support of reinstating fire state aid by either method under discussion. He further stated that there may also have been an impact on the police state aid allocation when the insurance tax on domestic mutuals was reduced to 1/2%.

Rep. Tom Hackbarth testified in support of restoring fire state aid by the method in his bill, H.F. 313, which would be to restore the 2% tax on domestic mutuals. He is opposed to subsidizing fire state aid from the general fund as proposed in H.F. 48.

Rep. Kahn suggested that the Commission look at the whole distribution method for fire state aid and also questioned whether some relief associations were underfunded due to poor investment policies.

Rep. Bertram stated that the policy issue before the Commission at this time is whether the fire state aid should be restored and that the method for distributing the aid should be discussed at another time. Discussion followed.

Keith Anderson, President of the MN Association of Farm Mutual Insurance Companies, provided a report from the Department of Revenue and testified that the general fund receives a much higher amount from the 1/2% tax on insurance companies than is distributed through

fire state aid. Discussion followed.

Sen. Pogemiller stated that at the time the change to 1/2% was made, members of the Tax Committee were aware of what the result would be.

Sen. Riveness stated that the fundamental issue is that there is less fire state aid available because some insurance companies are not paying as much as they ought to pay so he supports reinstating the 2% tax on domestic mutuals.

This bill was **LAI D O V E R** to a future meeting.

**7. H.F. 669 (Pugh); S.F. 361 (Metzen): Statewide; Forfeiture of Survivor Benefits If Survivor Caused Member Death.**

Sen. Metzen testified that his constituent's son was murdered, the son's wife was on trial for that crime, and she was also collecting a public pension benefit as the surviving spouse of a PERA member. Sen. Metzen noted that his constituent, Keith Wallace Sr., was available to answer questions.

Laurie Hacking, PERA Executive Director, testified that the PERA Board supports this bill.

Mr. Wallace testified that there were currently six people collecting pension benefits in situations similar to this.

Commission members expressed their intent to recommend passage of this bill at a future meeting but questioned how public pension plans will be notified of these occurrences. Discussion followed and this bill was **LAI D O V E R** to a future meeting.

**6. H.F. 119 (Greiling); S.F. 338 (Krentz): TRA; Employer Contribution Obligation For Certain Part-Time Teachers.**

Mr. Burek reviewed the background and policy issues from the staff memo on this bill. He noted that prior to last year, teachers with 20 years of service were permitted to job-share to phase into retirement and negotiate payment of the employer contribution on their TRA pension. The law that passed last year mandated that the employer would make the full-time TRA employer pension contribution. This proved to be a disincentive for the employing unit to offer the job-sharing program.

Rep. Greiling provided two amendments to this bill, MS/HRD and SCS0388A-1. She reviewed the intent of last year's legislation and testified in support of restoring the program for 20 year teachers to its status prior to last year's legislation.

Gary Austin, TRA Executive Director, testified in support of this bill.

Mr. Burek reviewed amendment SCS0388A-1 which corrects the problem in the job-sharing program for 20 year TRA members. Discussion followed.

Eugene Waschbusch, StPTRFA Executive Secretary, testified that St. Paul interpreted the 1994 job-sharing program to be prospective only and StPTRFA members who participated in the job-sharing program prior to passage of the 1994 legislation were ineligible for the 1994 job-sharing program.

J. Stoffel, DTRFA Executive Secretary, testified in support of the amendment and bill.

John Lanshomb, St. Paul public school teacher, testified that he job-shared for 2 years but his request to continue job-sharing last year was turned down. He further testified that the program is not utilized because few people can afford to use it.

This item was **LAI D O V E R** to a future meeting.

**8. H.F. 76 (Kahn); S.F. 60 (Merriam): Public Employment; Prohibition on the Reemployment of Early Retirees.**

Mr. Martin reviewed the staff memo, policy issues, and amendments LCPR95-12 and LCPR95-13. Discussion followed.

Rep. Johnson offered amendment H76A1 which would limit the salary and hours a reemployed early retiree could work.

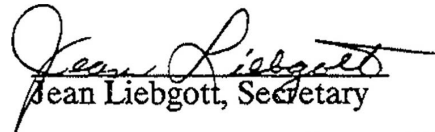
Tom Beard, AFSCME, testified in opposition to this bill. He testified that if the Commission did recommend this bill, the AFSCME Board supported amendment H76A1.

Rep. Kahn offered amendment MS/HRD which would exempt adjunct faculty members who worked less than 14 hours in a 12 month period. Discussion followed.

Russ Stanton testified in support of this bill and Rep. Kahn's amendment.

This bill was **LAI D O V E R**.

The meeting adjourned at 9:55 P.M.

  
Jean Lieb Gott, Secretary

The tapes for this meeting are defective and difficult to hear.