



March 1, 1995  
Room 10 State Office Building

3rd 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 6:15 P.M.

Commission members present:

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

8. **H.F. 152 (Mares); S.F. 101 (Chandler): TRA; Purchase of Sabbatical Leave Service Credit**  
Sen. Chandler introduced Rep. Mares to provide background on this issue. Rep. Mares provided members with a four page handout and testified that Mr. Trebatowski took a sabbatical leave during the 75-76 school year and had an agreement with his school district that they would make TRA employer contributions for a full year of service. However, the school district only made payments on the actual salary Mr. Trebatowski received for that year.

Lee Trebatowski testified that he needs the service credit to qualify for the "Rule of 90." Only recently was he made aware of the letters TRA sent to him in 1976 regarding the sabbatical leave service credit. He testified that the letters were sent to his home address in White Bear Lake but he was living in Oregon at the time.

Gary Austin, TRA Executive Director, testified that a form was submitted on Mr. Trebatowski's behalf, TRA acknowledged it by mail, and sent other notices which were not returned. Discussion followed.

Rep. Johnson asked what is the actuarial value of the service credit. Mr. Austin responded that full actuarial value is \$39,305.

Edward Burek, LCPR Deputy Executive Director, recapped the testimony for members and reviewed two amendments on this issue. He stated that LCPR95-20 was a delete everything amendment that required payment of the full actuarial value, and LCPR95-25 required that the employee pay the employee contribution plus interest at 8.5%. Discussion followed and Mr. Burek noted that the Sabbatical Leave provision, at the time Mr. Trebatowski was on leave, allowed an employee to receive partial compensation for the leave. The employee and employer were required to make TRA contributions on that partial compensation, and the employee was responsible for making the employee and employer TRA contributions if the employee wanted credit for a full year of service.

Sen. Pogemiller stated that the Commission's options seemed to be either to pass LCPR95-20 and let the White Bear Lake School District determine the portion of the full actuarial value that they would be willing to provide or to amend the bill and require the White Bear Lake School District to provide a certain portion of the full actuarial value. He stated that if this service credit is provided, TRA must be fully reimbursed actuarially and that this Commission policy should not be broken.

Sen. Morse asked when Mr. Trebatowski's sabbatical leave ended. The response was 1976. Sen. Morse stated that the notice dated December 22, 1976 should have reached Mr. Trebatowski since he would have been back teaching at that time. Discussion followed.

Sen. Pogemiller moved amendment LCPR95-20. **MOTION PREVAILED.**

Sen. Pogemiller moved H.F. 152 as amended. **MOTION PREVAILED.**

7. **H.F. 116 (Rukavina); S.F. 177 (Janezich): Eveleth Police and Fire; Retiree Benefit Increase**  
Lawrence A. Martin, LCPR Executive Director, reviewed the staff memo. Mr. Martin stated

that active Eveleth police officers and firefighters have been members of PERA-P&F since 1977. Police officers and firefighters who retired prior to 1977 receive benefits from the Eveleth trust fund and are now seeking a \$100 per month benefit increase from the trust fund. Mr. Martin reviewed the actuarial status of the Eveleth trust fund and noted that the fund is currently about 25% funded and has a pension liability of approximately \$361,000. If this bill passes, the liability will increase by about \$72,000 and the trust fund will have an unfunded actuarial liability of about \$434,000. Mr. Martin reviewed the policy issues and noted that Eveleth does support this bill.

Rep. Johnson moved H.F. 116.

Rep. Rukavina testified in support of the bill.

Sen. Morse questioned Eveleth's funding of the trust fund. Mr. Martin stated that the annual municipal contribution should be about \$133,000 in accordance with a 1993 special law which Eveleth only approved in December 1994. He believes that Eveleth may not have made any progress toward the 1998 full funding date specified in the 1993 law and stated that Eveleth appears to be operating the plan as a pay-as-you-go plan. Discussion followed.

Sen. Terwilliger questioned how relief associations are penalized if they do not comply with their funding requirements. Mr. Martin responded that in the majority of cases, the relief association's state aid would be withheld but Eveleth doesn't receive any state aid.

Sen. Morse moved to lay this bill over until language could be drafted to require Eveleth to comply with their full funding date. Rep. Jefferson stated that this is already the law. Discussion followed.

Sen. Morse moved an amendment that would authorize the benefit increase provided that Eveleth makes corresponding payments to amortize the unfunded actuarial liability by 1998. If corresponding amortization payments are not made, the benefit increase would be suspended. Discussion followed. Since the State does not provide any of the funding for the trust fund and the funding is provided by the municipality, Rep. Rukavina requested that the Commission pass the original bill. Discussion followed.

Sen. Morse renewed his motion to lay the bill aside to draft the amendment as stated.  
**MOTION FAILED.**

Rep. Johnson renewed his motion to pass H.F. 116. **MOTION FAILED.**

Members agreed to lay this bill over until staff drew an amendment.

11. **H.F. 271 (Dorn); S.F. 187 (Hottinger): TRA; Subsidized Bounceback Feature For Term Certain Optional Annuities**

Mr. Martin reviewed the staff memo and technical amendment, LCPR95-18, on this bill. He noted that joint and survivor annuities are always taken for survivor reasons but term certain annuities are not always taken for survivor reasons. He stated that term certain annuitants are requesting that term certain annuities be permitted to bounceback in the way the 1989 legislation provided a bounceback provision for joint and survivor annuities.

Rep. Dorn provided background on Ken Mattsson's situation.

Mr. Mattsson, a retired Mankato teacher, read a letter to Commission members from a person in a situation similar to his who also supports a bounceback for C-3 annuitants. He stated that he had many letters like the one he read.

Rep. Dorn stated that he had staff draft several amendments to this bill. The amendment he offered, LCPR95-31, provided the bounceback provision only to people who selected term certain annuities prior to 1989.

Sen. Stumpf asked why the bounceback was not provided for term certain annuitants. Mr. Martin responded that he did not recollect specific testimony on the bounceback feature during the 1989 Commission meetings and that the bounceback was part of the benefit improvement package that was acted upon outside of the Commission that year.

Mr. Martin reviewed the three changes that needed to be made to LCPR95-31 to address the wishes of Rep. Dorn. The changes are to Page 1, line 21, delete "partial"; Page 1, line 23, delete "partial"; Page 2, line 6, delete "after July 1, 1980 and"

Gary Austin, TRA Executive Director, provided and reviewed an informational sheet on TRA benefit reductions for different annuity elections. He testified that contingent annuities are based on the life expectancy of two people, the member and the potential survivor and are triggered by a single event. Term certain annuities are based on one person's life expectancy, insure a period of time, and do not have a single event that might trigger a bounceback. He testified that TRA currently has 4,600 members that have chosen the term certain annuity plan but they do not have the information in their computer database to determine who might be eligible for a bounceback to quantify the cost for this benefit. The cost for the 46 people who are members of the Widowed Educators for Equal Treatment (WEET) would be approximately \$10,000 per person. He stated that if this bill passes, he supports the amendment that would restrict this legislation from applying to anyone who elected a term certain annuity after 1989 or to people whose term certain period had already elapsed. Discussion followed.

Sen. Riveness stated he is unclear on the unfairness that this bill is designed to correct. Rep. Dorn responded that the people the bill addresses selected the term certain option prior to the 1989 legislation that provided the bounceback to people who selected the joint and survivor option and believe that in fairness the bounceback should have applied to them as well. Sen. Riveness stated that it appears that this legislation is an appeal to the legislature to either be consistent with questionable policy that was made in 1989 or to permit people to change an irrevocable election.

Mr. Mattsson testified that the people who elected the joint and survivor options also made an irrevocable election but the legislature set the precedent in 1989 of providing a bounceback and he would like the term certain annuitants to be provided that same benefit. Discussion followed.

Rep. Kahn questioned the fourth policy issue on page 5 of the staff memo regarding the MSRS Board policy that restricts people from designating their spouses as the beneficiary when electing a term certain annuity. Dave Bergstrom, MSRS Executive Director, responded that in 1969 the legislature repealed MSRS's authority to offer term certain options. In the 80's, MSRS was again permitted to offer term certain options but was directed to restrict beneficiaries to non-spouses because some spouses who were designated as the beneficiary for a term certain annuity and survived the member would receive the benefit and when the term certain expired, the spouses would come to the Legislature and request that benefit payments continue for their lifetime.

Rep. Jefferson stated that using the sheet provided by TRA, a 15 year term certain annuitant would have received \$9,000 more over a ten year period than a 100% joint and survivor annuitant. He said this should also be considered when reviewing this issue. Discussion followed.

Rep. Jefferson moved amendment LCPR95-31. **MOTION PREVAILED.**

Rep. Jefferson moved H.F. 271 as amended. **MOTION FAILED.**

7. **H.F. 116 (Rukavina); S.F. 177 (Janezich): Eveleth Police and Fire; Retiree Benefit Increase**  
This agenda item had been previously discussed during the meeting and was laid aside to allow an amendment to be drafted.

Sen. Morse reviewed a handwritten amendment which required Eveleth to fund the Eveleth Trust Fund as law requires or retirees benefit increase would be suspended. Sen. Morse moved the amendment labelled A1. **MOTION PREVAILED.**

Sen. Pogemiller moved H.F. 116 as amended by the A1 amendment. **MOTION PREVAILED.**

9. **H.F. 189 (Jaros); S.F. 148 (Solon): DTRFA; Early Retirement Incentive Eligibility For Certain Technical College Teacher**  
Mr. Martin reviewed the staff memo and noted that there was some dispute regarding whether this person was appropriately included in the early retirement incentive. He also briefly

reviewed policy issues raised by this bill and miscellaneous attachments to the staff memo.

Sen. Solon testified that the bill had the support of the Duluth Teachers Retirement Fund Association Board and other affected groups.

J. Michael Stoffel, DTRFA Executive Secretary, testified that all components for eligibility for the early retirement incentive were in place except for the certification from the Higher Ed Board Chancellor. Discussion followed regarding the letters from Chancellor Noren and Mary Stanton that contradict each other.

Mary Stanton, representing the Higher Ed Board, testified that this person planned to retire and did so before the bill for the early retirement incentive became effective. Discussion followed.

Sen. Riveness stated that the letter from Chancellor Noren provided in the packets certified that this person qualified for the incentive and that left little room for the Commission to act negatively.

Sen. Stumpf moved H.F. 189. **MOTION PREVAILED.**

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

Rep. Jefferson noted that public testimony was taken on this bill at the last Commission meeting.

Mr. Martin reviewed amendment, LCPR95-14, and stated that the amendment applied to all public pension plans in the state.

Rep. Jefferson moved to strike Subdivision 7 from the amendment. This subdivision deals with how public pension plans would be notified of the situation addressed by this bill.

Laurie Hacking, PERA Executive Director, testified that PERA survivor specialists check newspapers for this information and employers notify them of situations addressed by this bill so PERA supported removing Subdivision 7 from the amendment.

Sen. Pogemiller moved amendment LCPR95-14 with Subdivision 7 stricken. **MOTION PREVAILED.**

Sen Pogemiller moved H.F. 669 as amended. **MOTION PREVAILED.**

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

Rep. Jefferson noted that public testimony was taken on this bill at the last Commission meeting.

Mr. Burek briefly recapped the issue and noted that the bill strikes a requirement that mandates the employer to make the full employer contribution if a 20 year teacher uses the part-time teaching provision.

Sen. Krentz testified in support of this legislation since the state does not have the money to fund this provision as a mandate.

Mr. Burek reviewed an amendment, H119A2, to the bill.

Rep. Greiling testified that the amendment addresses the concerns raised at the last Commission meeting.

Sen. Riveness moved amendment H119A2. **MOTION PREVAILED.**

Sen. Riveness moved H.F. 119 as amended. **MOTION PREVAILED.**

**1. Consideration of Commission's Fiscal Year 1996-Fiscal Year 1997 Budget Request.**

Mr. Martin reviewed the LCPR budget and noted that the budget would be taken up by the LCC early next week. Discussion followed and members requested staff to add \$2,000 to staff

out-of-state travel per each year of the biennium. Discussion followed.

Sen. Riveness moved the LCPR budget as amended. **MOTION PREVAILED.**

4. **H.F. 465 (Pugh); S.F. 422 (Metzen): PERA; Early Retirement Incentive For West St. Paul City Official.**

Mr. Burek reviewed the staff memo and amendment LCPR95-21 on this bill. He noted that the individual retired on January 30, 1994 to be eligible for the early retirement incentive and then returned to work as an independent contractor on January 31, 1994, and performed the same function for the city as he had prior to retirement. Mr. Burek reviewed the policy issues and noted that this matter is currently under review by the PERA Board and they have asked for and are awaiting an ALJ opinion. Mr. Burek also noted that the cost of the early retirement incentive for this individual is not paid for by West St. Paul but does add to PERA's unfunded liability.

Rep. Johnson stated that after reviewing this situation, he believes the problem is with the City of West St. Paul for procrastinating in hiring a replacement for this individual.

Sen. Terwilliger stated that he supports not interfering with the ongoing procedure currently underway and recommends that the Commission wait until the ALJ makes a recommendation.

Rep. Pugh testified in support of this bill.

Rep. Johnson moved amendment LCPR95-21, lines 1 through 5. **MOTION PREVAILED.**

Rep. Johnson moved H.F. 465 as amended. **MOTION PREVAILED.**

The meeting adjourned at 10:05 P.M.

  
Jean Liebgett, Secretary