



March 8, 1995  
Room 10 State Office Building

4th 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 6:58 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

Lawrence A. Martin, LCPR Executive Director, referred members to the first item in their packets which was the Omnibus Pension Bill, LCPR95-34. The bill was preceded by a section-by-section summary of LCPR95-34. Mr. Martin explained that it was included for members information to update them on the work of the Commission to date.

Mr. Martin referred members to a letter from the Minnesota State Retirement System (MSRS) to Rep. Jefferson regarding the Legislators Retirement Plan. The letter stated that the FY94 and FY95 appropriation to the Legislators Plan was insufficient to meet the needs of the plan on its pay-as-you-go basis. Mr. Martin stated that if members were interested in establishing a fund for the Legislators Plan, the staff memo in the packets would provide background information on the topic.

9. **H.F. 688 (Dauner); S.F. 643 (Langseth): TRA Disability Benefit for Certain Member.**  
Rep. Dauner briefly reviewed this bill.

Edward Burek, LCPR Deputy Executive Director, reviewed the background and policy issues on this bill. Mr. Burek reviewed amendment LCPR95-42 and stated that it specified that the statutes in effect at the time this individual's disability occurred would be used to compute the benefit.

Rep. Kahn questioned whether TRA requires a person to file for disability benefits while still employed.

Gary Austin, TRA Executive Director, responded that TRA requires members to be active employees when applying for disability benefits and their disability needs to be the reason for terminating employment. He testified that in this case the individual's disability was not the reason for terminating employment.

Robert Weitnauer, the disabilitant, testified that he had applied for long term disability with a private insurer and has been in the process of suing them for four years. He further testified that Workers Compensation agreed to a full disability and Social Security provided full disability. He was not aware of the 18 month time period for TRA.

This bill was **LAI D O V E R** for lack of a motion.

2. **H.F. 293 (Jaros); S.F. 234 (Solon): PERA; Military Service Credit Purchase By St. Louis County Employee.**

Mr. Martin reviewed the background and policy issues on this bill.

Sen. Solon testified in support of amendment H293A1. Article 1 of the amendment would permit a purchase of leave of absence for military service credit at any time prior to the effective date of retirement and Article 2 would permit a purchase of military service credit for military service performed prior to teaching service.

Robert Jantzen testified in support of Vietnam veterans receiving two years of service credit no matter when the military service might have occurred. Discussion followed.

Eugene Waschbusch, StPTRFA Executive Secretary, testified that the StPTRFA Board supports Article 1, which would remove the five year window restriction for purchasing military service credit. Sen. Morse asked what impact two years of military service credit would have on the "Rule of 90" program. Mr. Waschbusch testified that it would permit an employee to retire one year earlier.

Dave Bergstrom, MSRS Executive Director, testified that the amendment does not affect MSRS but he is concerned about Article 2 which would permit teachers to purchase military service credit for service prior to public employment by paying the employee and employer contribution that would have been made at the time plus 8.5% interest. He testified that the cost for Article 2 would be difficult to compute. He also testified that MSRS does not have a five year limit on the purchase of military service credit and mandates an employer contribution.

Laurie Hacking, PERA Executive Director, testified that the PERA Board supports Article 1, which removes the five year limit, but not Article 2. She further testified that she believes the actuarial cost for the purchase of service in H.F. 293 is exaggerated.

Rep. Johnson moved to split the amendment at Page 7, line 23. **MOTION PREVAILED.**

Rep. Bertram approved of splitting the amendment and studying Article 2 during the interim and moved Article 1.

Sen. Morse asked which pension plans the amendment would apply to. Mr. Martin responded that it applied to PERA, TRA, and the first class city teacher plans.

Mr. Austin testified that the TRA Board supports Article 1. Sen. Morse asked what the cost would be for this benefit. Mr. Austin responded that it would include employee and employer contributions plus 8.5% interest but he was unsure of the actual cost.

Karen Kilberg, MTRFA Executive Director, testified that MTRFA would prefer not to provide this benefit at this time and plans to review all of their leave provisions.

Rep. Jefferson recapped Rep. Bertram's motion to approve H293A1, Page 1 to Page 7, line 23. **MOTION FAILED.**

Sen. Pogemiller asked Sen. Solon if Mr. Schilla was unaware of the timeline. Sen. Solon answered affirmatively.

Sen. Morse stated that the law changed in 1983 and the five year clock should not have been effective until 1988.

Sen. Pogemiller stated that he would consider the purchase of service for Mr. Schilla at less than full actuarial value and waiving the five year time limit since Mr. Schilla was not notified of the 1983 change in the law. He suggested that Mr. Schilla's purchase of service be computed at the employee contribution amount at the time of the leave plus interest at the rate in effect for each of the years until payment is made.

Rep. Jefferson laid this item over until the next meeting so an amendment could be drafted to permit the purchase at a cost of the contribution plus applicable interest.

Sen. Morse stated that he would rather see Article 1 introduced as a bill.

**4. H.F. 689 (Pugh); S.F. 460 (Metzen): PERA-P&F; Benefit For West St. Paul Police Survivor.**  
Mr. Burek reviewed the background and policy issues for this bill.

Rep. Pugh testified that the West St. Paul police chief had been active in working toward consolidation with PERA-P&F. He also testified that the City of West St. Paul has passed a resolution supporting this bill.

Mr. Burek reviewed amendment LCPR95-24. He stated that it would permit the survivor benefit to be computed under PERA-P&F provisions for prospective benefit payments only.

Sen. Pogemiller moved LCPR95-24. **MOTION PREVAILED.**

Rep. Johnson moved H.F. 689 as amended since it had local approval. **MOTION PREVAILED.**

**7. H.F. 128 (McCollum); S.F. 149 (Chandler): PERA-P&F; North St. Paul City Manager Eligible to Retain Plan Coverage.**

Mr. Burek reviewed the background, policy issues and amendment LCPR95-43 for this bill. LCPR95-43 provided specific information identifying the individual, required payment of the difference in employee and employer contributions for PERA-P&F plus interest, and required that a Social Security waiver be obtained if PERA-P&F coverage was retained.

Rep. Johnson referred members to page 2, paragraph 2 of the staff memo and suggested that the Commission study the combined service issue during the interim.

Sen. Stumpf stated that this bill was in opposition to established Commission policy which prohibited retention of PERA-P&F coverage for individuals who become city managers.

Rep. McCollum testified in support of this bill and noted that there is one other case similar to this in the state. He further testified that his constituent had performed both the PERA-P&F covered job and the City Manager's job simultaneously from July to November and should get PERA-P&F credit for that time.

It was agreed that PERA would handle this issue administratively.

**8. H.F. 223 (Skoglund); S.F. ( ): MERF; Authority for Retiree to Change Annuity Option Election.**

Mr. Martin reviewed the background, policy issues and two amendments on this bill. The first amendment, LCPR95-39, was a technical amendment. The second amendment, LCPR95-40, was a substantive amendment. Discussion followed.

James Hacking, MERF Executive Director, testified in support of this bill and noted that in 1991 MERF retirees were permitted a window to elect a bounceback with an actuarial equivalent benefit reduction. MERF retirees would like an additional opportunity to elect a bounceback. Mr. Hacking further testified that he supports the technical amendment, LCPR95-39. He believes that Page 1, lines 4-8 are unnecessary on amendment LCPR95-40. With regard to the rest of the amendment, he prefers to have the MERF actuary determine the actuarial equivalency and does not need to have the Commission-retained actuary perform this function.

Sen. Riveness moved amendment LCPR95-39. **MOTION PREVAILED.**

Sen. Riveness moved H.F. 223 as amended. **MOTION PREVAILED.**

**3. H.F. 493 (Jefferson); S.F. 803 (Pogemiller): MERF; Authorization of Insurance Deduction From Benefit Payments**

Mr. Burek reviewed the staff memo and noted that MERF is currently authorized to withhold premiums for PEIP. He also reviewed a delete everything amendment, LCPR95-11.

Mr. Hacking testified that this legislation would provide MERF with authorization to do something they are doing routinely.

Rep. Jefferson moved amendment H493A-1 which permits labor union officials to be MERF members even though they do not represent primarily MERF employees. **MOTION PREVAILED.**

Sen. Stumpf moved that this bill be effective upon final enactment. **MOTION PREVAILED.**

Sen. Pogemiller moved a verbal amendment to Page 1, line 16, delete "and" and line 17, delete "representation with respect to available" in H.F. 493. **MOTION PREVAILED.**

Sen. Pogemiller moved H.F. 493 as amended. **MOTION PREVAILED.**

5. **H.F. 48 (Bertram); S.F. 17 (Bertram): Fire Plans; Increase in Fire State Aid Funding. H.F. 864 (Johnson, R.); S.F. 754 (Solon): Police and Fire State Aid Programs; Increase in Gross Insurance Premium Tax Rate For Mutual Insurance Companies.**  
Mr. Martin reviewed amendment LCPR95-48. Discussion followed.

Keith Anderson, President of the Association of Fire Mutual Companies, testified in opposition to this bill. He testified that all of the tax currently collected under the 2% program has not been allocated from the general fund to the fire state aid program. Discussion followed.

Ron Sieloff, representing domestic mutual property casualty insurers, testified in opposition to the bill and suggested that the Commission should reconsider the changes made in 1991.

Dick Nelson, Minnesota Police Pension Council, testified in support of this bill.

Phil Kapler, Department of Finance, testified that Finance has no position on this bill.

Bob Whetherille, Secretary of the State Fire Department Association, testified in support of this bill and stated that pension benefits are a retention tool.

Rep. Johnson moved amendment LCPR95-48. **MOTION PREVAILED.**

Rep. Johnson moved approval of H.F. 864 as amended. **MOTION PREVAILED.**

11. **H.F. 968 (Smith); S.F. 645 (Neuville): TRA; Purchase of Credit for Pre-Age 25 Pre-1957 Teaching Service by Certain Teachers**  
Mr. Martin reviewed the staff memo and policy issues on this bill.

Sen. Neuville stated that one of the employment dates and one of the birthdates in the bill are incorrect.

Shirley Norgaard testified in support of the bill and stated that she was not informed of the possibility of the purchase of this service credit at the other times the opportunity was provided.

Mr. Austin provided background information and testified in opposition to this bill.

Rep. Smith testified in support of this issue and the bill.

Sen. Stumpf stated that he is concerned about considering passage of this bill without having a cost estimate or knowing the impact.

Mr. Austin testified that TRA estimates that there are approximately 600 to 700 individuals that might qualify for this type of service credit. Discussion followed.

Rep. Smith moved that this bill be **LAI D O V E R** for interim study. **MOTION PREVAILED.**

The meeting adjourned at 11:15 P.M.

  
Jean Liebgott, Secretary

NOTE: There is no tape for this meeting as the tape player malfunctioned.