



March 24, 1995
Room 300N, State Office Building

7th 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 3:06 P.M.

Commission members present:

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

15. H.F. 838 (Bishop); S.F. 713 (Kiscaden): Olmsted County; Public Hospital Authorized to Become Nonprofit Corporation

Lawrence A. Martin, LCPR Executive Director, reviewed this issue and advised members that a "notwithstanding" clause may be required for this bill as provided in amendment LCPR95-84. Mr. Martin reviewed amendment LCPR95-87 which would provide a response to this issue similar to that provided for Ramsey Hospital PERA members when they were privatized.

Rep. Johnson supported amendment LCPR95-84 as it does not cause adverse consequences for PERA.

Amy Caukette, Olmsted County, expressed concern with regard to the 20 people within five years of retirement that will require a special plan from the hospital.

Sen. Riveness asked whether LCPR95-87 was the answer for those 20 people.

Laurie Hacking, PERA Executive Director, testified that non-vested employees will get a refund from PERA while vested employees will become deferred members.

Sen. Riveness expressed concern with regard to the non-vested employees who will forfeit their employer contribution when they receive a refund. He also recommended that on page 2, line 35, delete "sub tantially similar" and insert "no less than."

Ms. Hacking testified in opposition to the change.

Rep. Johnson moved amendment LCPR95-84. **MOTION PREVAILED.**

Rep. Johnson moved H.F. 838 as amended. **MOTION PREVAILED.**

1. H.F. 995 (Johnson, R.); S.F. 863 (Morse): Police State Aid; Establishing Excess Police State Aid Amortization Aid Program

Rep. Johnson reviewed the background on this issue. Sen. Morse reviewed amendment LCPR95-92 and stated that it would provide additional money to amortize the unfunded liability of relief associations that have increased the multiplier used to compute PERA-P&F benefits. Sen. Morse recommended amending page 1, line 9, delete "1997" and insert "1996".

Sen. Pogemiller questioned the one year limit. Sen. Morse responded that the one year limit would permit a review of the program and its results. Discussion followed.

Dick Nelson, Minnesota Police Pension Council, testified that in 1976 the excess police state aid was dedicated to PERA-P&F and should remain a dedicated fund.

Sen. Pogemiller stated that when PEIP was funded using a portion of the excess police aid, a precedent was set. Therefore, the police state aid should be available to reduce the unfunded liability of the police and fire relief associations.

Rep. Johnson stated that the excess police aid should be tied to the original purpose of police state aid. Sen. Morse responded that only 1/2 of the excess aid will be used for this program.

Rep. Johnson moved amendment LCPR95-92 with the change on page 1, line 9, deleting "1997" and inserting "1996". **MOTION PREVAILED.**

Sen. Pogemiller moved to amend H.F. 995 by allocating the excess police state aid to the first class city teacher plans unless the funded status of PERA-P&F falls below 100% in which case it would be allocated to PERA-P&F. Discussion followed and Sen. Pogemiller withdrew his amendment.

Rep. Johnson moved H.F. 995 as amended. **MOTION PREVAILED.**

4. **H.F. 99 (Brown); S.F. (): PERA; Service Credit Purchase by Swift County Employee Edward Burek, LCPR Deputy Executive Director, reviewed amendment LCPR95-54.**

Rep. Johnson moved approval of amendment LCPR95-54. **MOTION PREVAILED.**

Rep. Johnson moved approval of H.F. 99 as amended. **MOTION PREVAILED.**

16. **H.F. (); S.F. 1145 (Kroening): MSRS; Early Retirement Incentive For Metropolitan Council and Historical Society**

Mr. Martin reviewed the prior Commission discussion on this issue. He also reviewed an unnumbered amendment provided by Sen. Kroening. Mr. Martin suggested that on line 6 after "Page 3" delete "line" and insert "delete lines 4, 5, and" of the amendment.

John Wood, Minnesota Historical Society, testified in support of the amendment.

David Bergstrom, MSRS Executive Director, expressed concern regarding the interest not starting until 7/1/97. He would prefer interest from the first day.

James Solon, Metropolitan Council, testified that the Council needs the one year to accumulate the salary savings to pay MSRS. Discussion followed.

Mr. Martin suggested that on lines 24 and 25, delete "If the additional employer contribution is not paid by that date,"

Rep. Jefferson moved to pass the unnumbered amendment with the changes to line 6 and lines 24 and 25. **MOTION PREVAILED.**

Sen. Pogemiller moved to amend line 11, after "positions" insert "affected by downsizing or restructuring" of the unnumbered amendment. **MOTION PREVAILED.**

Rep. Jefferson moved S.F. 1145 as amended. **MOTION PREVAILED.**

2. **H.F. (); S.F. 751 (Riveness): 403(b) Tax Sheltered Annuities; Employers Must Comply With Federal Law**

Sen. Riveness reviewed the issue regarding 403(b) annuities and the bill.

Sen. Pogemiller moved S.F. 751. **MOTION PREVAILED.**

3. **H.F. 1080 (Jefferson); S.F. 972 (Morse): PERA; Restrict Elected Officials To PERA Defined Contribution Plan**

Mr. Burek reviewed the staff memo and amendment LCPR95-72.

Rep. Jefferson moved amendment LCPR95-72. **MOTION PREVAILED.**

Ms. Hacking testified in support of this legislation and testified that most elected officials are generally employed outside of their elected duties and don't really need PERA-General coverage. Sen. Stumpf suggested raising the base salary amount to reduce those that would qualify for PERA coverage. Discussion followed.

Ms. Hacking referred members to page 6, lines 21 and 22 and suggested deleting ", at the time of election or appointment". Sen. Pogemiller suggested laying this item over for interim study.

Rep. Jefferson moved to amend page 6, lines 21 and 22, by deleting ", at the time of election or appointment". **MOTION PREVAILED.** Discussion followed.

Rep. Jefferson laid this bill over for interim study.

7. **H.F. 1427 (Jefferson); S.F. (): MTRFA; Provision of Supplemental Contribution**
Mr. Martin reviewed the staff memo and stated that this legislation does not take into account that assumptions are scheduled to change. He referred members to page 6, lines 12, 13, and 14, and suggested deleting the new language.

Sen. Pogemiller moved to amend H.F. 1427, page 6, lines 12, 13, and 14 by deleting the new language. **MOTION PREVAILED.**

Rep. Jefferson moved to amend H.F. 1427, page 4, line 4, by deleting "annual itemized statements" and inserting "most recent actuarial valuation". **MOTION PREVAILED.**
Discussion followed.

Karen Kilberg, MTRFA Executive Director, reviewed the MTRFA interpretation of prior law. She reviewed amendment A95-0354.

Rep. Jefferson moved amendment A95-0354. **MOTION PREVAILED.**

Mr. Burek reviewed a handwritten amendment to modify the MTRFA post retirement mechanism.

Sen. Pogemiller moved the handwritten amendment and moved that it apply to DTRFA also. **MOTION PREVAILED.**

Sen. Pogemiller moved H.F. 1427 as amended. **MOTION PREVAILED.** Members agreed to revisit the DTRFA addition to this bill on the way to the Government Operations Committee.

8. **H.F. 1505 (Kahn); S.F. 1083 (Morse): Higher Education; Early Retirement Incentives For State University and Community College Personnel**

Mr. Martin reviewed the staff memo and the technical amendment LCPR95-75.

Rep. Kahn moved amendment LCPR95-75. **MOTION PREVAILED.**

Mr. Martin reviewed the six policy issues raised by this legislation.

Sen. Stumpf questioned the possibility of double medical coverage and asked that language be drafted to require an annual check to prevent double coverage.

Sen. Riveness suggested that the language require the employee to certify whether they have other medical coverage.

Mary Stanton, State University and Community Colleges, reviewed amendment SCS1083A-1. She also testified that this early retirement incentive is targeted and referred members to page 1, lines 12 to 14. She suggested deleting the sentence on page 1, lines 18 and 19.

Rep. Kahn moved amendment SCS1083A-1 as amended. **MOTION PREVAILED.**

Mr. Martin reviewed the handwritten amendment regarding health insurance double coverage.

Sen. Stumpf moved the handwritten amendment. **MOTION PREVAILED.**

Rep. Kahn moved H.F. 1505 as amended. **MOTION PREVAILED.**

- Sen. Riveness reviewed and moved amendment SC4182 which was brought up at the March 22, 1995 meeting and deals with the issue of partial repayment of pension plan refunds. **MOTION PREVAILED.**

5. **H.F. 1424 (Dorn); S.F. 1179 (Hottinger): TRA; Purchase Service Credit for Extended Leave of Absence by Certain Teacher**

Rep. Dorn reviewed the bill.

Russ Stanton, Community College faculty, testified in support of this bill.

Sen. Stumpf requested amending LCPR95-95 page 3, line 17 after "effective" insert "July 1, 1995." Delete the rest of the line and delete lines 18, 19, and 20.

Sen. Pogemiller moved amendment LCPR95-95 as amended. **MOTION PREVAILED.**

Sen. Pogemiller moved H.F. 1424 as amended. **MOTION PREVAILED.**

9. H.F. 1044 (Tomassoni); S.F. 907 (Janezich): TRA; Early Retirement Incentive; Purchase Service Credit For Out-Of-State Service

Mr. Martin reviewed the staff memo on this issue and noted that the bill requires the payment of full actuarial value for the service credit gained by members. He then reviewed amendment LCPR95-76.

Rep. Jefferson moved amendment LCPR95-76 with a change to page 2, line 12, delete the first 2 and insert 5. **MOTION PREVAILED.**

Rose Hermodson, Minnesota Federation of Teachers, testified in support of this bill.

Rep. Tomassoni testified in support of this bill.

Sen. Morse questioned whether school districts were already authorized to offer health benefits. Ms. Hermodson responded that this bill authorizes offering health benefits at age 50 rather than age 55.

Sen. Riveness expressed concern with this issue and recommended that the bill be laid over for interim study.

Sen. Morse stated that he was prepared to pass the health care coverage portion of the bill and requested that staff prepare an amendment to strike Articles 2 and 3 from the bill.

Mr. Martin reviewed the handwritten amendment prepared to address Sen. Morse's request.

Sen. Morse moved the handwritten amendment. **MOTION PREVAILED.**

Sen. Morse moved H.F. 1044 as amended. **MOTION PREVAILED.**

Rep. Kahn reviewed amendment LCPR95-106 and requested that the Wednesday, March 22, 1995, action on the reemployed annuitant issue for Ms. Osgood be withdrawn and replaced by this amendment. She stated that the amendment would permit Ms. Osgood to defer her current annuity and make future contributions to the Unclassified plan.

Rep. Kahn moved amendment LCPR95-106. **MOTION PREVAILED.**

10. H.F. 1540 (Jefferson); S.F. (): MTRFA; Authorization to Purchase Service Credit for Out-Of-State Teaching Service

This item was **LAI D OVER** for interim study.

11. H.F. 1042 (Dawkins); S.F. (): StPTRFA; Post Retirement Adjustment Mechanism Modification

Rep. Dawkins briefly reviewed the bill. Mr. Martin reviewed the staff memo and noted that the proposed post retirement adjustment mechanism does not maintain benefit adequacy for retirees.

Gene Waschbusch, StPTRFA Executive Secretary, testified in support of this bill and noted that the St. Paul school board does not have a problem with this proposal.

Mr. Burek reviewed amendment LCPR95-78 and noted the following correction to page 3, line 6, after "determine" insert "the".

Sen. Morse asked what the dollar cost would be for this proposal. Mr. Waschbusch provided an actuarial cost estimate.

Rep. Jefferson moved amendment LCPR95-78 with the correction to page 3, line 6, noted above, with an amendment to page 1, line 24, delete "all" and insert "are called" and by adding a local approval clause. **MOTION PREVAILED.**

Sen. Riveness reviewed an amendment to this bill regarding a supplemental administrative expense assessment. Sen. Riveness moved amendment LCPR95-79. **MOTION PREVAILED.**

Mr. Dick Wasko, StPTRFA retired member, provided handouts and testified in opposition to

this bill.

Rep. Jefferson moved H.F. 1042 as amended. **MOTION PREVAILED.**

Sen. Riveness reviewed amendment SC4178 and testified that it would save money and improve the quality of the Hennepin County Supplemental Retirement Program. Sen. Riveness moved amendment SC4178. **MOTION PREVAILED.**

12. H.F. 1336 (Otremba); S.F. 943 (Sams): TRA; Waive Annuity Reduction for Certain TRA Member

Mr. Burek reviewed amendment LCPR95-108 which was a delete everything amendment that tightened up the language in the bill to assure that it applied to only one teacher. Mr. Burek noted a few technical changes to the amendment as follows: page 1, line 9, after "1932" insert an underscored semicolon; page 1, line 10, delete "on" and insert "during" and delete "1"; page 1, line 17, after "No" insert an underscored period.

Sen. Morse moved amendment LCPR95-108 as amended. **MOTION PREVAILED.**

Judy Strobel, TRA representative, testified in opposition to this bill as it would set a precedent.

Rep. Kahn stated that the reemployed annuitant referred to in this bill is a better bargain for the school district than employing a new teacher. She also stated that she would rather provide the same solution provided for Ms. Osgood than this provision.

Sen. Riveness stated that he is concerned about reemploying annuitants and doesn't see this as phasing into retirement.

Rep. Otremba testified in support of this bill and stated that the person is only working 1/3 time. Discussion followed.

Sen. Morse moved H.F. 1336 as amended. **MOTION FAILED.** Discussion followed.

13. H.F. 111 (Commers); S.F. 130 (Wiener): Eagan Volunteer Firefighters; Authorize Lump Sum Payments Up To \$4,200

Mr. Martin reviewed the bill and noted that this bill would permit the Eagan Volunteer Firefighters benefit to exceed the current maximum of \$3,700 specified in statute and does not tie the benefits to the funding of the plan.

Craig Dawson, City of Eagan, testified that Eagan is having a problem with recruitment.

Sen. Riveness stated that Eden Prairie has been requesting a benefit in excess of the statutory maximum for several years without success. Discussion followed and this bill was **LAID OVER** for possible interim study.

14. H.F. 970 (Bertram); S.F. 797 (Pogemiller): PERA-P&F; Change Early Retirement Reduction Factors

Sen. Pogemiller reviewed the bill.

Sen. Morse and Rep. Kahn stated that they would prefer to look at this benefit improvement after the actuarial assumptions are modified and a new valuation is completed. Discussion followed.

Sen. Riveness moved H.F. 970. **MOTION PREVAILED.**

The meeting adjourned at 7:30 P.M.


Jean Liebgott, Secretary

Note: The tape player malfunctioned at this meeting and the meeting is not on tape.