



July 6, 1995
Room 10, State Office Building

9th 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 1:15 P.M.

Commission members present:

Representatives Jeff Bertram, Richard Jefferson, Bob Johnson, Phyllis Kahn, and Steve Smith

Senators Steven Morse, Phil Riveness

1. **Approval of Meeting Minutes of February 22, March 1, March 8, and March 15, 1995**
Rep. Bob Johnson moved approval of the meeting minutes of February 22, March 1, March 8, and March 15, 1995. **MOTION PREVAILED.**
2. **Consideration of Recommendation of Actuarial Services Subcommittee on Retention of Consulting Actuary**
Rep. Johnson recapped the action of the Actuarial Services Subcommittee. He noted that the Subcommittee unanimously recommended that Milliman & Robertson, Inc. be retained as Commission actuary.

Lawrence A. Martin, LCPR Executive Director, reviewed the highlights of the contract and noted that it incorporates the new lower rates for actuarial valuations and slightly higher rates for special services. He also noted that the contract incorporates several changes required by legislation passed in the 1995 Session. Some of those changes are that all reports are required to be provided to the Legislative Reference Library, the Commission will only pay 90% of the contract value until certification that the performance of the contract has been satisfactory, unilateral termination language has been added, the LCC will become successor to this contract if the LCPR ceases to exist, and the Commission will control any copyrights that are a result of the work Milliman & Robertson, Inc. does for the Commission. Discussion followed.

Rep. Johnson moved approval of the Subcommittee report with the recommendation that the contract with Milliman & Robertson, Inc. be executed. **MOTION PREVAILED.**

3. **Determination of Commission 1995-1996 Interim Topic Agenda**
Rep. Jefferson reviewed the interim topic issue and noted that he would like to conduct two day monthly meetings from August through December.

Rep. Bertram recommended that the Commission consider holding a regional meeting in St. Cloud or possibly coordinating a meeting with the Bemidji mini-session.

Rep. Jefferson agreed to consider the suggestion of regional meetings. He then noted that he had selected several potential interim topics and asked Mr. Martin to review them.

Rep. Kahn recommended that the Commission complete hearing 1996 pension legislation prior to the beginning of the 96 Session.

Sen. Riveness suggested that at least Commission member authored bills be heard prior to the beginning of the next session and he suggested leaving a window open during the session for other members of the Legislature to have their bills heard. Discussion followed.

Rep. Bertram stated that non-Commission members believe that the Commission is not user-friendly.

Rep. Jefferson stated that he has heard comments from non-Commission members to that effect but he believes that non-members are unaware of the Commission's policies. He suggested that the Commission express their policies better so that non-members understand

the reason some proposals fail.

Rep. Johnson recommended possibly appointing subcommittees to handle some of the Commission's workload.

Rep. Jefferson extended the appointments to the Actuarial Services Subcommittee to allow continued study of concerns regarding the extent of the services provided by the Commission-retained actuary.

Mr. Martin reviewed the interim topics staff memo and 53 potential topics. He noted that Rep. Jefferson had identified eight items, G-1, C-2, C-3, D-3, B-1, L-1, L-2, and G-4.

Rep. Johnson recommended that the Commission discuss the relationship of the Commission with the rest of the Legislature. He stated that he recently heard Rep. Haas make extremely negative remarks about the Commission on talk radio and that during the Session other members of the Legislature criticized the Commission.

Sen. Riveness recommended that if the Commission takes up the topic of the Role of the Pension Commission, they study how to better define the Commission's role and the basis on which the Commission makes decisions. This might address the concerns Rep. Bertram has raised.

Rep. Bertram recommended that the Commission staff educate other members of the Legislature on the procedure and policies of the Commission. He also stated that he was surprised that Commission staff drafts amendments to legislation as a matter of common procedure without being requested to by legislators.

Rep. Jefferson stated that one of the reasons the Commission may operate differently than other legislative entities is that it deals with more bills for individuals than other entities.

Rep. Kahn stated that when she chaired an appropriation division, staff drew up amendments because bills were drafted inaccurately or inappropriately and she believes that Pension Commission staff has a general directive to draw the amendments necessary to put pension bills in order. Discussion followed.

Sen. Morse concurred with Rep. Kahn regarding staff amendments. He recommended interim topic M-3 dealing with the collection of excess police state aid. In conjunction with that topic, he recommended that the Commission review the implementation of legislation passed last session regarding the distribution of excess police aid.

Sen. Riveness recommended interim topic D-1 dealing with windfalls for members who retire shortly after a benefit increase is enacted.

Rep. Johnson formally recommended interim topic A-1, dealing with the role of the Commission and expanding it to include a study of the charges for actuarial cost estimates and who pays for them.

Rep. Jefferson suggested that the Commission study setting some criteria for pension bills so that non-Commission members become aware that certain bills may not have a chance of passing.

Rep. Bertram agreed with Rep. Jefferson and suggested that Commission staff go to legislators, provide some background on previous Commission action on similar proposals, provide the cost of the proposal, and advise the legislator of the Commission's policy on that kind of proposal.

Rep. Kahn recommended interim topic L-4 and B-5.

Rep. Johnson recommended that Commission members be surveyed to determine which topics the majority of members wish to study.

Rep. Kahn recommended that the Legislative Coordinating Commission establish a schedule for all of the Commissions' meetings and also include mini-session schedules to avoid conflicts in meeting times.

Rep. Jefferson stated that at the first meeting in August, the Commission will take up the role of the LCPR. It was also agreed to hold Commission meetings on Wednesdays and Thursdays and from 8:00 A.M. to noon and 1:00 to 5:00 P.M.

Sen. Morse stated that G-1, dealing with establishing a Legislators Retirement Fund was not included on his list since the Commission has studied the topic before and he does not believe it will be acted upon during the 1996 Session. Rep. Jefferson stated that he believes that the taxpayers are the losers on this issue because the Legislators Plan does not have a fund and although it may not be acted upon, it is important to have a dialog on this issue.

Rep. Jefferson directed staff to prepare the survey form, including blank lines for other recommendations members may have, and mail it to all Commission members. He also recommended that members consider potential outstate meetings and the possibility of combining a Commission meeting with mini-session, which is scheduled for September 18, 19, and 20 in Bemidji.

5. Other Items

Rep. Jefferson stated that Mr. A. J. DeAntoni, a member of the Gray Eagles Association, wished to address the Commission.

Mr. DeAntoni provided a handout and testified that the Gray Eagles Association is looking for accountability from the Bloomington Fire Relief Association. He referred Commission members to page 2 of the handout regarding the money the "Membership" of the Bloomington Fire Relief Association earns and how it may be used. He believes that the Bloomington Fire Relief Association "Membership" is using the money improperly and that they may be violating the rules of non-profit organizations. His request is that the Legislature hold the Bloomington Fire Relief Association accountable.

Sen. Riveness restated the two issues Mr. deAntoni has raised. The issues are whether the General Fund records are public information and whether money has been diverted from the Special Fund to the General Fund. It appears from the opinion by Commissioner Elaine S. Hansen that the General Fund records are public information.

Mr. DeAntoni also testified that in 1991 the Bloomington Fire Relief Association commingled General and Special Fund assets to build a fire station. Mr. DeAntoni requested that the Pension Commission terminate the entity called the "Membership" of the Bloomington Fire Relief Association.

Ullie Seal, Bloomington Fire Chief, testified that the city has undertaken an extensive review process. The State Auditor has made some recommendations that the Bloomington Fire Relief Association is implementing. There are several separate issues raised by the Gray Eagles and all of the issues are being addressed.

Sheila Happe, a Bloomington City Attorney, testified that they have been responding to the issues raised by the Gray Eagles for several years. The City of Bloomington has made records relating to the Bloomington Fire Relief Association available to the Gray Eagles and have directed them to the association for records the city does not have.

Sen. Riveness requested that the issues of all parties be laid out on a side by side basis.

4. Review of 1995 Pension Legislation

Edward Burek, LCPR Deputy Executive Director, reviewed portions of the Summary of 1995 Pension Legislation. Mr. Burek noted that the wording in the Crime Bill is somewhat ambiguous with regard to the MSRS Correctional Plan achieving equity in its employee pensions. He briefly reviewed the changes for higher education employees. He noted that investment data reporting for volunteer fire relief associations has been delayed until October, 1997 for data collected from January 1, 1996.

He reviewed a provision that permits state employees to take up to 160 hours of unpaid leave until June 30, 1997, while continuing to accrue public pension service credit. He questioned whether the language would be interpreted to provide the employee with free service credit or whether the pension plan will use leave of absence procedures requiring contributions for the service credit.

Rep. Kahn stated that the provision is the same as a provision passed twice before and that this issue was not raised prior to this. She stated that she will look at how the issue was handled previously and will prepare clarifying language if needed.

Mr. Martin stated that the Commission staff would contact the fund directors and request information on how this was handled previously and how they plan to interpret this law this time. Sen. Morse asked staff to update members on this issue.

Mr. Burek reviewed the provision to expand bonding to cover unfunded pension liabilities. Discussion followed regarding whether this may be a way to fund the MTRFA and StPTRFA actuarial accrued liabilities. No conclusion was reached.

Mr. Burek concluded his review of 1995 legislation.

5. Other Business

Robert Whetherille, State Fire Department Association, reviewed a number of points discussed at a recent national conference on pensions. He testified that the IRS is considering treating "service award programs" for volunteer firefighters similar to the way IRS 457 plans are treated. This means that contributions for a vested volunteer firefighter, in excess of 1/3 of the firefighter's fire call pay, to a deferred compensation plan would be taxable in the year the contribution was made. The IRS is looking at estimates that they lose \$326.8 billion a year by permitting pension funds to defer taxes and is considering changes. Mr. Whetherille further testified that mandatory Social Security is being considered. This would effect police and firefighters who are not currently covered by Social Security. He stated that Orange County deferred compensation members will be lucky to get \$.80 on the dollar. Deferred contributions that were deducted from employees have not been forwarded to their deferred compensation program nor have Orange County employee and employer contributions been forwarded to the regular retirement program. Mr. Whetherille also testified that Congress believes that pension funds that are involved in economically targeted investments should lose part of their tax exempt status. Discussion followed.

The meeting adjourned at 3:20 P.M.


Jean Liebgott, Secretary