

January 22, 1996
Room 15, Capitol

14th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

January 22, 1996 Meeting

Representative Richard Jefferson, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:25 A.M.

Commission members present:

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

Commission members with an excused absence:

Representative Jeff Bertram, Steve Smith
Senators Roy Terwilliger

3. H.F. 1085 (Farrell); S.F. 906 (Kelly): St. Paul Police and Fire; Clarification of Limit on Post Benefit Reductions.

Edward Burek, LCPR Deputy Executive Director, reviewed the background on this bill and the 1992 law that precipitated this bill. Mr. Burek noted that due to salary adjustments for active St. Paul police and firefighters, retiree's benefits were increased. St. Paul reversed the salary adjustments but the 1992 law did not permit reducing retirees benefits. This bill would prevent a reduction in benefits for deferred members or surviving spouses who began receiving benefits after December 31, 1993. Mr. Burek noted that this legislation would add approximately \$20,000 for both St. Paul Police and Fire to the City of St. Paul's annual additional municipal contribution. The legislation does have a local approval clause.

Sen. Stumpf asked whether both the individual and municipality would be required to make a contribution to cover this limit on benefit reductions. Mr. Burek responded that the municipality would have sole liability.

Rep. Kahn asked if anyone has had their benefit reduced. Mr. Burek responded that he was not aware of anyone having their benefit reduced.

Sen. Randy Kelly provided additional background and testified that twelve people, seven police members and five fire members, had a 5.5% decrease in their benefit when the city reversed the salary adjustment. He further testified that the cost of this legislation would be approximately \$4,000 for the police and \$6,000 for the fire consolidation accounts in annual additional municipal contributions. He noted that the City of St. Paul is aware of this legislation and he believes that the city will give its approval.

Rep. Kahn moved to recommend approval of H.F. 1085; S.F. 906 when a quorum is present.
MOTION PREVAILED.

4. H.F. 1560 (Leighton); S.F. 1353 (Piper): Austin Fire; Clarification of Survivor Benefit Coverage.

Lawrence Martin, LCPR Executive Director, reviewed the background on this bill and noted that the 1994 law passed on this issue did not correctly address the intent of the Austin Fire Relief Association. This bill revises that provision and clarifies that the prior spouse does not have to be deceased before the second spouse is entitled to a survivor benefit. It also clarifies the reduction in the second survivor benefit if there is a benefit payable to the first former spouse due to a marriage dissolution agreement. Mr. Martin reviewed the policy issues and LCPR96-9, a conforming amendment.

Sen. Piper testified that she has no objection to the conforming amendment and that the City of Austin supports this legislation.

Rep. Johnson moved approval of amendment LCPR96-9.

Sen. Morse asked whether the requirement of a three year period for the surviving spouse to be married to the member was a standard in law. Mr. Martin stated that the three year period was

consistent with law.

Rep. Johnson moved to recommend approval of H.F. 1560; S.F. 1353 as amended. **MOTION PREVAILED.**

2. Consideration of Proposed Principles of Pension Policy.

Mr. Martin reviewed the proposed reformulation of the Commission's principles of pension policy and noted that a FAX from TRA regarding the principles was also included in member's packets. Mr. Martin referred members to the strikeout and underlined version of the principles of pension policy that were the result of several meetings held with an informal working group that studied the Commission's pension policy principles. He noted that the reformulated principles are restructured into three parts, a preamble, substantive principles, and procedural principles.

Sen. Morse questioned how organizing a new volunteer firefighter fund on a county or regional basis would actually work. Mr. Martin stated that the principles do not impact on anyone. They are to be used by the Commission as a guidance tool. Mr. Martin continued to review the principles.

Rep. Kahn took exception to the principle which stated a preference for defined benefit plans over defined contribution plans. She suggested deleting C.1. or alternatively providing a statement listing the additional benefits of defined contribution plans such as, defined contribution plans do not create any kind of unfunded liability.

Rep. Johnson stated that he believes defined contribution plans are preferable for an employee who needs that portability but they carry a greater risk for the majority of public employees who are long term employees with a single employer. Discussion followed.

Rep. Jefferson noted that it is not his intention to vote on the pension policy principles at this meeting. He wants to have more discussion on the topic at a future public hearing.

Mr. Martin continued the review of the pension principles with C.2., Social Security coverage.

Rep. Kahn questioned why Legislators do not have Social Security coverage. Mr. Martin stated that when the Legislators Plan was created in 1965, many Legislators had Social Security coverage through their chief employment outside of the Legislature and although members who make Social Security contributions through multiple employers are able to get the excess Social Security contributions back, employers do not get a refund of the excess contributions they make on behalf of an employee. So it was decided that the Legislators Plan would be a supplemental plan and Social Security coverage would not be provided for Legislators. Rep. Kahn asked whether Social Security coverage for Legislators could be made optional. Mr. Martin stated that if Social Security coverage was extended to Legislators, coverage could be optional for current Legislators but would be mandatory for any new Legislators. Discussion followed.

Further review of the proposed principles of pension policy was temporarily laid over for consideration at a future meeting.

5. H.F. 2097 (Greiling); S.F. 2197 (Krentz): StPTRFA; Deadline For Back Contributions on Certain Part-Time Service.

Mr. Martin reviewed the background on this bill. He noted that in 1994, a law was passed that authorized teachers to participate in a part-time teaching program while accruing full-time service credit. In 1995, the law was amended to remove the mandatory employer contribution provision. This legislation will extend the deadline for the St. Paul School District to notify teachers of the option to make retroactive contributions. Mr. Martin reviewed the five policy issues related to this bill.

Rep. Johnson asked whether this bill should be made statewide. Discussion followed.

Rep. Greiling testified that her bill only authorized the deadline extension for the St. Paul School District but she has been advised that the Minneapolis School District also failed to make timely notification and she does not object to adding the Minneapolis School District to this legislation.

Gene Waschbusch, StPTRFA Executive Secretary, testified that it was the obligation of the school district to notify the teachers since the pension fund was not aware of who the

participants were that had been turned down for this program.

Sen. Morse stated that he was quite disappointed in the failure of the school district to comply with the 1995 law and also disappointed that a representative of the school district was not available to provide an explanation.

Rep. Kahn stated that this bill should be extended to TRA and the first class city teacher plans, it should have a precise window for retroactive payments, it should require the funds to oversee that the school districts properly comply, and it should require the employees to pay the interest on this late payment.

Rep. Johnson moved H.F. 2097 as expanded to include all the teacher plans and requiring the school districts to pay the interest. Discussion followed and Rep. Kahn stated that the burden would not be on the school district, it would be on the taxpayers.

Karen Kilberg, MTRFA Executive Director, testified that the Minneapolis School District notified participants in a timely manner but did not properly implement the program. She further testified that they only need help for the three to four people who were improperly handled in this program.

Gary Austin, TRA Executive Director, testified that TRA does not have a problem and should not be included in this legislation.

J. Michael Stoffel, DTRFA Executive Secretary, testified that DTRFA does not have a problem with this program and should not be included in this legislation.

Mr. Martin reviewed the two amendments, LCPR96-7, which required payment of interest, and LCPR96-8, which required the school district to pay the interest.

Rep. Kahn moved amendment LCPR96-7. **MOTION PREVAILED.**

Mr. Martin reviewed an unnumbered amendment on short paper provided by MTRFA.


Rep. Kahn moved the unnumbered, short paper amendment. **MOTION PREVAILED.**

Rep. Johnson moved to recommend approval of H.F. 2097; S.F. 2197 as amended. **MOTION PREVAILED.**

Rep. Jefferson reminded members that the Commission would be meeting on Monday, January 29th, at 7:00 PM, and on Friday, February 2nd, at 2:00 PM. He also invited members to a Joint House Government Operations/Legislative Commission on Pensions and Retirement meeting on Tuesday, January 23rd, at 10:00 AM, in the Basement Hearing Room of the State Office Building.

As a quorum was not present at any one time during this meeting, Rep. Jefferson postponed approval of the October and November meeting minutes, final recommendation of the bills heard today, and completion of the review of the Principles of Pension Policy.

The meeting adjourned at 10:00 A.M.


Jean Liebgott, Secretary