

March 5, 1997  
Room 5, State Office Building

1st 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 7:40 P.M.

Commission members present:

Representatives Richard Jefferson, Phyllis Kahn, Harry Mares, Mary Murphy, and Steve Smith  
Senators Don Betzold, Steven Morse, Lawrence Pogemiller, and Roy Terwilliger

Commission members with an excused absence:

Senator LeRoy Stumpf

**1. Election of Officers**

Sen. Pogemiller nominated Senator Morse for Commission Chair, Representative Kahn for Commission Vice Chair, and Representative Smith for Commission Secretary. There being no further nominations the nominees were elected. Rep. Jefferson thanked the Commission members and the people who participated in Commission meetings over the past two years for their help and support. He then passed the gavel to Sen. Morse.

Sen. Morse welcomed the three new members to the Commission, Senator Don Betzold, Representatives Harry Mares and Mary Murphy.

**2. Consideration of the 1997-1998 Commission Rules of Operation**

Lawrence A. Martin, Commission Executive Director, provided a brief background and review of the Commission Rules of Operation. He noted that the last change to the rules occurred in 1991 and established the requirement that a recommendation for legislative action needs an affirmative vote by at least three members from the House and three member from the Senate.

Sen. Pogemiller moved adoption of the current rules. **MOTION PREVAILED.**

**3. Discussion of Regular Commission Meeting Times**

Sen. Morse referred members to the matrix of Commission members 1997 schedules. Sen. Betzold noted that since he had the only conflict for Wednesday and/or Friday timeslots from 2:00 to 4:00 P.M., he would be willing to attend Commission meetings if they were held in the Capitol and shuffle between meetings if it were necessary. Rep. Murphy stated that she also had a conflict for those blocks of time. Discussion followed and members agreed to the Wednesday and Friday 2:00 to 4:00 timeslots until it became necessary to have night or weekend meetings.

Rep. Kahn suggested that the Commission try to accomplish the majority of its legislative agenda during the interim prior to the next Session to eliminate the need to meet so often during the Legislative Session. Sen. Morse took it under advisement.

**4. Approval of Meeting Minutes: Commission Meeting of November 14, 1996, and Investment Attribution Task Force Meeting of November 14, 1996**

Rep. Jefferson moved approval of the two sets of meeting minutes for November 14, 1996. **MOTION PREVAILED.**

**5. Mandated Study: Review of Draft Report Formulated on Behalf of the Special Task Force on Investment Performance Attribution Reporting**

Edward Burek, Commission Deputy Executive Director, provided background on the Task Force membership, duties, and the current laws on time-weighted rate of return reporting and investment attribution reporting. Mr. Burek then reviewed the Task Force recommendation, LCPR97-10, and the policy issues raised by the recommendations.

Sen. Pogemiller moved to accept the report on behalf of the Legislature and transmit the appropriate copies to the Legislative Reference Library. **MOTION PREVAILED.**

Sen. Pogemiller expressed interest and concern with policy issues e, f, g, h, and i and suggested further discussion if LCPR97-10 is introduced as a bill. Rep. Kahn suggested further discussion on policy issue c as well.

6. **Mandated Study: Review of Draft Report on the Comparison of Defined Contribution Pension Plans and Defined Benefit Pension Plans**

Lawrence A. Martin reviewed the background on this issue. He noted that the report incorporated the changes made by the Federal Government in August and September of 1996. The report provides an analysis of the advantages and disadvantages of each type of plan but does not draw conclusions. He suggested acceptance of the report by the Commission and transmission to the Legislative Reference Library.

Sen. Terwilliger moved acceptance and transmission of the report. **MOTION PREVAILED.**

7. **Mandated Study: Review of Draft Report on the Study of Providing Pension Plan Coverage For Educational Breaks in Service For Regional Treatment Center and Related Department of Human Services Employees**

Edward Burek reviewed the background on this issue and noted that the result of the study was that at the November 14, 1996 LCPR meeting members passed a motion recommending against authorizing service credit purchases for these training/stipend/rehire periods.

Rep. Mares moved to accept this report and to transmit it to the appropriate House and Senate Committees and to the Legislative Reference Library. **MOTION PREVAILED.**

8. **Mandated Study: Report on the Use of Police State Aid to Fund PERA-P&F Pension Coverage For Salaried Firefighters**

Lawrence A. Martin stated that this study had not been completed and he briefly reviewed the background on this issue. He noted that the first memo on this topic dated November 5, 1996, provided information gathered by the Department of Revenue and PERA with regard to the number of firefighters, the amount of their salaries, and the employer contributions paid on their behalf that may be paid for with excess police state aid. Mr. Martin then reviewed the 1996 change that caused a reduction in the aid amount for eight aid recipients. He noted that S.F. 91 (Cohen); H.F. 22 (Rukavina) and S.F. 163 (Pogemiller); H.F. 300 (Kahn) address and correct the problem. Sen. Betzold confirmed that S.F. 91 (Cohen) has passed out of the Senate Government Operations and Veterans Committee and, because interest on the omitted aid amount will be paid from the State General Fund, it has been rereferred to Sen. Price's Government Operations Budget Committee. Discussion followed.

Mr. Martin then reviewed the use of police state aid to fund firefighter pension benefits. He noted that 63 municipalities would be affected if PERA-P&F firefighters were excluded from using police state aid to fund firefighter employer contributions. He referred members to Anoka in Appendix B. He stated that the \$10,399 required to fund two Anoka firefighter pension contributions was included in the \$182,077 employer contribution requirement paid for by a \$192,981 police state aid payment and leaving a \$10,904 excess police state aid amount rather than the approximately \$20,000 excess police state aid amount that should have been left. Mr. Martin noted that excess police state aid is currently under collected by approximately \$1 million and more than 90% of all municipalities that have PERA-P&F covered members have excess police aid.

Sen. Pogemiller questioned whether there is a good policy reason for excluding firefighters from participating in the excess police aid program. Mr. Martin noted that the police state aid is a dedicated amount for police pension purposes and using some of the funds for firefighters crosses that boundary. Discussion followed.

Mary Vanek, PERA Executive Director, testified that in 1977 PERA was charged with collecting the excess police aid. The excess police state aid did not become a problem until a few years ago when PERA-P&F was fully funded. A 1977 memo from the Department of Commerce in PERA's files directed PERA to compare the police state aid to the total employer contribution in the police and fire fund. Because of questions over the past few years regarding this issue, PERA sought an Attorney General's opinion. The Attorney General stated that the law should either be amended to include firefighters or PERA should segregate their police and fire files. PERA is currently in the process of segregating police and fire members. Ms. Vanek testified that excluding PERA-P&F firefighter employer contributions may be problematic for some cities.

Mr. Martin noted that the Commission will have an opportunity to deal with language on this issue when the Commission reviews S.F. 163 (Pogemiller); H.F. 300 (Kahn). Sen. Pogemiller suggested that Mr. Martin draft two legislative options and the Commission can select the appropriate option based on further review of the issue at that Commission meeting.

The meeting adjourned at 9:35 P.M.

  
Jean Liebgott, Secretary