

March 19, 1997  
Room 112, Capitol

4th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

**March 19, 1997 Meeting**

Senator Steven Morse, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 3:20 P.M.

**Commission members present:**

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

**2b. S.F. 626 (Fishbach); H.F. 883 (Stang): PERA; Refund of Contributions For Privatized Melrose Hospital - Pine Villa Employees**

**2c. S.F. 1433 (Vickerman); H.F. 1640 (Harder): PERA; Refund of Contributions For Privatized Jackson Medical Center - Tracy Municipal Hospital**

Lawrence A. Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed these two bills and looked at a solution identical to the Itasca Medical Center solution of 1995/1996. After meeting with the affected parties and legislators, he stated this seems to be the preferred solution for these three hospitals. Amendment A97-0326 was distributed, which is the language for the Melrose-Pine Villa Medical Center. LCPR97-57 is the resolution in substance for the Jackson Medical Center and the Tracy Hospital. This leaves the vested members with a preferred benefit, if they choose, and for the employees who are not vested, it provides for payments to be made into an IRA by the appropriate public entity.

Senator Morse asked who owns the Melrose Hospital. Senator Fishbach responded it is owned by the city. Mr. Martin stated a local approval clause needs to be added to S.F. 626; H.F. 883. Representative Murphy questioned what would happen to those employees over 40 years old. Senator Morse responded their contribution would stay in PERA. Senator Stump asked if this bill would abide by IRA rules. Mr. Martin responded this would be a rollover to an IRA. Representative Mares questioned how often this had been done with other facilities outside the Itasca situation. Senator Morse responded this solution is the same as the Olmsted model. Representative Jefferson asked what we are doing different from what was done with Olmsted County. Mr. Martin responded there is very specific language about additional member contribution and where it goes. Representative Kahn suggested more generic language be drafted so we don't have to keep doing this. Representative Jefferson noted "may" on page 1, line 29, of amendment A97-0326. Mr. Martin suggested replacing the "may" to "shall" and noted it will still be subject to local approval. Senator Morse asked Senator Fishbach if the hospital and city are committed to making this match and Senator Fishbach responded they are. Senator Fishbach wanted to leave "may" to give some flexibility. Representative Jefferson did not want to see this flexibility.

Mr. Martin reviewed S.F. 1433 (Vickerman); H.F. 1640 (Harder). Mr. Martin stated there is no difference between this bill and S.F. 626 (Fishbach); H.F. 883 (Stang), except for the local approval clause in S.F. 1433 (Vickerman); H.F. 1640 (Harder). He noted the "may" on page 2, line 9, and on page 3, line 20. Senator Morse asked if we have a commitment from the local governments or the new operating entity in regards to the employer contribution. Senator Harder attested to the intent to hold all employees harmless. Representative Kahn said she was comfortable with the "may." She would like the Commission to work on more generic language during the interim.

Senator Stumpf questioned why, on lines 4 and 5, this bill states "this section applies if..." Mr. Martin stated because it has not occurred yet, so this is a prospective measure.

Representative Jefferson moved approval of Amendment A97-0326 including a local approval clause. **MOTION PREVAILED.** Representative Jefferson moved approval of Amendment LCPR97-57. **MOTION PREVAILED.**

4. **S.F. 798 (Johnson, D.H.); H.F. 907 (Garcia): Richfield Fire; Benefit Increases Upon Consolidation**

Senator Dave Johnson reviewed this bill and provided Amendment H907A1. He stated this bill addresses the consolidation of the Richfield Police Relief Association. Last year a bill was introduced by Senator Riveness and Representative Garcia to facilitate the consolidation of the Richfield Fire Department Relief Association. There were a number of provisions in that bill.

Mr. Edward Burek, Deputy Executive Director, reviewed the LCPR staff memo for this bill, specifically Section 3 and its new special law language. He then reviewed the policy issues of this bill. The total actuarial requirement is \$202,881. Preconsolidation actuarial work, the situation without consolidation, and the situation with consolidation, included the effect of the benefit increase. The net effect of all the changes indicated there would be an additional savings to the city of about \$26,000. Mr. Burek then discussed the magnitude of the benefit increase and the pre-increase and post-increase ranking. The next item was whether it was appropriate to connect benefit improvements with consolidation. This has occurred on some occasions in the past, including the Richfield Police Association. Mr. Burek noted that the City of Richfield supports this bill. Mr. Burek noted the most controversial issue with this bill is the retroactivity provisions. All benefits being administered would be recomputed. Making benefits retroactive is problematic. The Principles of Pension Policy has a policy indicating retroactivity should not be authorized. The specific situation of any relief association may need to be taken into consideration. Mr. Burek explained the ratchet-down issue and the language that appears throughout the bill which minimizes the drop that can occur in the surviving spouse benefits if the primary annuitant dies. The ratchet-down issue also raises the question of whether it is appropriate to have this kind of language for a single plan or whether it should be handled more globally.

Mr. Burek introduced Amendment LCPR97-52 which deals with legislative intent, indicating that although some of the provisions in this bill are unusual, given the uniqueness of the situation, the legislature felt it was appropriate to take this action. This would not be a precedent. Senator Johnson said he considers this a friendly amendment and would encourage the Commission to adopt it.

Senator Morse laid over this bill until Friday, March 21, 1997. All other bills on the agenda not addressed today were laid over to Friday, March 21, 1997.

The meeting adjourned at 4:00 P.M.

  
Jean Lieb Gott, Secretary