

April 4, 1997  
107 Capitol

8th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Steven Morse, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 6:30 P.M.

Commission members present:

Representatives Richard Jefferson, Harry Mares, Mary Murphy, and Steve Smith  
Senators Don Betzold, Steven Morse, and LeRoy Stumpf

Commission members with an excused absence:

Representative Phyllis Kahn  
Senators Lawrence Pogemiller and Roy Terwilliger

Senator Morse discussed the uniformity bill, S.F. 637; H.F. 647, which was discussed at the April 2, 1997 meeting. He wants to deal with other bills first today. He is committed to passing the uniformity bill this year, but does not feel the level of comfort within the Commission is fully there yet. He has a commitment from Senator Roger Moe that S.F. 637; H.F. 647 does not have to be completed by the bill deadline date. The Legislative Commission on Pensions and Retirement will have another meeting on this bill. He wants the Commission to better understand the bill before making a recommendation. Senator Stumpf asked if we would have an omnibus pension bill apart from S.F. 637; H.F. 647. Senator Morse said yes, two separate bills are moving in both houses now.

**2a. S.F. 936 (Scheid); H.F. 937 (Carlson): TRA; Exemption For Interim Superintendents**

Senator Scheid distributed a handout from the Minnesota Association of School Administrators and spoke in support of this bill. Currently a retired school superintendent is allowed a 90-day exemption from any deduction on their annuity to serve as an interim superintendent. She said it is becoming more difficult to find superintendents for school districts and they are keeping interim superintendents longer than the 90 days. This bill would extend the exemption to 180 days with no limit on how many times an individual could serve as an interim superintendent.

Mr. Lawrence A. Martin, Executive Director, Legislative Commission on Pensions and Retirement (LCPR), reviewed the staff memo. The Pension Commission looked at this issue previously at the request of Representative Dauner and declined to pass it. Mr. Bob Meeks, School Board Association, testified in support of this bill. He said that the three exemption rule removes the best people from the pool of interim superintendents. Representative Jefferson asked what would prevent the school district from rehiring that person. Mr. Jensen, Minnesota Association of School Administrators, said the 90-day restriction is limited to once per year, and they could not rehire the same person under the current provisions. Representative Jefferson asked why a person should draw full retirement and full superintendent pay at the same time. Senator Scheid said the district is not looking for a temporary solution. Representative Carlson said it takes longer than 90 days to complete a search for a new superintendent.

Senator Betzold questioned the issue here. He asked if a person couldn't waive pension benefits while collecting a superintendent's salary. Senator Morse said the bill would allow a person to get full pension benefits and a full salary. Discussion continued. Representative Mares offered Amendment LCPR97-89 which would not allow a person to serve back-to-back in the same school district.

Mr. Gary Austin, Executive Director, Teachers Retirement Association (TRA), does not support the bill or the amendment. He opposes allowing a school district to have an interim superintendent for more than a year. Senator Scheid said most school districts would not consider keeping interim superintendents but they do need more time to hire a permanent person. Senator Morse referred to page 4 of the staff memo and the table showing the earnings of interim superintendents under different scenarios. He is not clear on the need for this legislation. Senator Scheid said there is a shortage of candidates for school superintendents. She wanted to know if this affected the integrity of the pension fund. Mr. Martin explained that actuarial cost is not the consideration in this instance. These are not

active members. Historically people have to retire to receive pension benefits. Retirees who resume service do not make contributions to the fund. Senator Morse said this bill will shift the cost of providing incentives from school districts to the pension fund. Representative Scheid said the public policy issue outweighs the consideration of the dollar cost. Representative Jefferson asked why this is being applied only to interim superintendents. Mr. Meeks said it would be an incentive to attract from a small pool of candidates. There were 65 openings last year where interim superintendents were hired.

Representative Murphy referred to a Rochester police officer who was required to pay back salary he earned if he wanted to keep his pension benefits. That too was a policy issue. Mr. Austin stated TRA does not oppose the 180-day provision if there is no rehire provision. Representative Mares moved approval of Amendment LCPR97-89. Senator Betzold asked if it should read the extension cannot be renewed "beyond a total of 180 working days." Representative Mares moved Amendment LCPR97-89 as amended. **MOTION PASSED.**

Senator Betzold said the funds won't lose anything. This is something that could be supported. Senator Morse said why shouldn't the school district just pay the salary needed to hire someone. The district should pay the costs instead of the retirement fund supplementing the superintendent's salary. Senator Morse suggested taking out exemptions on the amendment. Senator Scheid said the school districts need a pool of people willing to be interim superintendents. Representative Mares moved approval of S.F. 936 as amended. **MOTION FAILED.**

**2d. S.F. 1428 (Pogemiller); H.F. 1506 (Kahn): MSRS; Exemption From Reemployed Annuitant Limitations**

Mr. Edward Burek, Deputy Executive Director, reviewed the staff memo and the policy issues of this bill. He noted that the effective date of this bill applies to the person before or after he retires. Mr. Russ Stanton said the person in question is Colleen Cogland. Mr. Stanton explained that in 1994, TRA got a provision allowing phased retirement while earning up to \$35,000. It provided an incentive to gradually phase into retirement. It was helpful to both employer and employee. Ms. Cogland wanted to use that provision but MSRS does not offer it. Ms. Cogland is still an active employee. Senator Morse said this person meets the criteria except that she is covered by MSRS instead of TRA. Because of her prior employment history, she was an MSRS member and elected to stay an MSRS member.

Mr. Dave Bergstrom, Director, Minnesota State Retirement System (MSRS), noted the treatment of reemployed annuitants is inconsistent and he recommended interim study by the Commission on the reemployed annuitant issue. Representative Jefferson asked if there are any provisions in MSRS that would allow a disability benefit. Mr. Bergstrom noted there is nothing beyond a total disability benefit. Senator Stumpf asked when she would begin phased retirement. Mr. Stanton replied she would begin this coming fall. Senator Morse said the phased retirement provision seems to work for TRA and should be more consistent across the funds.

Senator Stumpf moved approval of this bill with an amendment to delete page 2, lines 21, 22 & 23 to the underlined period. **MOTION PREVAILED.**

**3a. S.F. 694 (Janezich); H.F. 752 (Tomassoni): TRA; Resetting Retirement Date for Hibbing High School Teachers**

Mr. Martin reviewed the staff memo. Due to a fire, several school days were lost for Hibbing High School teachers. This bill would allow these teachers to retire on May 30th rather than their actual retirement date based on the extension of the school year. To make it applicable to just 1997 retirees, an amendment would be needed to delete the "1" on page 1, line 5. Representative Jefferson moved amendment LCPR97-92. Rep. Tomassoni stated that these teachers will lose one month's check without this legislation. Senator Stumpf questioned whether this problem would apply to other schools due to severe weather. Mr. Austin, TRA, said he was not aware of any school districts that extended their school year, but it is likely that may have happened. Mr. Austin said these people would lose a 1/2 month benefit and the bill affects eight teachers.

Representative Jefferson renewed his motion to move Amendment LCPR97-92 as amended. **MOTION PREVAILED.** Representative Jefferson moved approval of S.F. 694; H.F. 742 as amended. **MOTION PREVAILED.**

**1d. S.F. 1545 (Morse); H.F. 1765 (Jefferson): Tax Sheltered Annuity Programs; Vendor Qualifications**

Mr. Burek reviewed the staff memo and noted that the bill permits companies that don't meet current criteria to be selected by SBI if they meet new criteria. Mr. Burek provided a delete all amendment, LCPR97-87. Mr. Howard Bicker, Executive Secretary, State Board of Investment (SBI), said the amendment would require SBI to recommend a method for evaluating insurance companies. He presented a verbal amendment allowing SBI to study 403(b) vendors and the use and delivery of those vendors. Representative Jefferson moved approval of the verbal amendment, page 1, line 9, after "1" insert "and on the most desirable method for the use of internal revenue code, section 403(b), annuities and the most effective delivery mechanism to employees." **MOTION PREVAILED.** Representative Jefferson moved approval of LCPR97-87 as amended. **MOTION PREVAILED.** Representative Jefferson moved approval of S.F. 1545; H.F. 1765 as amended. **MOTION PREVAILED.**

**1c. S.F. 1099 (Pogemiller); H.F. 1357 (Jefferson): Minneapolis Police; Unclaimed Property Dedication**

Mr. Burek reviewed the staff memo and clarification of the bill. He noted that members may wish to be aware of benefit improvement proposals in the uniformity bill that will trigger the funding ratios, and the interaction of the uniformity bill with this bill. Mr. Gerald Bridgeman, Executive Director, Minneapolis Police Relief Association, testified in support of the staff amendment, LCPR97-70. He said these funds will not increase the assets of the Minneapolis Police Relief Association; they will be used to offset the city taxes paid to the relief association and provide direct relief for the city of Minneapolis. The loophole in the law is that a PERA-P&F member who finds money in a drug raid gets the money if it is unclaimed for six months. Representative Jefferson moved approval of Amendment LCPR97-70. **MOTION PREVAILED.** Representative Jefferson moved approval of S.F. 1099; H.F. 1357 as amended. **MOTION PREVAILED.**

**3b. Amendment LCPR97-49 (Senator Stumpf): Beneficiary Change**

Senator Stumpf reviewed this beneficiary change. This individual is terminally ill and made an election change on his pension benefits. His attorney did not mail the form on time and the change missed the deadline by two days. Senator Morse questioned the urgency of this bill. Senator Stumpf said the details are clear; the spouse is ill, and for purposes of peace of mind this should be dealt with. The survivor is not collecting a benefit. Ms. Judy Strobel, TRA, testified in support of this bill. The beneficiary would get \$600 a month for life or a \$40,000 lump sum amount. She said the member had done everything correctly. Senator Morse questioned the responsibility of the legal counsel in this matter. Ms. Strobel said the daughter has contacted the attorney. She noted there was no doubt as to the intent of the member before he died. Representative Jefferson moved approval of Amendment LCPR97-49. **MOTION PREVAILED.**

**3c. Amendment LCPR97-90 (Representative Jefferson): Buyback Amendment**

Representative Jefferson reviewed this amendment. He said there is an immediate impact on this individual because he is retired. The City of St. Paul did not make the employer contributions they should have and did not withhold the employee contributions. Ms. Vanek testified the City of St. Paul failed to report to PERA a 9-month period of employment so this individual does not have service credit for those nine months. The actuarial cost for this period is \$100,000. Ms. Vanek stated PERA is neutral on this bill. In researching the laws in effect at the time, the individual should have been reported to PERA. PERA now has a three-year statute of limitations for omitted contributions. Senator Stumpf moved approval of Amendment LCPR97-90. Representative Jefferson would like the Commission to take a closer look at calculating full actuarial value. Senator Morse said a study of full actuarial value is slated for the interim. **MOTION PREVAILED.**

**1a. S.F. 1171 (Morse); H.F. 1270 (Kahn): TRA & IRAP; Modification In Reporting And Remittance Requirements**

Mr. Martin briefly reviewed the staff memo and the nine changes in this bill. Amendment A97-0345A was distributed and reviewed by Ms. Mary Stanton, Legislative Liaison for Minnesota State Colleges and Universities (MNSCU). Senator Stumpf stated that in other legislation this year, references to the names of the higher education institutions have been eliminated and asked if that has an impact on what is being done with this bill. Ms. Stanton said yes, this bill corrects all the references to read MNSCU. Mr. Jerry Janochowski, System Director for Personnel with MNSCU, went through the provisions of the bill. This merger into one plan is an employee sponsored plan, with no state match. Mr. Martin reviewed the related policy issues. Mr. Martin offered Amendment LCPR97-57 which clarifies the language in this bill. Ms. Stanton wants the flexibility in administrative charges on page 1, lines 3 & 8. Mr. Martin suggested restructuring the sentence. Senator Betzold reviewed Amendment

LCPR97-69 which would shift the administrative cost to the vendors. Senator Betzold moved to amend LCPR97-57 by deleting on page 1, lines 3-12 and inserting page 1, lines 3-12 of Amendment LCPR97-69. **MOTION PREVAILED.** Senator Betzold moves Amendment LCPR97-57 as amended. **MOTION PREVAILED.** Senator Betzold moves Amendment A97-0345A as presented. **MOTION PREVAILED.** Senator Stumpf moved to delete Sections 6 and 7. **MOTION PREVAILED.**

Senator Stumpf was concerned about changing the default in Section 5. Ms. Stanton said this would provide more uniformity across the system. Ms. Rose Hermodson and Mr. Hank Stankowicz, MFT and MEA representatives, testified regarding the default to IRAP coverage. Ms. Hermodson said technical college leadership strongly favors leaving TRA as the default plan. Discussion followed. Ms. Strobel addressed the incompatibility between the staff amendment and Amendment A97-0345A. Senator Morse asked staff to align the two amendments. Mr. Stanton noted concern with conflicting statutes. Senator Betzold moved to delete Section 9 of S.F. 1171; H.F. 1270. **MOTION PREVAILED.** Representative Jefferson moved on page 5, line 8, after “,” insert “in.” **MOTION PREVAILED.** Senator Betzold moved to approve S.F. 1171; H.F. 1270 as amended. **MOTION PREVAILED.**

**1e. S.F. 1793 (Morse); H.F. 2041 (Ozment): Investment Attribution Task Force Proposed Legislation**

Senator Morse reviewed Representative Kahn's proposal from the last meeting. Mr. Burek reviewed the delete all amendment, LCPR97-81. Mr. Burek stated that funds currently provide returns to the state auditor. Under this provision they would provide the data without calculating the returns. Mr. Nyle Zikmund, President, Minnesota Area Relief Association Coalition (MARAC), testified in support of the task force recommendation and not the Kahn amendment. He asked what the Commission wants to see; total return or the several asset classes. Mr. Bicker, SBI, provided an amendment to S.F. 1793; H.F. 2041. Discussion followed. Mr. Burek said all relief associations are supposed to report to the state auditor under Chapter 69. If a relief association is fully invested in SBI, they certify that to the state auditor and SBI will send the state auditor the appropriate investment data. Mr. Gene Waschbusch, Secretary/Treasurer, St. Paul Teachers Retirement Fund, stated that he is concerned about Amendment LCPR97-81 since it would change the reporting format from a quarterly basis to a monthly basis. He asked if quarterly instead of monthly reporting could be reinstated.

Mr. Mike Stolte, taxpayer, testified that he was concerned with Section 6, page 11 in S.F. 1793; H.F. 2041. Mr. Stolte questioned the investment policy. If the question was asked how the fund was doing relative to the fund's investment policy, and this section remained as it was, this question could not be answered. Eliminating the attribution breakdown would not allow an answer to the taxpayer with regard to how the fund was performing. Senator Morse asked why it would be necessary to have the component investment parts. Mr. Stolte said that total rate of return by itself was of very little value without determining the policy benchmark value. Mr. Stolte suggested total portfolio only rather than giving up attribution investment reporting. Discussion followed.

The tape player malfunctioned at this point in the meeting.

Sen. Betzold moved a short paper amendment provided by the State Board of Investment that would clarify that pension funds that have their money invested by SBI certify that information to the State Auditor, the Auditor would then provide the certification to SBI, and SBI would send investment performance data to the State Auditor. **MOTION PREVAILED.**

Sen. Betzold moved S.F. 1793 as amended. **MOTION PREVAILED.**

**2b. S.F. 621 (Johnson, J.B.); H.F. 938 (Murphy): MSRS Correctional; Inclusion of Cambridge Regional Treatment Center Employees**

Rep. Murphy moved to lay this bill over to the first LCPR agenda in the 1998 session. **MOTION PREVAILED.**

**2c. S.F. 674 (Knutson); H.F. 1249 (Murphy): MSRS Correctional; Inclusion of Certain Red Wing Service Periods**

Rep. Murphy reviewed the background on this bill and stated that the five employees to be included in the MSRS Correctional Plan do spend 75% of their time in contact with inmates. Sandy Blaeser and David Carbo, representing Correctional employees, testified in support of this bill.

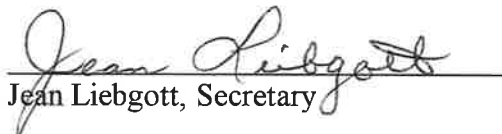
The tape began again at this point in the meeting.

Mr. Martin reviewed LCPR97-95. Representative Murphy moved approval of LCPR97-95. **MOTION PREVAILED.** Mr. Martin said this provision would extend the option date to 400 correctional employees. Mr. Bergstrom, Director, MSRS, testified that MSRS is comfortable with this bill. Barb Goodwin, Minnesota Association of Professional Employees, testified in support of the extension of the option date in this bill. Mr. Martin said we don't know much specifically about the employees being covered by this bill. Ms. Blaeser testified that these people spend at least 75% of their time in contact with inmates. There is a provision allowing individuals to purchase previous service in eligible classes. Section 16 provides an appeal process. Upwards of 30 appeals have been received. This would allow them to purchase previous service. Mr. Bergstrom explained this provision to the Commission. Representative Murphy moved S.F. 674 as amended. **MOTION PREVAILED.**

**3c. LCPR97-90 (Representative Jefferson): PERA Employee Buyback Omitted Contribution**  
Ms. Vanek asked for approval to work with staff to correct the language in this amendment. Senator Morse said this should be done by Monday morning.

**3d. SCS0637A-1 (Senator Morse): Supplemental Amortization Aid**  
Senator Morse reviewed this amendment which covers the eligibility to receive supplemental amortization aid once it discontinues if a fund later becomes underfunded. Mr. Martin explained there is no windfall to a city under this language. Mr. Martin suggested on page 1, line 18, after "if" insert "before 2010." On page 1, line 19, after "changed" insert "in 1997." Senator Stumpf moved SC0637A-1 as amended. **MOTION PREVAILED.**

The meeting adjourned at 11:15 P.M.

  
Jean Lieb Gott, Secretary