

February 6, 1998
Room 112, Capitol

19th 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 2:14 P.M. At 2:20 P.M. a quorum was present.

Commission members present:

Representatives Mike Delmont, Richard Jefferson, Phyllis Kahn, Harry Mares, Mary Murphy and Steve Smith

Senators Don Betzold, Steven Morse, Lawrence Pogemiller, LeRoy Stumpf, and Roy Terwilliger

Commission members absent:

Senator Dean Johnson

Agenda Items Discussed**3b. S.F. 2556 (Morse); H.F. 2987 (Murphy): MSRS; Authorization For Prior Middle Management Association Service Credit Purchase**

Edward Burek, LCPR Deputy Executive Director, reviewed the staff memo. He noted that this bill would permit a Middle Management Association employee to purchase service credit in MSRS from the date of hire to the effective date of this bill. If the Commission took action on this bill, the new purchase of service calculation method should be included. He referred members to the copies of laws attached to the staff memo which indicated that the employee had an opportunity to elect MSRS coverage within 90 days from the date of hire. In 1994, the law was changed to exclude labor organization employees unless they were state employees on leave of absence. MSRS has interpreted the 1994 law to allow employees hired prior to the 1994 change to continue coverage under MSRS. Discussion followed.

A Quorum was present

Mike Bona, a Business Representative for the Middle Management Association, testified that he was hired on February 14, 1994, and was not informed of his opportunity to elect MSRS coverage during his first 90 days of employment. He testified that this was an administrative error on the part of management and, if he had been informed of the option, he would have elected MSRS coverage.

Morgan Fleming, representing the Middle Management Association, testified that it was an oversight on the part of the Executive Director of the Middle Management Association that this individual was not informed of his option to elect MSRS coverage within 90 days of employment.

Dave Bergstrom, MSRS Executive Director, testified that MSRS interpreted the 1994 law change to be prospective only. Mr. Bergstrom also testified that it was his understanding that Mr. Bona did not know that he had missed an option to elect MSRS coverage until late in 1997. Mr. Burek stated that the purchase payment amount using the new calculation method would be \$15,300.

Sen. Morse asked Mr. Bona about the pension coverage he currently had with MMA. Mr. Bona testified that he did not have pension coverage with MMA until January 1, 1997, when he began contributing to a 401(k) plan. Mr. Burek reviewed amendment LCPR98-54 and noted that a section was missing from the amendment and he would correct it while discussion occurred.

Sen. Morse laid this item over until a sufficient number of members was present to pass legislation.

3c. S.F. 2529 (Novak); H.F. 3122 (Chaudhary): TRA; Purchase of Columbia Heights School District Uncredited Extended Leave of Absence Period

Lawrence A. Martin, LCPR Executive Director, stated that this bill allowed two teachers who were granted an extended leave of absence for the 1996 to 1997 school year to purchase service credit for that leave period by paying only the member contribution rate. The Columbia Heights School District would be required to pay the remainder of the full actuarial value of the service credit since

the school district failed to provide the necessary paperwork to TRA for the employees.

David Behlow, Superintendent of the Columbia Heights School District, testified that the school district made the error.

Sen. Pogemiller moved amendment LCPR98-51 with changes to page 1, line 9, delete "354.094" and insert "354.66" and on page 2, line 11, delete "356.56" and insert "356.55".

Rep. Chaudhary testified that the Columbia Heights School District is in statutory operating debt, a bond referendum has added \$2 million in debt service, and the error occurred prior to Superintendent Behlow being hired. Discussion followed.

Gary Austin, TRA Executive Director, testified that the cost for one of the teachers would be \$26,813 with a \$7,364 employee share and an employer share of approximately \$19,500. The other teacher's situation involved a five year leave of absence beginning in 1993. That teacher would like to pay for the fourth year of a five year leave of absence when the individual did not pay for the first three years of the leave of absence. Mr. Austin stated that the law requires a person who is paying for service credit for a leave of absence to begin by paying for the first year before they can pay for the balance.

Mr. Behlow testified that this individual on July 21, 1996, petitioned inclusion in an incentive program that had a May 1 deadline and sent a check to the school district. The school district then did not forward the check to TRA in a timely manner. In the first years of the extended leave, the individual did not make a request to purchase service. Sen. Morse stated that the individual was not eligible to buy into the last two years of a five year extended leave of absence. Discussion followed.

Sen. Morse suggested allowing one person to purchase service credit but not the person trying to buy the last years of a five year extended leave of absence.

Sen. Pogemiller moved LCPR98-51 with the citation corrections noted above and by deleting paragraph "(b)" and relettering the paragraphs. **MOTION PREVAILED.**

Sen. Pogemiller moved S.F. 2529; H.F. 3122 as amended. **MOTION PREVAILED.**

- 3b. Rep. Murphy requested that S.F. 2556 (Morse); H.F. 2987 (Murphy) be acted on and requested Mr. Burek to read the correction to amendment LCPR98-54. Mr. Burek stated that on page 2, line 5, after the underscored period insert "An eligible employee is not eligible to purchase service credit for any period during which the employer made contributions on the employee's behalf to a defined contribution plan or for any period during which the employee or employer made contributions to a defined benefit plan covering public, non-profit, or private sector employees other than a volunteer fire plan." Mr. Burek stated that this would prevent double coverage for the service credit period.

Rep. Murphy moved amendment LCPR98-54 with the handwritten language read by Mr. Burek. **MOTION PREVAILED.**

Rep. Murphy moved S.F. 2556; H.F. 2987 as amended. **MOTION PREVAILED.**

1. Final Action on Bills Recommended by LCPR Subcommittee 1/30/1998

Sen. Morse stated that there were a number of bills that the Commission did not take final action on at the last Commission meeting because there were not enough members to pass legislation so he asked Mr. Martin to review those provisions.

Mr. Martin reviewed amendments LCPR98-46, LCPR98-61 and LCPR98-48. He noted that LCPR98-46, the omnibus pension bill, has been acted on by the Commission but needs the correction to the buyback provision included in LCPR98-61.

Sen. Pogemiller moved amendment LCPR98-61. **MOTION PREVAILED.**

Mr. Martin referred members to the Subcommittee recommendations and briefly reviewed the provisions. Sen. Morse noted that it was his understanding that language would be added that indicated that the judges salary increase would only apply to judges and not to individuals whose salaries are based on a judge's salary. Mr. Martin stated that he would add that language to the bill

and then he referred members to amendment LCPR98-48, page 3, line 9, delete "354.095" and insert "354.096"; on page 3, line 24, delete "356.56" and insert "356.55", and on page 4, line 26, delete "354.55" and insert "354.66".

Sen. Pogemiller moved amendment LCPR98-48 with the clarification that the judges salary increase applied only to judges and the citation corrections noted above. **MOTION PREVAILED.**
Discussion regarding the individuals whose salary is tied to the judges salary continued.

2. Completion of Designated Study: Appropriate Retirement Coverage For Legislators And For Constitutional Officers (Sixth Consideration)

Mr. Martin briefly reviewed background on this issue. He referred members to amendment LCPR98-25 which allowed current legislators and constitutional officers who might choose the Unclassified Plan to transfer their past contributions out of the Legislators Retirement Plan or the Elective State Officers Retirement Plan and into the Unclassified Plan. Section 2 of the amendment provided for a retirement contribution reserve account appropriation from the General Fund. He stated that Mr. Bergstrom noted that on page 3, line 4, delete "70,000" and insert "700,000" and on line 10, delete "10,000" and insert "100,000". He also stated that Mr. Bergstrom had mentioned that young, short service legislators as well as older legislators who are well past normal retirement age might be better off to transfer their contributions to the Unclassified Plan.

Sen. Morse stated that Mr. Bergstrom told him that the way the amendment is drafted, it could require a \$4 million transfer. Sen. Morse suggested three methods of dealing with this issue. The first would be to appropriate \$4 million, the second would be to permit transfer of only the employee contributions plus interest (which would reduce substantially the number of people who would benefit from the transfer), and the third would be to limit the number of years of service members could transfer.

Mr. Bergstrom testified that he estimated the \$4 million amount and that Rep. Munger's transfer amount would be about \$100,000 more than his account's present value. If the transfer for the plan's participants who choose the Unclassified Plan was capped at employee contributions plus interest, the cost would be approximately \$1 million and if the transfer was limited to six years of contributions, the cost would be under \$1 million.

Rep. Jefferson moved LCPR98-25 with a change to page 1, line 24, after "participants" insert "with less than six years of service credit as of July 1, 1998" as well as the staff corrections to page 3, line 4, delete "70,000" and insert "700,000" and on line 10, delete "10,000" and insert "100,000".
MOTION PREVAILED.

Rep. Jefferson moved the report titled Appropriate Retirement Coverage For Legislators and For Constitutional Officers as amended. **MOTION PREVAILED.**

3d. S.F. 2769 (Morse); H.F. 3202 (Pelowski): TRA; Purchase of Winona State University Uncredited Extended Leave of Absence Period

Mr. Martin reviewed the staff memo and policy issues for this bill which dealt with a person who was granted a three year leave of absence for the 1996-1997 school year and the University of Winona failed to file the leave of absence agreement with TRA. He noted that correspondence from Winona State indicated that Winona State is seeking to minimize the amount of money that they pay on this leave. He reviewed amendment LCPR98-49 and recommended on page 1, line 8 and line 18, delete "354.094" and insert "354.66", and on line 24, delete "356.56" and insert "356.55".

Tess Krueger, the Director of Human Resources for Winona State University, testified that in January, 1996, Ms. Davis requested a three year extended leave of absence for personal reasons. The University had the option of making employer contributions if there was a benefit to the University and, in this case, there was not a benefit to the University. Ms. Krueger testified that Ms. Davis was willing to pay the employee and employer contribution. Ms. Krueger referred to three letters from Winona State University officials which stipulated that Ms. Davis would be responsible for paying her benefits.

Sen. Morse restated that the employee in this case would be responsible for the employee and employer contributions and because Winona did not properly file the leave of absence agreement it would be responsible for any additional liability beyond the contributions. He asked Mr. Austin what the cost would be. Mr. Austin testified that the total cost would \$9,117 with the employee

responsible for \$6,468, which is the employee and employer contribution plus interest, and Winona responsible for \$2,648.

Mr. Martin referred members to LCPR98-49 on page 2, line 2, after "employee" insert "employer and employer additional"; and on line 3, delete "rate or". These changes will incorporate the new language.

Sen. Pogemiller moved LCPR98-49 with the language noted above and on page 1, line 8 and line 18, delete "354.094" and insert "354.66", and on line 24, delete "356.56" and insert "356.55".
MOTION PREVAILED.

Sen. Pogemiller moved S.F. 2769; H.F. 3202 as amended. **MOTION PREVAILED.**

3f. S.F. 3001 (Foley); H.F. (): TRA; Authorizing the Purchase of Service Credit for a Sabbatical Leave by a Certain Teacher

Mr. Martin noted that there was no staff memo on this bill, he briefly reviewed the bill and referred members to two amendments on the bill. He stated that the bill dealt with a Moundsview teacher who had uncredited service for a 1984-1985 sabbatical leave. He noted that amendment LCPR98-67 authorized the purchase of service with an employer responsibility provision and LCPR98-68 authorized the purchase of service by the employee with an option for the employer to pay a portion.

Sen. Foley testified that he had a letter dated January 30, 1998, from the Director of Human Resources that indicated that the Moundsview School District accepted responsibility for failing to complete the form notifying TRA of the sabbatical leave.

Mr. Austin testified that TRA had not done calculations on this purchase of service but he estimated that the total cost would be in the \$6,000 to \$9,000 range and the employee's share of that would be approximately \$2,000.

Sen. Pogemiller moved amendment LCPR98-67. **MOTION PREVAILED.**

Sen. Pogemiller moved S.F. 3001 as amended. **MOTION PREVAILED.**

Sen. Morse asked members when they might be available for another LCPR meeting. He suggested Monday evening or Tuesday afternoon. Members agreed to Tuesday from 4:00 to 6:00 P.M.

4. S.F. 1077 (Novak); H.F. 1756 (Chaudhary): Columbia Heights Volunteer Fire; Conversion to Defined Contribution Pension Plan


Mr. Burek reviewed the bill and stated that passage of this bill would override previous special legislation with regard to Columbia Heights Volunteer Fire. The bill would establish a successor volunteer fire relief association and would be set up as a defined contribution plan. He stated that the city council would no longer serve as the board for the relief association and that the board would be established according to Minnesota Statutes, Section 424A.04, Subdivision 1. He noted that the current relief association is very well funded. Mr. Burek briefly reviewed amendment LCPR98-50 which clarified the language in the bill and set a time frame for the transition from one board to another. He noted that the bill does have local support as indicated by the city resolution attached to the staff memo.

Sen. Stumpf moved amendment LCPR98-50. **MOTION PREVAILED.**

Rick Lang, representing Columbia Heights Volunteer Fire Department, testified in support of the bill and the amendment. He stated that the department supported this bill because they want to get back in compliance with current law and because the members want to receive the benefit of the current funding status of the plan.

Sen. Stumpf moved S.F. 1077; H.F. 1756 as amended. **MOTION PREVAILED.**

The meeting adjourned at 4:00 P.M.


Jean Liebgott, Secretary