

March 16, 1999  
Basement Hearing Room, State Office Building

4<sup>th</sup> Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

March 16, 1999

Representative Harry Mares, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 5:20 P.M.

Commission members present:

Representatives Philip Krinkie, Harry Mares, Mary Murphy, Steve Smith, Rich Stanek, and Stephen Wenzel

Senators Don Betzold, Dean Johnson, Lawrence Pogemiller, LeRoy Stumpf, and Roy Terwilliger

Agenda Items Discussed

**H.F. 1217 (Abeler); S.F. 830 (Foley): Workers Compensation; Exemption From Offset For Certain MSRS-General Disabilitants**

Senator Stumpf moved this bill be rereferred to the House Committee on Jobs and Economic Development Policy and the Senate Committee on Jobs, Energy and Community Development for their consideration. **MOTION PREVAILED.**

**H.F. 708 (Mares); S.F. 711 (Johnson, D.H.): MSRS, PERA, TRA: Authorizing MSRS, PERA and TRA to Jointly Purchase or Construct a Building to House These Pension Fund Administrations**

Representative Murphy moved H.F. 708 (Mares); S.F. 711 (Johnson, D.H.) not be included in the Commission's omnibus pension bill and be rereferred to Capital Investment. **MOTION PREVAILED.** Ms. Mary Vanek, Executive Director, Public Employees Retirement Association (PERA), presented three maintenance amendments. Representative Murphy moved these three amendments to LCPR99-81. **MOTION PREVAILED.**

**H.F. 410 (Entenza); S.F. ( ): MSRS: Crediting Certain Service to MSRS Correctional Plan Rather Than MSRS General; Authorizing Recomputation of Annuity**

Representative Mares recommended this bill be laid over for further action.

**H.F. 1080 (Boudreau); S.F. 1254 (Neuville): PERA-P&F; Grandparent Coverage For Certain Rice County Correctional Employees**

Representative Boudreau testified in support of this bill and stated there was an error 22 years ago which put these employees in the wrong pension fund. She reviewed Amendment LCPR99-104 which would amend LCPR99-85 and would eliminate the Rice County requirement to repay state aid. Senator Neuville testified that Amendment LCPR99-85 requires an audit by the Legislative Auditor that would go back 20 years to calculate overpayment of state aid to Rice County. Representative Stanek moved LCPR99-104 with the provision that Rice County would pay the excess state aid from 1994 to 1998 only.

Senator Stumpf moved to recapture \$100,000 of the excessive state aid to Rice County by amending LCPR99-85, page 2, line 27, delete "(a)"; page 3, delete lines 3 through 11. **MOTION PREVAILED.** Representative Stanek withdrew Amendment LCPR99-104. Senator Stumpf moved H.F. 1080; S.F. 1254 as amended. **MOTION PREVAILED.**

**H.F. 1077 ( ); S.F. 319 (Pogemiller): MERF; Specifying Survivor Benefit Refund Procedures; Revising Fund Used for Survivor Benefit Escalation and Disability Benefit Escalation; Creating Benefit Escalator for Short-Service Death-While-Active Survivor Benefits**

Ms. Judith Johnson, Executive Director, Minneapolis Employees Retirement Fund (MERF), testified that a subcommittee of the Legislative Commission on Pensions and Retirement met on September 1, 1998, and this bill is a recommendation of that subcommittee. Mr. Edward Burek, Deputy Director, LCPR, noted the longstanding disagreement between staff and MERF regarding the funding of MERF. He noted the impact of this bill would place liability on the State. He recommended the Commission consider LCPR99-82 which would remove this liability, page 1,

lines 15 to 21; and would also attempt to avoid excessive payment to a surviving dependent parent, page 1, lines 6 to 12. Ms. Johnson said they are not opposed to the amendment to lines 15 to 21, but are in opposition to the benefit takeaway in lines 6 to 12. Representative Mares moved LCPR99-82, lines 15 to 21. **MOTION PREVAILED.** Mr. Burek reviewed Amendment LCPR99-83 which mandates a Commission study to look at the funding situation at MERF. Ms. Johnson noted MERF paid Milliman & Robertson, Inc. \$12,000 to put forth a report with recommendations which they did. Representative Mares asked that copies of this report be distributed to the Commission.

Senator Pogemiller moved H.F. 1077; S.F. 319 as amended. **MOTION PREVAILED.**

**H.F. 471 (Knoblach); S.F. 56 (Stevens): St. Cloud Police Consolidation Account; Inclusion in 1997 Special Ad Hoc Post-Retirement Adjustment**

Senator Stumpf moved H.F. 471; S.F. 56. Senator Stevens provided information on this bill and stated the staff memo was in error about when the consolidation process was started. St. Cloud Police started the consolidation process February 13, 1997, before the Uniformity bill went into effect April 28, 1997. He said this fund has a funding ratio of 129.81% and questioned why there would be any opposition to the consolidation of this fund. Senator Stevens then testified in opposition to Amendment LCPR99-88. Representative Knoblach testified in support of this bill. He stated the average retirement annuity for these retirees is around \$21,000 which is less than average.

Mr. Lawrence Martin, Executive Director, LCPR, reviewed the staff memo on this bill and the related public policy issues. Mr. Martin stated the cost of this benefit improvement would be about \$800,000. The fund does have a surplus, and current contributions to this plan are solely from police state aid. Amendment LCPR99-88 would require St. Cloud to fund this benefit increase. Senator Stevens asked if any of the other 41 consolidations lost money after the Uniformity bill of 1997. Mr. Martin said yes, each of these accounts had a liability increase. Senator Stevens asked why St. Cloud should be penalized if they have a funding ratio of 129.81%. Mr. Martin said the issue here is did they consolidate "close enough" to the timeline and do they need an additional benefit increase to bring them up to some other level. Representative Knoblach stated St. Cloud attempted to consolidate before the June 30, 1997, date, but they were in a protracted court situation which was part of the reason for the delay of consolidation. Representative Murphy asked what benefits St. Cloud Police are requesting with this bill. Senator Stevens testified that St. Cloud Police are looking for a retroactive benefit increase. Mr. John Norman, Finance Director, City of St. Cloud, testified in support of this bill. Mr. Norman opposed Amendment LCPR99-88.

Senator Pogemiller moved H.F. 471; S.F. 56. **MOTION PREVAILED.**

**H.F. 115 (Ness); S.F. 179 (Johnson, D.E.): Willmar and Litchfield Volunteer Rescue Squad Pension Plans Authorized**

Representative Ness reviewed Amendment A99-0036 which changes the language in this bill from the city of Willmar to Kandiyohi county. Representative Mares moved Amendment A99-0036. **MOTION PREVAILED.** Representative Ness testified this bill allows the cities of Willmar and Litchfield to establish relief associations for their rescue squads. Robert Johnson, representing the cities of Willmar and Litchfield, testified in support of establishing a volunteer rescue squad pension plan. Mr. Mike Thompson, rescue squad volunteer, testified that most fire departments have rescue squads. These cities are unique because they are not members of the fire department or ambulance crew. Mr. Thompson stated these cities need a pension plan to recruit and retain experienced, trained members in this field. Mr. Thompson said the City of Litchfield supports this bill. Representative Mares asked about the volunteer ambulance plan that the state funds. Mr. Thompson said they are not in that plan.

Senator Stumpf noted that when the ambulance fund was established it was decided not to combine the rescue squads with the volunteer fire plans. Senator Stumpf asked about rolling rescue squads into the ambulance service plan. Mr. Johnson testified this group wants their own defined contribution plan. Mr. Burek said that as drafted, this bill would give these rescue squads the option of establishing either a defined benefit or a defined contribution plan. Mr. Thompson said the intent was never to establish a defined benefit plan. He said the flexibility refers to allowing potential members to personally contribute one-half of their call pay, or salary. Mr. Johnson supported Amendment LCPR99-91, and opposed LCPR99-92. Representative Mares moved Amendment LCPR99-91. **MOTION PREVAILED.** Senator Johnson moved H.F. 115; S.F. 179 as amended. **MOTION PREVAILED.**

**H.F. 227 (Osskopp); S.F. 266 (Johnson, D.E.): MSRS; Early Retirement Benefits For State Fire Marshals**

Representative Osskopp testified in support of this bill which would change the benefit plan for members covered by MSRS and employed by the Department of Public Safety as fire marshals. Mr. Robert Johnson distributed a handout and testified in support of this bill. Ms. Denise DeMars, state fire marshal investigator, testified to the dangers and hazards of this job and compared state fire marshals to other public safety officers. Ms. DeMars said there are 13 people included in this bill. Mr. Rick Kleis, Hastings fire investigator, testified in support of this bill. Mr. Robert Johnson noted that there is no actuarial work from the Commission actuary on this bill. He said the cost projected by the Department of Public Safety is modest enough that they would probably fund the additional employer contributions with their existing budget. Mr. Johnson noted Minnesota Statutes 299A is a very exclusive portion of law and these people are included in that statute so the precedent has already been established.

Mr. Edward Burek reviewed the staff memo and stated this bill includes an age 55 normal retirement age; a retirement annuity of 2% per year of service; a non-duty related disability benefit; and a job-related disability benefit with a minimum of 20 years of service. He noted special coverage situations in existing law that may serve as a model here. He also noted that military affairs personnel and transportation pilots have a special benefit but not to the level in this bill. Mr. Burek reviewed the position descriptions included in this bill and the pension policy issues related to this bill. Mr. Burek reviewed Amendment LCPR99-90, a delete all amendment, and LCPR99-93 which limits the eligibility to deputy state fire arson investigators. Senator Stumpf moved LCPR99-93. **MOTION PREVAILED.** Mr. Burek noted page 1, line 19 and page 2, line 12 and line 26 of LCPR99-90 need an age inserted in the blanks. Senator Stumpf moved age 55 be inserted in these blanks. Mr. Burek noted page 4, line 11 of Amendment LCPR99-90 needs to be filled in with an accrual rate percent. Senator Stumpf moved a 2% accrual rate be inserted in this blank. Senator Stumpf moved LCPR99-90 as amended. **MOTION PREVAILED.** Senator Johnson moved H.F. 227; S.F. 266 as amended. **MOTION PREVAILED.**

**H.F. 1059 (Dorman); S.F. 1146 (Piper): PERA; Public Defense Employee Omitted Contribution Service Credit Purchase**

Senator Piper reviewed this bill and said this would permit a member of PERA, Mr. Stephen R. Erickson, to purchase two years of allowable service credit. Representative Dorman testified in support of this bill and noted the State Board of Public Defenders admitted the fault was not Mr. Erickson's. Mr. Larry Martin reviewed the staff memo on this bill and said the two year period when contributions were omitted in error cannot be handled administratively. Mr. Martin noted Amendment LCPR99-102 mandates the employer payment of all but the member contribution amount plus interest. Mr. Kevin McCover, Budget Director for the Board of Public Defense, testified in support of this bill. Mr. Martin reviewed Amendment LCPR99-101 which better describes Mr. Erickson's employment relationship with the Public Defense Board. Representative Murphy moved Amendment LCPR99-101. **MOTION PREVAILED.** Senator Stumpf moved Amendment LCPR99-102. **MOTION PREVAILED.** Senator Pogemiller moved H.F. 1059; S.F. 1146 as amended. **MOTION PREVAILED.**

**H.F. 845 (Mares); S.F. 842 (Mores): MNSCU IRAP; Part-Time Teaching Benefit Changes**

Russ Stanton, representing the faculty at the state universities and community colleges, reviewed this bill. Representative Wenzel moved LCPR99-100. **MOTION PREVAILED.** Representative Wenzel moved LCPR99-107. **MOTION PREVAILED.** Representative Wenzel moved LCPR99-103. **MOTION PREVAILED.** Mr. Burek reviewed Amendment LCPR99-100 and noted that page 4, section 3 establishes a reemployed annuitant waiver which is new to MSRS. Representative Wenzel moved to strike "within one year" on page 3, line 12 of Amendment LCPR99-100. **MOTION PREVAILED.**

Mr. Burek directed the Commission to note page 8 of Amendment LCPR9-100 has new language on lines 11 to 19 and input from TRA may be needed. Mr. Gary Austin, Director, TRA, testified in support of the amendment. Senator Pogemiller moved H.F. 845; S.F. 842 as amended. **MOTION PREVAILED.**

**H.F. 1179 (Mares); S.F. 1426 (Stumpf): Teacher Plans; Prior Military, Out-of-State and Maternity Service Credit Purchases**

Senator Pogemiller moved H.F. 1179; S.F. 1426 as amended at the March 10, 1999, meeting. Senator Pogemiller asked if the teacher funds can administratively handle issues such as home school service and out-of-state service under the current language. Mr. Martin reviewed LCPR99-86 which reflects the various amendments adopted March 10, 1999, and gives the teacher funds the latitude in what documentation they can require of teacher qualification. Mr. Gary Austin, TRA, said this language would work but voiced concern about the private and parochial school service and foreign service documentation language. Representative Mares asked staff to work on the documentation requirement language to ensure TRA is not open to lawsuits.

Representative Chaudhary reviewed Amendment LCPR99-105 which is for an Anoka-Hennepin employee who failed to get service credit for the last two years of an extended leave of absence which is not covered by H.F. 1179. Mr. Charles Burnside, the Anoka-Hennepin employee, testified that while he was on leave the TRA policy changed and he needed to buy back, at both employer and employee contribution cost, the last two years of an extended leave of absence. Representative Mares moved Amendment LCPR99-105. **MOTION PREVAILED.**

Senator Pogemiller reviewed a potential amendment on behalf of a former legislator who had executive branch and public teaching service. This retiree would pay the full actuarial value and there would be a window until July 1, 2000, so no sitting legislator could take advantage of this. Senator Pogemiller said he would present this amendment at the next meeting.

Senator Pogemiller moved H.F. 1179; S.F. 1426 as amended. **MOTION PREVAILED.**

**H.F. 1180 (Mares); S.F. 1077 (Pogemiller): Statewide Plans; Extension of "Rule of 90" and H.F. \_\_\_\_\_ ( ); S.F. 650 (Pogemiller): Teacher Plans; Extension of "Rule of 90" and Benefit Accrual Rate Increase**

Representative Mares recommended the Legislative Commission on Pensions and Retirement study these bills over the interim.

**H.F. 589 (Mares); S.F. 772 (Pogemiller): Tax Sheltered Annuities; Expansion of Vendors For Employer Matching Contributions**

Mr. Martin reviewed Amendment LCPR99-109 and noted page 2, lines 12 and 13 extends the 403(b) employer match authority to a qualified investment entity, or mutual funds; page 3, line 1 increases the insurance companies from 10 to 20; page 3, line 12, five mutual funds are added; and page 3, line 15, the State Board of Investment has to rebid the employer match 403(b) annuity program by July 1, 2000. Senator Pogemiller asked how that fits into the SBI normal rebidding cycle. Mr. Howard Bicker, State Board of Investment (SBI), said this fits into their normal rebidding schedule.

Senator Pogemiller requested that page 3, lines 25 through 33 of LCPR99-111 be incorporated in LCPR99-109. Mr. Howard Bicker, SBI, testified in support of the whole amendment and said the number of 403(b) providers will be determined by the LCPR study.

Mr. Phil Riveness testified in support of a study of this issue but believes most states require 10 or fewer vendors and more than that becomes administratively complicated. He noted that 20 vendors seemed a little cumbersome. Mr. Hank Stankewicz, Education Minnesota, testified that Education Minnesota sponsors one of the present eight plans and testified in opposition to the bill. Mr. Kent Schuti, State Manager, Education Minnesota, testified that the system is working well currently but they would support expansion. Mr. Rich O'Conner, Copeland Companies, testified in support of increasing the options available including full service investment vehicles.

Representative Mares moved a handwritten amendment which adds an effective date to Amendment LCPR99-109; page 3, after line 36, add new Section 3, effective date; "Section 1 is effective May 15, 2000. Sec. 2 is effective on the day following final enactment." **MOTION PREVAILED.** Senator Pogemiller moved H.F. 589; S.F. 772. **MOTION PREVAILED.**

**H.F. 569 (Mares); S.F. 722 (Morse): MSRS-Correctional; Early Retirement Reduction Factor Downsized**

Mr. Martin reviewed the policy issues for reducing the early retirement reduction factor from the actuarial equivalent amount to two-tenths of one percent per month (2.4 percent per year). Mr. Martin noted there would be a funding deficiency to this fund as a result of the benefit change as currently drawn in this bill. Amendment LCPR99-94 would increase the contribution rates based on the cost of the benefit improvement and would retain the sufficiency of the plan. Mr. Dave Bergstrom, Executive Director, MSRS, opposed LCPR99-94 and would prefer to wait a year to gauge the impact of this bill on the funding ratio of the fund.

Ms. Leslie Reynolds, representing the Minnesota Nurses Association, listed a number of dangerous work related situations for nurses in correctional facilities and testified in support of the bill. Mr. David Quayle, Correctional Lieutenant, St. Cloud Correctional Facility, testified to the hostile, dangerous work environment and testified in support of the bill. Mr. Don Hauge, Correctional Chief Cook, St. Cloud Correctional Facility, told about a stabbing that he was involved in a few years ago and testified in support of this bill. Mr. Hank Stankiewicz, Education Minnesota, testified in support of this legislation.

Senator Stumpf asked how many people could be covered under this legislation. Mr. Martin said anyone age 50 to 55 could utilize this benefit. Mr. Dave Bergstrom said there are 355 current correctional employees between age 50 and 54.

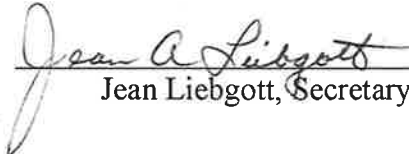
Senator Terwilliger moved H.F. 569; S.F. 722. **MOTION PREVAILED.**

**H.F. 436 (Mares); S.F. 409 (Pogemiller): State Patrol and PERA-P&F; Early Retirement Reduction Factor Downsized**

Mr. Martin said this bill would reduce the early retirement reduction factor by half, to 1/10% per month or 1.2% reduction per year. He stated both plans currently have sufficient funding and would retain a sufficiency with this benefit improvement. He noted that PERA-P&F contribution rates will be reset next summer by statute and LCPR99-89 would undo the automatic rate change and reset the contribution rates to maintain a slight sufficiency. Ms. Vanek, PERA, asked the Commission to consider a 6.2% member and 9.3% employer contribution rate provision which they will request at the Commission meeting next week. Mr. Dennis Flaherty, Executive Director, Minnesota Police & Peace Officers Association, testified in support of this bill. Mr. Dave Bergstrom, MSRS, testified in support of this bill.

Mr. Martin said the automatic contribution reduction change occurring July 1, 1999, absent any legislation, will drop the contribution rates to the 1998 requirements. The benefit increase in this bill would then throw the plan out of actuarial balance so the automatic rate reduction provision needs to be adjusted. Senator Pogemiller moved to amend Amendment LCPR99-89, page 1, line 7, delete "5.20" and insert "6.2"; page 1, line 16, delete "7.80" and insert "9.3". **MOTION PREVAILED.** Senator Pogemiller moved H.F. 436, S.F. 409 as amended. **MOTION PREVAILED.**

The meeting adjourned at 9:25 P.M.

  
Jean Liebgott, Secretary