

March 25, 1999
Room 10 State Office Building

5th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Representative Mary Murphy called the meeting to order at 6:32 P.M. She noted that Rep. Mares had asked her to call the meeting to order and that the Commission did not yet have a quorum.

Commission members present at this meeting:

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. 1076 (Rifenberg); S.F. 508 (Morse): Lump Sum Volunteer Fire Plans; Increase Supplemental Benefit Maximum to \$2,500

Rep. Rifenberg presented her bill and noted that there was a typo in the bill and she requested that the Commission amend the bill to make the correction.

Rep. Murphy moved a verbal amendment to page 1, line 20, delete “3” and insert “31” as requested by Rep. Rifenberg. **MOTION PREVAILED.**

Rep. Rifenberg testified in support of increasing the maximum supplemental benefit from \$1,000 to \$2,500. She introduced John Shepard, Spring Valley Volunteer Fire Department.

Mr. Shepard testified that the supplemental benefit has not been increased in ten years. He testified that many volunteer firefighters are poorly compensated, his own compensation last year was \$120, and that amount was indicative of what the other 24 members of his department earned. His members are not compensated for drills or training schools that they attend. He testified that Spring Valley provides a benefit of \$807 per year of service and last year three members retired with lump sum benefits of \$19,000, \$20,000, and \$21,000. The retirees also received the \$1,000 maximum supplemental benefit but would have been entitled to \$2,000 if the maximum had been increased to \$2,500 at that time.

Lawrence A. Martin, LCPR Executive Director, referred members to the staff memo on this bill and stated that the supplemental benefit was established in 1988 to reimburse retiring firefighters for the federal income tax surcharge imposed on firefighters who retired before reaching age 59-1/2. Mr. Martin noted that firefighters who retire prior to age 59-1/2 have options to avoid invoking the tax surcharge. He also stated that the Legislature appropriated \$375,000 to pay this benefit in fiscal year 1999 and is expected to appropriate the same amount for fiscal year 2000. If the supplemental benefit maximum was increased to \$2,500, he projected that the cost would be about \$937,500 annually.

Phil Kapler, State Auditor's Office, testified that the Department of Revenue has done a fiscal note on this bill. He also testified that the majority of volunteer firefighter relief association lump sum benefits would not qualify for the maximum supplemental benefit amount. He estimated the cost of the increased maximum to be approximately \$400,000. Rep. Rifenberg provided a copy of the fiscal note for this bill which indicated a cost of \$311,000 per year.

Rep. Murphy laid this bill over until a quorum was present.

H.F. 1842 (Swenson); S.F. 1694 (Frederickson): PERA; Benefit Coverage Following Glencoe Public Hospital Privatization

Sen. Frederickson testified that this bill would allow Glencoe Area Health Center employees to maintain pension coverage similar to their PERA coverage if the municipality carried through on its plan to reorganize the Glencoe Area Health Center as a private, non-profit healthcare center. Rep. Swenson testified in support of this bill.

John Braband, CEO of Glencoe Area Health Center, provided further details on the reorganization

of the health center which would enable the center to continue to compete with area healthcare facilities and to provide future services in a cost effective manner. He testified in support of this bill.

Mr. Martin reviewed the staff memo and policy issues raised by this bill. He stated that the Commission actuary was unable to provide actuarial work for this hospital in time for this meeting but he expected that the results would be similar to the Luverne and Waconia results which showed that PERA would have a diminished gain as a result of the legislation but would not suffer a loss. There is no information on how adequate the replacement coverage for the Glencoe employees would be. This bill was laid over until a quorum was present.

H.F. 1925 (Otremba); S.F. 1886 (Sams): TRA; Retirement Eligibility For Bertha-Hewitt School District Teacher

Edward Burek, LCPR Deputy Executive Director, referred members to a Fax Transmittal and a June 25, 1998 letter to TRA from MEA which were attached to the staff memo on this bill. He noted that the MEA letter argued that the individual applied for and was granted an extended leave of absence and should be allowed to purchase service credit for the leave. He referred members to a January 6, 1997, letter from TRA indicating that the leave application box for an "Other" leave of absence was checked by the school district and that type of leave was not eligible for service credit purchase. He referred members to an April 29, 1998, letter from TRA which indicated that since the leave period was for only one year rather than the three year minimum leave period required for an extended leave of absence, the individual did not qualify for the extended leave of absence provision and still fell under the "other" leave provision.

Rep. Otremba testified that checking the "other" box on the leave of absence form was a clerical error and she introduced Mr. Brincefield to provide testimony.

Larry Brincefield, a Bertha-Hewitt school teacher, provided further background on this issue and testified in support of the bill.

Rep. Murphy asked whether the school district acknowledged their clerical error. Rep. Otremba read a statement from the school board which indicated that the Bertha-Hewitt school district supported this bill. She also noted that Mr. Brincefield was willing to pay the full actuarial value of the service credit purchase. Rep. Wenzel questioned whether the law required an employee and employer contribution to make their applicable contributions for leave periods. Mr. Burek stated that the employee has the right to negotiate with the employer with regard to the employer contribution.

Gary Austin, TRA Executive Director, provided the actuarial cost for this leave. He testified that for these leaves the employee usually paid the employee and employer contribution plus interest. The full actuarial cost for this leave was \$9,556.87, the employee contribution plus interest was \$2,553.06, the employer contribution plus interest was \$3,197.22 which totaled \$5,750.28 and left the remaining portion of the full actuarial value at \$3,806.59. Sen. Pogemiller stated that the teacher should only be required to pay the amount expected under the leave provisions and the school district should be required to pay the balance of the full actuarial value.

Sen. Pogemiller moved amendment LCPR99-129. **MOTION PREVAILED.**

Mr. Austin requested that the Commission also pass LCPR99-132 which clarified the extended leave of absence language requiring an extended leave to be a minimum of three years and a maximum of five years.

Sen. Pogemiller moved amendment LCPR99-132. **MOTION PREVAILED.**

This bill was laid over until a quorum was present.

H.F. 1314 (Lenczewski); S.F. 1019 (Johnson, D.H.): MSRS-General; Purchase of Temporary Veterans Home Employment Service Credit

Sen. Dave Johnson presented the bill and testified that this individual was a temporary employee of the Veterans Home from October 10, 1988 until October 9, 1989. As a temporary employee, the individual was ineligible for MSRS coverage. The individual did not accept a permanent position, although he had opportunities in June of 1989, until after July 1, 1989 because he had not completed the work he was doing for the Veterans Home. The individual is now seeking to purchase the temporary service credit necessary to make him eligible for the "Rule of 90" provisions that are not

available to post 6/30/89 hirees.

Blair Bjerkeset, a County Officer Sr. with the Shakopee Correctional facility, testified in support of the bill.

Rep. Lenczewski testified in support of this bill since this was a very unique situation.

Mr. Martin noted the policy issues raised by this bill were on page two of the staff memo and stated that the Rule of 90 was intended to be phased out by the 1989 legislature and this would blur that phase-out. This bill would set a precedent for future purchases of eligibility for the Rule of 90 by other temporary employees and would also set a precedent to allow the purchase of only part of a person's service credit.

Sen. Johnson again testified that this was a unique situation and testified that Mr. Bjerkeset would be willing to buy the whole year of service credit.

Ron Schweitzer, MSRS Assistant Director, testified that he did not have the cost of the purchase available but since the individual agreed to pay the full actuarial value, there would not be a cost to MSRS if this bill passed. Mr. Martin recommended that if this bill passed based on the equitable arguments of this particular case, the equitable arguments should be included in the bill to prevent this situation from becoming a precedent.

Sen. Pogemiller questioned why the individual did not accept permanent employment prior to July 1, 1989 if it was offered. Sen. Johnson testified that this individual was an accountant and was responsible for the year end book closing and did not want to leave the Veterans Home in the middle of that project. Rep. Murphy asked if Mr. Bjerkeset was a contract employee. Mr. Bjerkeset responded that he was a temporary employee hired for one year. Discussion followed and Mr. Martin clarified that the issue was that an individual would be allowed to buy service credit for service that was not eligible for MSRS-General Plan coverage.

Sen. Pogemiller suggested laying this bill over for interim study. Rep. Krinkie questioned why the individual was trying to buy this service credit now. Mr. Bjerkeset testified that he recently learned of the impact to his pension if he wanted to retire early and did not have the Rule of 90 option.

Rep. Mares agreed to lay this issue over for interim study.

Rep. Mares reverted to the bills discussed prior to a quorum being present. Mr. Martin gave a brief overview of the bills that preceded the presence of a quorum

Sen. Pogemiller moved H.F. 1925; S.F. 1886 as amended. **MOTION PREVAILED.**

Rep. Mares moved H.F. 1842; S.F. 1694. **MOTION PREVAILED**

Sen. Pogemiller suggested laying over H.F. 1076 (Rifenberg); S.F. 508 (Morse) until members could further review it.

H.F. 1853 (Mares); S.F. 1689 (Johnson, D.H.): PERA-P&F; Merger of Local Police and Fire Consolidation Accounts

Sen. Johnson requested that the Commission consider the delete all amendment to this bill. Sen. Pogemiller moved amendment A99-0305. **MOTION PREVAILED.** Sen. Johnson reviewed the bill and testified that the policy of the Commission has been to consolidate local police and fire relief associations into PERA-P&F and 44 relief associations have consolidated. He testified that this bill would primarily permit those funds to opt out of maintaining a separate fund within PERA-P&F. For funds that are currently underfunded, the bill provided the applicable municipality with a mechanism for them to reach 100% funding by 2009. For funds that are overfunded, the bill provided a mechanism for them to get back some of the overfunded amount much sooner than they would have received it previously since they would have had to wait until the last benefit recipient of the fund died. The bill would allow current retirees an option to select the PERA-P&F post retirement mechanism and it would allow active members to have a uniform set of benefits regardless of the relief association they were in if their municipality opted to merge their fund.

Eric Willette, League of Minnesota Cities, provided a handout and reviewed the five policy objectives shown in the handout. He noted that the bill would redirect the additional amortization aid money dedicated to Minneapolis police and fire funds to the recipients of the amortization and supplemental amortization aid programs once the Minneapolis police and fire funds were fully funded. The bill would reduce the PERA-P&F contribution rates and recognize excess assets on a rolling 30 year basis.

Mr. Martin referred members to the staff memo on this bill and noted that it was based on the delete all amendment A99-0305. He stated that he was advised by Mr. Willette that an amendment was needed but since the packet had already been copied it was agreed to do the amendment verbally. Mr. Willette asked to have amendment A99-0305 amended as follows: On page 31, line 6, delete "60" and insert "64.5"; line 9, delete "38" and insert "34.2"; line 13, delete "two" and insert "1.3"; line 20, delete "38" and insert "34.2"; and on line 28, delete "two" and insert "1.3". Rep. Mares moved the oral amendment. **MOTION PREVAILED.** Mr. Martin reviewed six changes this bill would make in the PERA-P&F Consolidation Account Plans. He then reviewed the 12 policy issues raised by this legislation. He noted that merging consolidation accounts would simplify PERA's administrative task and appears to have been pursued by the 18 municipalities interested in accessing the current consolidation account overfunding. He also noted that by changing the amortization period and process for underfunded plans, some municipalities will be required to make a larger contribution after the merger than they were making prior to the merger. He noted that amendment LCPR99-138 provided language to allow municipalities to opt out of the merger making a merger voluntary rather than mandatory. Mr. Martin continued to review the policy issues. He noted that municipalities with overfunded plans would be refunded 50% of the excess between 100% funding and the PERA-P&F funding ratio amount established when PERA-P&F's next actuarial valuation was completed and 100% of the amount of overfunding over PERA-P&F's funding ratio. He stated that current law would return 100% of the overfunded amount to municipalities for police and fire expenditures when the last benefit recipient died. He noted that state aid provided a considerable portion of the assets these funds currently have and if members prefer to recoup some of the money contributed to overfunding these plans for the underfunded plans, LCPR99-139 would provide the necessary language. He reviewed LCPR99-140 which would require a separate audit account of the money returned to municipalities under this bill and is in response to the policy issue raised with regard to the appropriate use of the refunded assets. LCPR99-141 would require municipalities to use the rebated assets for future PERA-P&F contributions. LCPR99-142 would require a municipality with an overfunded and an underfunded plan to use the refund from the overfunded plan to aid the funding of the underfunded plan. Mr. Martin noted that the bill used a rolling 30 year amortization period to recognize PERA-P&F funding surpluses. This method was developed and briefly reviewed by Thomas Custis, Milliman & Robertson, Inc., when he presented the Summary of Actuarial Valuations at the March 10, 1999 Commission meeting. LCPR99-143 would delay implementing the rolling 30 year amortization method for one year to allow the Commission more time to study this method. LCPR99-145 would repeal the automatic PERA-P&F rate change provision because it is a very chaotic method for changing employer and employee contribution rates. The next policy issue raised was the appropriateness of including the MTRFA, StPTRFA, and minimum volunteer fire state aid program as recipients of the additional amortization state aid program. LCPR99-146 would create a single state aid program, rather than four amortization aid programs, and simplify that situation. LCPR99-148 would require MTRFA and StPTRFA to equal the time-weighted rate of investment return performance of the SBI combined fund over a five year average period in order to qualify for receipt of this new aid. LCPR99-147 would require additional amortization aid in excess of the additional municipal contribution to cancel to the General Fund. LCPR99-149 would clarify language on page 21, lines 21 to 25.

Sen. Dave Johnson responded to some of the policy issues raised by staff. He testified that PERA supported this legislation and, in addition to the 18 overfunded plans seeking an early refund of relief association assets, the municipalities that have underfunded associations also supported this bill. In addition, members of the consolidation account relief associations supported this bill. Sen. Johnson testified that the municipalities with underfunded relief associations supported this legislation and the higher contributions they would be required to make, according to the League of Minnesota Cities, because it will provide more stability in their funding of these plans.

Sen. Pogemiller asked if it would be a problem to pass amendment LCPR99-138 which provided the municipalities with the option to merge their funds? Mr. Willette testified that he did not believe that there would be a problem if the language made the merger voluntary. Mary Vanek, PERA Executive Director, testified that the cities requested the mandatory language but she did not believe it would be a problem to add the optional language. Sen. Pogemiller moved amendment LCPR99-138. **MOTION PREVAILED.**

Ms. Vanek provided a handout and noted that Mr. Custis was invited by the League of MN Cities to attend this Commission meeting to answer questions if needed. Ms. Vanek reviewed the handout and noted that the total contribution requirement will be 15.50%. She testified that according to the actuary, PERA-P&F will pick up a total cost of 35 basis points to effect this merger. That will pay

for the 3% multiplier that would be provided to those relief associations whose municipality did not elect to authorize that benefit improvement, it would pay for retirees to have another opportunity to elect the post fund, and it also would pay for delaying contribution increases until after the merger which benefited the municipalities with underfunded plans. Sen. Johnson continued to respond to the policy issues raised by this bill.

Rep. Krinkie stated that the Governor's budget recommendations included an intent to study restructuring state aid programs. He stated that the police and fire aid programs might be clarified by the study.

Sen. Pogemiller questioned how amendment LCPR99-139 would work. Mr. Martin stated that it would allow recouped state aid to be used to fund underfunded plans. Mr. Willette testified that the cities that have underfunded plans approved of the concept but cities that have overfunded plans did not. Discussion followed.

Sen. Pogemiller moved amendment LCPR99-140. **MOTION PREVAILED.**

Sen. Pogemiller questioned the intent of amendment LCPR99-142. Mr. Martin reviewed the amendment. Mr. Willette testified that the cities would oppose the amendment. Terry Haltiner, representing the City of St. Paul, testified that the cities oppose the amendment since it would be taking assets from one fund and giving them to another fund. Rep. Krinkie moved LCPR99-142. **MOTIONED FAILED.**

Sen. Pogemiller questioned the 30 year rolling amortization period and what studying the issue might provide? Mr. Martin stated that the 30 year rolling amortization period only applied to PERA-P&F although there are other overfunded plans. He noted that 30 year rolling amortization periods usually are implemented to deal with an underfunded situation and not an overfunded situation. Sen. Stumpf questioned what impact the 30 year rolling amortization would have on the contribution rate reduction. Ms. Vanek testified that there was approximately a 1.8% difference in the rate reduction because of the 30 year rolling amortization period. Thomas Custis, Commission retained actuary from Milliman & Robertson, Inc., testified that he recommended 30 year rolling amortization and did not see a problem with delaying the implementation of it as long as the contribution rate specified in the bill was adopted. Mr. Custis testified that if the current 22 year amortization period was used, the contribution rate specified in the bill would be 1.8% less than the 15.5% required to maintain full funding and the fund would show a deficiency.

Sen. Pogemiller moved LCPR99-143. **MOTION PREVAILED.**

Sen. Pogemiller moved LCPR99-145. **MOTION PREVAILED.**

Sen. Pogemiller requested testimony from the Minneapolis and St. Paul teacher funds regarding amendment LCPR99-148 which required the two funds to equal SBI's investment return to be eligible for the additional aid in this bill.

Eugene Waschbusch, StPTRFA Secretary Treasurer, testified in opposition to LCPR99-148 since StPTRFA has a different asset allocation than SBI and the comparison would not be appropriate. If the StPTRFA asset allocation was changed to mirror the SBI asset allocation, it may not reflect the liabilities of the StPTRFA.

Karen Kilberg, MTRFA, testified in opposition to LCPR99-148 since the risk parameters of the funds are different due to their funding levels. She would not be comfortable committing to achieving SBI's investment return. She also testified that the eligibility rules for various state aids they receive seem to be changing and she was disturbed by that.

Sen. Pogemiller commented that the worst case scenario would be that the two funds would not get an extra revenue stream and he was surprised by the fund directors reaction to this amendment. Mr. Waschbusch testified that the two funds do not have a problem meeting an investment performance standard but they do not believe that the State Board of Investment's investment performance return is the appropriate standard.

Sen. Pogemiller moved LCPR99-148 with additional work on the language to include an appropriate standard. **MOTION PREVAILED.**

Sen. Pogemiller moved LCPR99-149. **MOTION PREVAILED.**

Sen. Pogemiller moved LCPR99-136 since the only substantive part was repealed in an earlier amendment which repealed the PERA-P&F automatic contribution resetting. **MOTION PREVAILED.**

Sen. Pogemiller moved H.F. 1853; S.F. 1689 as amended. **MOTION PREVAILED.**

Rep. Mares introduced Sen. Oliver who requested an opportunity to speak in support of S.F. 1559. Sen. Oliver testified that the bill dealt with 403(b) plans that are part of the matching fund program. The basic 403(b) plan allowed for investment in insurance annuities, mutual funds and registered investment funds that were available in the state. This bill would give participants in the supplemental plan the expanded choice of investments that are available to basic plan members. Rep. Mares stated that the Commission would consider this issue during the interim.

H.F. 1251 (Rest); S.F. 1248 (Junge): PERA; Service Credit Purchase For Robbinsdale School District Employee Omitted Contribution Period

Rep. Mares stated that no one was at this meeting to present and support this bill so it was laid over.

H.F. (); S.F. 1846 (Pogemiller): MTRFA; Include Business Agents in Plan Membership

Rep. Mares stated that this bill was pulled by the author and will be studied over the interim.

H.F. 1302 (Pugh); S.F. 1345 (Metzen): TRA; Revision of Reemployed Annuitant Earnings Limits

Rep. Mares stated that this bill was pulled by the author and will be studied over the interim.

H.F. 1743 (Jennings); S.F. 1641 (Johnson, J.B.): PERA; Military Service Credit Purchase For Certain Rush City School District Employee

Rep. Jennings introduced his constituent, Russel Cruise, and reviewed the background on this bill. Rep. Jennings testified that Mr. Cruise was drafted into the military after he began public employment, returned after two years in the military, and was not aware that he could have bought his military service credit.

Mr. Cruise testified in support of this bill.

Mr. Martin referred members to the staff memo on this bill and the fax from PERA. He reviewed the policy issues raised and the two staff amendments, LCPR99-125 (required documentation of eligibility to purchase the service credit) and LCPR99-126 (which eliminated an unnecessary restriction in the current bill). Mr. Martin noted that the cost of the purchase would be \$8,496.31 and the minimum member requirement would be \$1687.63. The employee was entitled to negotiate with the employer to pay a portion of the total purchase cost.

Rep. Wenzel moved LCPR99-125. **MOTION PREVAILED.**

Ms. Vanek testified that PERA has the documentation verifying Mr. Cruise's military service credit eligibility since he already received credit for one year of military service.

Sen. Betzold moved LCPR99-126. **MOTION PREVAILED.**

Sen. Wenzel moved H.F. 1743 as amended. **MOTION PREVAILED.**

H.F. 1483 (Tomassoni); S.F. 1540 (Moe, R.D.): Fire State Aid; Expansion of Minimum Fire State Aid to Post-1993 VFRA's

H.F. 1487 (Wenzel); S.F. 1394 (Ten Eyck): Fire State Aid; Expansion of Minimum Fire State Aid To Post-1993 VFRA's

Rep. Wenzel provided background on these bills and testified in support of new plans, established after 1993, being included in the minimum fire state aid program. He introduced Nyle Zikmund, Spring Lake Park Volunteer Fire Chief,

Edward Burek, LCPR Deputy Director, reviewed the staff memo and noted that the reason the Commission used the number of firefighters a department had in 1993 as a floor was to eliminate the possibility of fire departments increasing the number of firefighters in their department solely to receive more aid from this program. The Legislature realized that it would need to revisit this issue from time to time to recognize newly established departments and include them in the program. He referred members to Table 1, which showed the relief associations established since 1993, and Table 3, which showed the growth per eligible member in the minimum aid program. He stated that

including additional relief associations in this program should not have a negative impact on relief associations already receiving minimum aid. He also noted that the bill reset the base year at 1998 rather than 1993. Discussion followed.

Rep. Wenzel moved H.F. 1487. **MOTION PREVAILED.**

Rep. Mares introduced Rep. Tomassoni. Rep. Tomassoni testified regarding an amendment, LCPR99-127, which would permit a Virginia, MN, constituent to purchase one year of unrequested leave service credit for the full actuarial value of \$19,000. Sen. Pogemiller asked if this type of service credit purchase was already covered in the omnibus pension service credit purchase article. Rep. Murphy responded that unrequested leave service is not included in that bill. Discussion followed. Rep. Murphy moved amendment LCPR99-127. **MOTION PREVAILED.**

Rep. Mares asked Mr. Burek to review amendment LCPR99-150 which dealt with IRAP. Mr. Burek stated that the amendment authorized a group to become part of the higher education supplemental retirement plan that currently are not authorized to do so. Mary Stanton, MNSCU, testified that the amendment corrected statute by including employees that were in the MMA and MAPE bargaining units and, as a result of the merger, became unclassified employees and should have been eligible for the supplemental plan. Rep. Krinkie stated that MNSCU had other legislation that was moving some unclassified employees to classified positions and asked what effect that might have on these employees. Ms. Stanton testified that the effect may be that they will again not be eligible to participate in the supplemental retirement plan. Rep. Mares moved amendment LCPR99-150. **MOTION PREVAILED.**

H.F. 1444 (Krinkie); S.F. 1468 (Stevens): PERA; Conversion of Part-time Employee Exclusion From Dollar Amount to Employment Hours

Rep. Krinkie requested that this bill be laid over for interim study because of the complexity of the issues involved.

Rep. Mares introduced Sen. Pogemiller to review amendment LCPR99-122. Sen. Pogemiller stated that the amendment would temporarily reset the early retirement date at less than age 60 in the Legislators Retirement Plan. He also noted that the provision required a report on the utilization of this benefit and also required payment of full actuarial value for the earlier retirement if there was a cost to this benefit. Sen. Pogemiller moved amendment LCPR99-122 with the change on page 2, line 4, deleting "July 1" and inserting "January 15". **MOTION PREVAILED.**

Rep. Mares introduced Gary Austin to review amendment LCPR99-128. Mr. Austin testified that the amendment included administrative provisions for both TRA and MSRS. He testified that the amendment would change two year retiree board terms to four year terms and it would change "timely receipt" from the postmarked date to the date received. Rep. Mares questioned changing from a postmark standard to a date received standard. Mr. Austin testified that the postmark is no longer a reliable standard. Rep. Wenzel moved LCPR99-128. **MOTION PREVAILED.**

H.F. 1830 (Stanek); S.F. 1748 (Pogemiller): Minneapolis Police; Establishment of Board of Trustees Salary

Rep. Stanek presented and reviewed the bill. Rep. Stanek testified that this change was recommended in a recent audit report. He referred members to amendment LCPR99-134 which would change the effective date of the bill to December 31, 1999. Rep. Stanek moved LCPR99-134. **MOTION PREVAILED.**

Mr. Burek reviewed amendment LCPR99-121 which added language to the additional amortization aid program similar to the other aid programs requiring the aid to be discontinued once a relief association became fully funded. Rep. Stanek did not support adding this amendment to the bill.

Rep. Stanek moved H.F. 1830 as amended. **MOTION PREVAILED.**

H.F. 256 (Kahn); S.F. 277 (Pogemiller): Minneapolis Fire; Board of Trustee Governance; Asset Disposition Upon Plan Termination

Sen. Pogemiller presented the bill and testified that the bill permitted the Minneapolis fire board to continue to govern the plan until there were 100 or fewer members. Sen. Pogemiller noted that there was an amendment, LCPR99-117, for consideration. Mr. Burek reviewed LCPR99-117 and stated that the amendment clarified that the Minneapolis Fire Relief Association would remain in existence until there were less than 100 benefit recipients, which would be considerably longer than it would remain in existence under current law.

Walter Schirmer, Executive Secretary of the Minneapolis Firefighters Relief Association, testified that the bill extended the timeline for the existence of the board of directors and the relief association. He testified that current law specified that after the last active firefighter retired, the fund would become a trust fund operated by the City of Minneapolis and five retired firefighters.

Sen. Pogemiller moved LCPR99-117. **MOTION PREVAILED.**

Sen. Pogemiller moved H.F. 256 as amended. **MOTION PREVAILED.**

H.F. 1561 (Mares); S.F. 1739 (Wiger): MSRS-General; Metro Council Early Retirement Incentive
Richard Brainerd, the Human Resources Director of the Metropolitan Council, provided background on this issue and testified in support of the incentive because it would allow the Met Council to reduce the cost in their environmental services division. The cost reduction would be approximately \$12 million. He noted that the bill allowed targeting particular groups of employees to help the Met Council achieve its goal of reducing costs. He testified that the bill also allowed them to offer the incentive to employees who were 55 years of age and had 25 years of service.

Mr. Burek reviewed the policy issues raised which follow the 1995 Legislative Auditor's Early retirement recommendations. Mr. Burek reviewed amendment LCPR99-124, which was primarily a technical amendment. Mr. Brainerd testified that the Met Council could support the amendment and he also noted that the Council estimates that 48 employees will be eligible for the incentive.

Rep. Mares moved LCPR99-124. **MOTION PREVAILED.**

Rep. Mares moved H.F. 1561 as amended. **MOTION PREVAILED.**

Sen. Dean Johnson briefly reviewed the use of a high 3 year average salary in pension benefit calculations. It was agreed that this concept would be laid over for interim study.

Consideration of Legislative Commission on Pensions and Retirement Budget

Mr. Martin reviewed page 3 of the budget document included in members' packets. He stated that the additional money for Fiscal Year 2001 was needed to pay for the four year experience studies required by statute.

Sen. Terwilliger moved approval of the LCPR budget. **MOTION PREVAILED.**

Sen. Pogemiller recommended that \$1,000 per employee of additional money be added to the budget for staff development.


Sen. Betzold moved that additional recommendation. **MOTION PREVAILED.**

H.F. 1923 (Mares); S.F. 1875 (Pogemiller): Reduce the Legislative Commission on Pensions and Retirement Membership to Ten Members

Sen. Pogemiller briefly reviewed the background on this bill.

Sen. Pogemiller moved H.F. 1923. **MOTION PREVAILED.**

The meeting adjourned at 9:35 P.M.


Jean Liebgott, Secretary