



January 25, 2000
Room 200, State Office Building

2nd Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Representative Mares called this meeting to order at 11:20 A.M. and noted a quorum was not present.

Commission members present at this meeting:

Representatives Harry Mares, Rich Stanek, and Stephen Wenzel
Senators Don Betzold, Lawrence Pogemiller, and LeRoy Stumpf

3. H.F. 2512 (Greiling); S.F. ____ (): MSRS-General; Authorization of Late Disability Benefit Application

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, summarized the staff memo and the pension policy issues related to the bill. He noted that on page two of the staff memo, issue number two, a reference to Section 353.01 should read 352.01.

Representative Greiling introduced her constituent, Mr. Scott Rostrom, and noted this is a bill to allow her constituent to apply for prospective disability benefits. Rep. Mares questioned why Mr. Rostrom did not file his disability application on time. Mr. Rostrom said he was unaware of the possibility of applying for retirement benefits at the time he left state employment. At a later date, a co-worker with the Council on Disability had a similar situation which made Mr. Rostrom aware of his ability to apply for disability benefits. Mr. Martin explained that the disability benefit is based on the employment capabilities of the disabiltant and the resumption of employment by Mr. Rostrom confuses this issue.

Rep. Mares asked Mr. Dave Bergstrom, Director, Minnesota State Retirement System, to comment on this issue. Mr. Bergstrom explained that, in the past, when an employee terminated, MSRS did not routinely send them disability benefit information. Since this case, they are more proactive and tell the employees what their disability benefits would be and make them aware of the rules.

Rep. Mares recommended putting this on the agenda for a Commission hearing during the session.

4. H.F. 2566 (Greiling); S.F. ____ (): TRA; Refund of Interest Charges Caused By Administrative Errors

Mr. Martin referred to the staff memo on this issue and summarized the background and related pension policy issues. TRA indicated in a letter to Rep. Greiling's constituent that TRA was responsible for a number of problems related to the interest overpayment. Mr. Martin said the question is whether these are problems TRA had control over and if they should be held responsible. Mr. Martin noted that in similar past legislation seeking TRA to repay a dollar amount, the Commission determined the school district was at fault and charged the cost to them. This bill would set a precedent of having TRA pay for an overcharge.

Rep. Greiling noted her constituent could not attend and said this person was asking for the one-time interest overpayment cost during this period. Because of the administrative problems, Rep. Greiling's constituent missed an increase in January of this year that permanently affects her life-time earnings. Rep. Greiling said this is a large issue that needs to be addressed in the bigger picture.

Mr. Gary Austin, Executive Director, TRA, testified there was an administrative problem with the increased number of retirements last summer. He said that because there was a need for a lot of exchange of information with this issue, a lot of information was delinquent. Mr. Austin also noted that TRA does not have the authority to provide a solution to this situation. This can

only occur with special legislation or in a court of law.

Rep. Mares said the Commission will take this under advisement.

1. **H.F. 2476 (Orfield); S.F. ____ (); MTRFA; Service Credit Purchase for Loring Nicollet-Bethlehem Community Center Teaching Service**

Rep. Orfield provided background information on this bill which allows his constituent, Mr. Joe Musich, to purchase service credit at full actuarial value and allows, but does not demand, the district to contribute to this buyback. Mr. Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, summarized the staff memo and the pension policy issues related to this bill. Mr. Burek said that, as drafted, the bill would cover the period from 1975 forward. Mr. Burek said the estimated purchase price would be \$210,000, which may be prohibitive and may not justify the Commission pursuing. He noted MTRFA is 67% funded and they may not be in a position to take on an unfunded liability and any subsidy will probably be rolled to the state.

Mr. Burek then went over two amendments. LCPR00-10 would apply purchase service credit for the first few years when this teacher was not certified. LCPR00-11 would mandate the school district to subsidize the payment by paying the difference between the full actuarial value and employee equivalent contribution.

Mr. Joe Musich, a teacher at South High School in Minneapolis, testified on his behalf in support of this bill.

Rep. Wenzel asked Mr. Burek how this differs from the 1999 legislation. Mr. Burek said the specific employment in this bill is not something covered in the general law passed last year.

Mr. Jim Grathwell, Minneapolis Public Schools, testified that, in their view, Mr. Musich's employment began in 1987. He did agree that it was Minneapolis public school students and funding in a non-profit setting.

Rep. Mares said this bill will be taken under advisement for possible consideration during the legislative session.

2. **H.F. ____ (); S.F. 1846 (Pogemiller): MTRFA; Membership For Teacher Union Business Agent**

Mr. Burek summarized this bill which would amend Chapter 354A to allow a teacher union business agent on leave to be a member of the Coordinated Program of MTRFA. This resembles provisions already in place for TRA, MSRS-General and PERA. Mr. Burek went over the pension policy issues related to this bill.

Mr. Burek noted that amendment LCPR99-137 is a technical clean-up and would not allow any double coverage for this teacher. It would also allow the individual to make an election to have coverage under this proposed revision of law or under the leave of absence provision.

Senator Pogemiller stated he would like LCPR99-137 added to this bill. He also wants this applicable to Duluth and St. Paul teachers. He questioned if this bill, as drafted, would cover the current employee or does there need to be retroactivity. Mr. Burek said this bill is prospective. Sen. Pogemiller referred to lines 1-3, and 35-36 on page 2 of the bill, and asked if that is how TRA and state-wide plans are structured. Mr. Burek said he believes this is common language.

Mr. Jay Stoffel, Executive Director, Duluth Teachers Retirement Fund, testified to the equitability of being included in this bill.

Rep. Mares directed the staff to move forward on the corrections to this bill and stated it will be heard before the Commission during the session.

5. **H.F. ____ (); S.F. ____ (): PERA-P&F; Consolidation Account Merger Technical Corrections**

Mr. Martin summarized this legislation. He said the bill makes five changes, most of which are technical or very modest policy changes. Mr. Martin said the primary issue in this bill is the

inclusion of Anoka Police and Mankato Fire in the additional amortization aid program.

Mr. Eric Willette, League of Minnesota Cities, said most of these technical corrections were brought to light by the Department of Revenue because of questions in interpreting the language passed in last year's bill. Mr. Willette said he understood the Department of Revenue wanted the disposition of excess amortization state aid to occur in the current year, not just future years as stated in this bill. He said he will look into this and let the Commission know if changes are needed.

Mr. Martin discussed technical amendment LCPR00-14, which he noted is a clean-up amendment. Mr. Willette questioned line 3 of the amendment and asked what the implications are of inserting "state." Mr. Martin said this makes it implicit this reference is to state aid.

Mr. Brian Rice, representing the Minneapolis Fire Relief Association and the St. Paul Teachers Retirement Association, had the same question as Mr. Willette had on the insertion of "state." He also noted that on page 5, line 25 of the bill, subdivision 1 and 1a are struck, leaving in only subdivision 1b. He wants to talk to the staff to clarify this point.

6. H.F. ____ (); S.F. ____ (): PERA Local Correctional Plan; Membership Eligibility Revision

Mr. Martin summarized this bill that relates to the local correctional plan eligibility revisions that were enacted last session. He said there are four changes to last year's bill. The intent of the Association of Minnesota Counties is that the bill will look like LCPR00-15 and Mr. Martin drew his comments to this delete-everything amendment. He drew the Commission's attention to the term "employer" on page 1, line 14, and said the definition of who is an employee is a function of employer certification and he said employer is not specified. Mr. Martin then reviewed the public pension policy issues related to this bill.

Mr. Kevin Corbid, an analyst for the Association of Minnesota Counties, explained the need for this legislation. He said last year a number of counties were looking for direction on certification into this new plan, feeling the 95% direct contact language made that difficult. He said they think "employer" is the appropriate definition to use and will get the job done at the county level. Mr. Corbid felt eliminating the "direct contact" language and the percentage requirement is a good thing if new criteria is used to provide some consistency within the counties on certification. He said there are 63 different employers certifying people and finding a criteria that is clear in law is a good thing for consistency with certification. He testified in support of the grandfathering provision in this bill.

Mr. Robert Johnson, representing Teamsters 320, testified in support of the "essential employee" definition. He said the original bill did specify "essential employee" and was amended to read "95%." He said the grandfathering provision was not necessary. Mr. Johnson also noted that supervisors in the promotion field were locked out of this bill last year and they should be included.

Mr. Martin summarized the amendments to this bill. LCPR00-16 is the intent to pull out of the PELRA definition of "essential employee" what seems to be relevant to county correctional employment. Most of the PELRA definition doesn't relate to county employment and that should be addressed. He said LCPR00-17 changes "direct" to "directly." LCPR00-18 continues coverage after a promotion, if the employer desires, to supervisory or other position that no longer qualifies for plan coverage. LCPR00-19 would bring the plan back to sufficiency.

Mr. Corbid responded to the amendments. He said this is the first time they have seen LCPR00-19 and he couldn't comment at this time. He testified in support of LCPR00-18. Regarding LCPR00-16, he said using the "essential employee" language gives some clarification on who these people are.

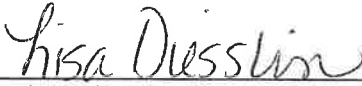
Sen. Pogemiller said to be careful about using the PELRA definition. Mr. Corbid said the new draft says the "1999 version of PELRA" so if there are changes in PELRA it won't affect their pension eligibility.

Rep. Mares recommended discussions take place on this bill and it be brought before the Commission again during the session.

7. **Presentation: Minnesota State Retirement System (MSRS); Long-Term Health Care Insurance Benefit**

Mr. Dave Bergstrom, Director, MSRS, made a presentation to the Commission on a proposed health care insurance reimbursement plan benefit. Mr. Bergstrom said health care costs have risen about 300% in the last ten years. He said MSRS is trying to establish a plan to encourage people to purchase health insurance; they are not setting up a health insurance plan. They are trying to generate money to help their members offset the high cost of health insurance.

The meeting adjourned at 1:25 P.M.



Lisa Diesslin, Secretary