

Monday, April 2, 2001  
Room 316 Capitol

6<sup>th</sup> Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Dean Johnson, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:45 a.m.

**Commission members present:**

Representatives Harry Mares, Mary Murphy, Steve Smith, and Stephen Wenzel  
Senators Don Betzold, Dean Johnson, Lawrence Pogemiller, and Dan Stevens

**Commission members absent:**

Representative Philip Krinkie and Senator Roy Terwilliger

**S.F. 810 (Pogemiller); H.F. \_\_\_\_ ( ): PERA; Funding Deficiency Correction;  
S.F. \_\_\_\_ ( ); H.F. 855 (Mares): PERA; Funding Deficiency Correction; and  
Consideration of Other PERA Funding Deficiency Correction Options**

Ms. Mary Vanek, Executive Director, PERA, provided comments on the most recent proposal.

1. Proposed transfer of school district employees. Ms. Vanek deferred to Mr. Custis for comments.
2. Proposed expansion of PERA membership eligibility. PERA is opposed to the inclusion of elected local public officials. It is the Board's position that the defined contribution plan is a more appropriate fit for those who are elected.
3. Actuarial value of assets. Ms. Vanek deferred to Mr. Custis for comments, but she stated that PERA is opposed to using market value.
4. PERA strongly supports extending the amortization target date.
5. Ms. Vanek deferred to Mr. Custis for comments on state aid and redistributing MSRS and TRA sufficiencies.
6. Contribution rate increases. Ms. Vanek said that the appropriate level for contribution rate increases still needs to be determined based on the amount of state aid, if any.
7. Retiree administrative charge. Currently, PERA's contributions include an administrative charge that is collected throughout the lifetime of an active member of PERA. PERA would therefore assert that members have prefunded the expenses that will be needed to administer their plan while they are in retirement status. Rather, PERA would ask the Commission to consider a change in how the Post Fund covers mortality, to allow the Post Fund to cover its own mortality losses in the future. In this way retirees would contribute to a solution.
8. Prorated service credit. Ms. Vanek said that the staff took considerable time in evaluating the level at which they would want to prorate service credit for members, and suggested that PERA align with MSRS and prorate for anyone who is under 50 percent fulltime equivalent. Because they cover 2000 local units of government, some of which are represented by collective bargaining some of which are not, PERA would ask that the number of hours to equate to that measure be defined. She said that it would be difficult to try to keep track of what is each unit's normal work week, and therefore how to measure what is fulltime and what is not.
9. Study for administrative consolidation and study for retirement plan aggregation. Ms. Vanek deferred to the Commission for further clarification on these two proposed studies.

The bill was tabled until later in the meeting.

**S.F. 2148 (Betzold); H.F. 1909 (Stanek): State Patrol; Coverage For Department of Corrections Office of Special Investigations Officers, Authorize Transfer Of Prior Service Credit**

Representative Stanek presented his bill and introduced Ms. Carrie Gerlicher, Acting Director, Office of Special Investigations, who provided background information. Ms. Gerlicher told members that five individuals have been sworn in, and that they are currently covered by MSRS-General.

Senator Betzold confirmed that the Department of Corrections not only supports the legislation, but that they initiated it.

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill.

Representative Wenzel and Senator Betzold moved S.F. 2148; H.F. 1909 for inclusion in the omnibus pension bill. **MOTION PREVAILED.**

**S.F. 804 (Kleis); H.F. 2314 (Schumacher): MSRS-Correctional; Coverage for Reshape Program Director**

Senator Kleis reviewed his bill and reviewed for members the legislation passed last year by the Commission concerning the Phoenix program.

Mr. Robert Jungbauer, Department of Corrections, St. Cloud Correctional Facility, currently the director of the Reshape Program, and past director of the Phoenix Program, testified in support of the bill and provided information about his situation. He stated that the past director and assistant director of the Phoenix Program were both included in last year's legislation.

Mr. Martin reviewed the staff memo and policy issues raised by the bill.

Mr. Eric Skon, Assistant Commission, Department of Corrections, testified that there is not currently a process in place to review positions for possible inclusion since last year's legislation eliminated that process. He stated that the Department would therefore be opposed to inclusion at this time.

Senator Johnson asked all involved parties to get together to try to work something out and report back to the Commission.

**S.F. 1863 (Rest); H.F. 1896 (Skoglund): Legislators Plan; Create Coordinated Program**

Senator Rest and Representative Skoglund testified in support of their bill. Representative Skoglund reviewed for members a written opinion from Senate Counsel George McCormick that giving legislators the opportunity to opt for Social Security coverage would not constitute an increase in compensation.

Mr. Martin referred members to LCOR01-159, the unofficial engrossment and reviewed amendments LCPR01-141 and LCPR01-128.

Representative Mares read from a House Research document he received earlier in the day stating that the circumstances in the legislation under consideration are different from the case mentioned in the Senate Counsel opinion, and that a court could regard inclusion in Social Security as an increase in compensation.

Representative Skoglund responded to Senator Johnson's question that there would be a future fiscal cost to the State in the form of the employer contributions for those legislators who choose to participate.

Senator Johnson asked that the House Research document be distributed to members, and that the bill would be placed on the agenda for the next Commission meeting. The bill was laid over.

**S.F. \_\_\_\_ ( ); H.F. 2029 (Haas): Department of Employee Relations Health Care Account Establishment**

Representative Haas asked the Commission for additional time to work with the Department of Employee Relations on the bill. The bill was laid over.

**S.F. 2038 (Pogemiller); H.F. 2215 (Mares): Teacher Plans; Charter School Teachers Retirement Contributions**

Senator Pogemiller presented the bill.

Senator Pogemiller moved LCPR01-156. **MOTION PREVAILED.**

Senator Pogemiller moved LCPR01-157. **MOTION PREVAILED.**

Mr. Martin reviewed amendment LCPR01-158.

Mr. Bob Meeks, Director of Governmental Relations, Minnesota School Boards Association, testified in opposition to the amendment because it would require the sponsor to be financially responsible for something they would have no control over.

Senator Pogemiller moved LCPR01-158. **MOTION PREVAILED.**

Senator Pogemiller moved LCPR01-155, with verbal amendment on page 1, line 6, delete “and” and delete lines 7 and 8. **MOTION PREVAILED.**

Senator Pogemiller moved a verbal amendment to S.F. 2038 as follows: page 2, line 10, delete “the general fund to the” and insert “charter school lease aid” and on page 2, line 11, delete “commissioner of finance”. **MOTION PREVAILED.**

Senator Pogemiller moved S.F. 2038; H.F. 2215, as amended, for inclusion in the omnibus pension bill. **MOTION PREVAILED.**

**S.F. 810 (Pogemiller); H.F. \_\_\_\_ ( ): PERA; Funding Deficiency Correction; S.F. \_\_\_\_ ( ); H.F. 855 (Mares): PERA; Funding Deficiency Correction; and Consideration of Other PERA Funding Deficiency Correction Options**

Mr. Thomas K. Custis, Milliman & Robertson, Inc., actuary retained by the Legislative Commission on Pensions and Retirement, provided comments on specific issues related to the proposed PERA funding deficiency correction provisions. He responded only to those issues that have actuarial or funding implications. Mr. Custis discussed the following topics: 1) changing the actuarial value of assets to market value could have long range implications and that most funds would show a significant decrease; 2) extending the amortization funding date would not be a problem as part of a total package; 3) with regard to contribution increases, he would be in support of any additional monies directed to the fund, and although the proposed increases are probably not sufficient it is better than doing nothing; 4) he had no position on charging an administrative fee to retirees, but that it would be unusual to do so; 5) that there is some appeal to shifting the mortality risk to the retiree pool; and 6) while prorating service credit would not have an immediate effect, it would be a fix that is long overdue and an important and positive step. Mr. Custis then responded to specific questions from members.

Senator Stevens asked Mr. Custis about the implications of the proposed transfer of school district employees to TRA. Mr. Custis responded that, from an actuarial perspective, both PERA and TRA would be worse off if those employees were to be transferred.

Mr. Keith Carlson, Metro Inter-County Association, provided handout materials and testified in support of using the TRA sufficiency and in support of direct state aid.

Mr. Hank Stankiewicz, Education Minnesota, testified in opposition to redirecting the TRA sufficiency. He also stated that in view of comments made by Mr. Custis, it would not be worthwhile to transfer the school district employees.

Mr. Martin reviewed for members the purpose of the 1997 Uniformity Bill.

Mr. Bob Johnson, representing Teamsters Local 320, commented on several provisions in the proposal. He urged the Commission to act now to address the deficiency and reminded members that for those who make only \$10-\$13 per hour, a 0.4 percent contribution increase is significant.

The bill was laid over.

The meeting adjourned at 10:30 a.m.