

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Representative Steve Smith, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 5:15 p.m.

Commission Members Present:

Representatives Sondra Erickson, Philip Krinkie, Eric Lipman, Mary Murphy, and Steve Smith
Senators Don Betzold, Keith Langseth, Cal Larson, Geoff Michel, and Lawrence Pogemiller

Sen. Larson assumed the chair.

Agenda Items

H.F. 1975 (Dempsey); S.F. 1756 (Murphy): PERA-P&F; Authorizing Continued Service after Early Retirement

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill, and discussed potential amendment LCPR04-145.

Sen. Murphy and Rep. Dempsey presented and testified in support of their bill.

Mr. James Bryant, Goodhue County Commissioner, the person affected by the bill, testified in support of the bill.

Ms. Mary Vanek, Executive Director, PERA, testified that amendment LCPR04-145 is not problematic, but questioned the wait to convert Mr. Bryant to the defined contribution plan.

Mr. Martin indicated that he would craft language to incorporate a more immediate conversion.

The bill was laid over because a quorum was not present at the time.

H.F. 2449 (Rukavina); S.F. 2340 (Murphy): Various Plans; Military Service Credit Purchase Sunset Date Eliminated

Sen. Murphy presented and testified in support of his bill.

Mr. Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill.

Mr. David Bergstrom, Executive Director, MSRS, testified that their actuary has reviewed the calculation process and they are comfortable with how purchases of service are calculated.

Mr. Michael Pugliese, Deputy Commissioner of Veterans Affairs, testified in support of the bill.

The bill was laid over because a quorum was not present at the time.

H.F. 2672 (Koenen); S.F. 1871 (Kubly): PERA Privatization; Inclusion of RenVilla Nursing Home

Sen. Kubly presented and testified in support of his bill and provided amendment A04-1037, which came to him at the request of the RenVilla administrator.

Mr. Burek reviewed the staff memo and policy issues raised by the bill and discussed potential amendment LCPR04-122.

Ms. Mary Vanek, Executive Director, PERA, testified that the PERA board has discussed these privatization issues. PERA plans to seek a Department of Labor ruling on the extent to which non-public employees are covered by the plan and at what point under the guidelines would the governmental plan status be jeopardized. The board is concerned about the long-service individuals who want to remain in the plan, but is also concerned about larger groups coming forward in the future and what kind of precedent is set. Ms. Vanek said that because the privatization items on the agenda have relatively small numbers of employees, one option would be allow the individuals to stay in the plan until the Department of Labor ruling, and if the ruling is unfavorable they would have to move to the privatization model. The other option would be to stay with the Commission's model of privatization.

Sen. Kubly indicated his agreement with Ms. Vanek's suggestion of allowing the individuals to remain in the plan until the Labor ruling.

Rep. Smith resumed the chair.

Ms. Vanek testified that amendment A04-1037 does not relate to PERA specifically.

Sen. Betzold moved amendment A04-1037. **MOTION FAILED.**

Sen. Betzold moved H.F. 2672/S.F. 1871 be recommended to pass and be included in the omnibus pension bill. **MOTION FAILED.**

H.F. 1795 (Swenson): PERA; Optional Annuity Survivor Designation Change

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

Rep. Swenson presented and testified in support of his bill.

Mr. Ken Oslund, the person affected by the bill, testified in support of the bill.

Ms. Mary Vanek, Executive Director, PERA, testified in opposition to the bill. According to the PERA actuary's calculations, Mr. Oslund's benefit would increase because current spouse is older than the former spouse so there would be a cost to PERA. Ms. Vanek said PERA believes this would set a huge precedent they do not want to see occur.

The bill was laid over because a quorum was not present at the time.

H.F. 282 (Beard); S.F. 213 (Larson): TRA; Ad Hoc Post-Retirement Adjustment for Certain Pre-1969 Teachers

Sen. Larson moved amendment LCPR04-154.

Sen. Larson and Rep. Beard testified in support of the bill.

Mr. Thomas H. Selwold testified in support of the bill.

Mr. Rick Winters, a retired pre-1969 teacher, testified in support of the bill and provided historical information.

Ms. Cheryl Furrer, Education Minnesota, testified in opposition to the bill, stating that Education Minnesota does not support the use of TRA funds. When asked by Sen. Michel if there was an alternative that Education Minnesota would support, Ms. Furrer responded that it would be acceptable if the cost of the proposal came out of the General Fund.

Mr. Gary Austin, Executive Director, TRA, testified in opposition to the bill, provided historical information on the situation, and commented on TRA's funding status.

Mr. Joseph T. O'Neill, representing the pre-1969 teachers, testified in support of the bill.

Sen. Larson renewed his motion on amendment LCPR04-154. **MOTION FAILED.**

Sen. Larson moved H.F. 282/S.F. 213 be recommended to pass and be included in the omnibus pension bill. **MOTION FAILED.**

Continued Discussion of H.F. 1975 (Dempsey); S.F. 1756 (Murphy): PERA-P&F; Authorizing Continued Service after Early Retirement

Sen. Betzold moved amendment LCPR04-145.

Mr. Martin reviewed the handwritten amendment to LCPR04-145.

Sen. Betzold moved amendment LCPR04-145, amended so as to incorporate the handwritten amendment. **MOTION PREVAILED.**

Sen. Betzold moved H.F. 1975/S.F. 1756, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 2449 (Rukavina); S.F. 2340 (Murphy): Various Plans; Military Service Credit Purchase Sunset Date Eliminated

Mr. Burek reviewed the staff memo and policy issues raised by the bill, and discussed potential amendments.

Sen. Betzold moved amendment LCPR04-153. **MOTION PREVAILED.**

Sen. Betzold moved amendment LCPR04-144, inserting "2006" on page 1, line 10. **MOTION PREVAILED.**

Sen. Betzold moved H.F. 2449/S.F. 2340, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

S.F. 2039 (Betzold): TRA; Authorize Acquisition of Allowable and Formula Service Credit for a Paid Leave of Absence Period

Mr. John Taylor, Business Manager, Columbia Heights School District, testified and provided handout materials summarizing the district's position. Mr. Taylor stated that the district did err in filing the TRA form 1500 two years late and the form was inaccurate, but the district is not responsible for purchasing retirement service credit for years that were not eligible even if the form had been filed on time.

Mr. Martin reviewed amendments LCPR04-116, LCPR04-117, LCPR04-118, and LCPR04-119.

Sen. Betzold moved amendment LCPR04-117.

Mr. Gary Austin, Executive Director, TRA, testified that line 21 of the amendment should read only 1999-2000 and not include 2000-2001, when Dr. Archer-Kath taught in a different school district.

Sen. Betzold moved to incorporate Mr. Austin's recommended changes; there was no objection.

Mr. Richard Williams, attorney representing Dr. Julie Archer-Kath, testified in support of the bill on her behalf and noted that the payment of severance was a condition of the settlement agreement.

Sen. Betzold renewed his motion on amendment LCPR04-117, amended on page 1, line 21, by striking "and 2000-2001." **MOTION FAILED.**

Rep. Lipman move amendment LCPR04-119, amended by inserting the number "40" on line 22 and by deleting line 21. **MOTION FAILED.**

Sen. Betzold moved S.F. 2039 be recommended to pass and be included in the omnibus pension bill. **MOTION FAILED.**

HF 1699 (DeLaForest); SF 1619 (Betzold): PERA; Coverage for Anoka County Achieve Program Former Employees

HF 1700 (DeLaForest); SF 1620 (Betzold): PERA; Privatized Public Hospital Benefits For Anoka County Achieve Program Employees

Sen. Betzold presented and testified in support of his bills.

Commissioner Rhonda Sevraja, Anoka County Board of Commissioners, testified in support of the bill.

(The recording equipment malfunctioned at this point and recording was interrupted.)

Ms. Melanie Alt testified that the Achieve Program has 45 employees, 11 of whom will be able to retire in five years.

Ms. Mary Vanek, Executive Director, PERA, testified that the PERA board did hear from Anoka County, that the board did not take a position, and the board asked PERA staff to seek a Department of Labor ruling that PERA's governmental plan status would not be jeopardized.

Sen. Betzold moved amendment H1699DE1. **MOTION PREVAILED.**

Sen. Betzold moved H.F. 1699/S.F. 1619, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Non-Agenda Items:

Larson Amendment LCPR04-127: Permitting an Employee at Bug-O-Na-Ge-Shig School to Have Service Credited Toward Eligibility for "Rule of 90"

Larson Amendment LCPR04-128: Permitting an Employee at Bug-O-Na-Ge-Shig School to Have MSRS-General Coverage for that Employment

Sen. Larson distributed amendments and handout materials.

(The recording equipment was fixed and recording resumed at this point.)

Mr. Burek reviewed the amendments and the related policy issues.

Mr. Joe Aitken, the person affected by the proposed legislation, testified in support of the legislation.

Rep. Fuller testified in support of the amendments and clarified that the Bug-O-Na-Ge-Shig School is, for the most part, a federally unded school separate from the Cass Lake and Bemidji School Districts. The school does not participate in TRA, therefore Mr. Aitken is ineligible for those years of service even though it is a public school.

Mr. David Bergstrom, Executive Director, MSRS, testified that had Mr. Aitken worked for the Bemidji Public Schools he would be eligible for the Combined Service Annuity provision.

The amendment was laid over as a quorum was not present.

H.F. 2460 (Simpson); S.F. 2341 (Larson): PERA Privatization; Inclusion of Fair Oaks Lodge Nursing Home

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

Ms. Mary Vanek, Executive Director, PERA, testified that it is typical that the member data in PERA's database does not match up with the data sent to the actuary by the employer because there are often individuals who did not qualify for PERA coverage or who are reemployed annuitants who are not covered. Ms. Vanek said that twenty of the individuals included in the analysis have already terminated and taken refunds.

Sen. Larson moved amendment LCPR04-112. **MOTION PREVAILED.**

Sen. Larson moved H.F. 2460/S.F. 2341, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Continued Discussion of Larson Amendments LCPR04-127 and LCPR04-128

Mr. Burek reviewed amendments LCPR04-127 and LCPR04-128.

Mr. David Bergstrom, Executive Director, MSRS, testified that LCPR04-127 would generate a higher monthly benefit than LCPR04-128 because his salary for pension purposes would be frozen and the high-five would be determined, but Mr. Bergstrom questioned the appropriateness of the coverage at all.

Mr. Aitken said that he respects Mr. Bergstrom's opinion and that he would prefer LCPR04-127.

Sen. Larson moved amendment LCPR04-127. **MOTION FAILED.**

Report of the Executive Committee on the Provision of Actuarial Services

Mr. Martin reviewed the staff memo and discussed amendment LCPR04-105. Mr. Martin noted that it may be preferable for this item to move forward as a separate bill to facilitate the bidding process.

Sen. Larson moved LCPR04-105 be recommended to pass, and that it move forward as a separate bill and also be included in the omnibus pension bill.

Mr. J. Michael Stoffel, Executive Secretary, DTRFA, suggested the following changes to LCPR05-105: Page 9, line 19, delete "of the state, its employees, its taxpayers, and" in order to avoid a conflict of interest; and Page 13, line 31, after "analyses" insert "of introduced legislation".

In response to a question from Sen. Larson, Mr. Martin stated he doesn't believe there is a conflict of interest because these are public officials acting on behalf of the public.

Sen. Larson renewed his motion on LCPR04-105. **MOTION PREVAILED.**

Reconsideration of H.F. 2672 (Koenen); S.F. 1871 (Kubly): PERA Privatization; Inclusion of RenVilla Nursing Home

Sen. Langseth remarked that H.F. 2460/S.F. 2341, which passed, and H.F. 2672/S.F. 1871, which did not pass, concern the same privatization issues and he suggested that the Commission should be consistent and include both bills or neither bill.

Rep. Erickson moved H.F. 2672/S.F. 1871 for reconsideration.

Mr. Burek reviewed H.F. 2672/S.F. 1871 and amendment LCPR04-122 and how they compare to H.F. 2460/S.F. 2341.

Mr. Martin noted Sen. Kubly's amendment A04-1037 is not purely retirement policy, that it appears to be Human Services related policy having to do with how various pension costs will be treated for Human Services purposes, and that he is unsure of the Commission's jurisdiction regarding this matter.

In response to a question from Rep. Erickson, Ms. Mary Vanek, Executive Director, PERA, testified that amendment A04-1037 is not in PERA's jurisdiction and therefore Ms. Vanek is not in the position to comment on the amendment. Ms. Vanek also stated that the bill as drafted is the same treatment that was used for the Kanabec Hospital privatization in the past.

Sen. Langseth moved H.F. 2672/S.F. 1871 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Potential Amendment for Government Training Service Privatization (Rep. Smith)

Mr. Martin reviewed amendments LCPR04-109 and LCPR04-110.

Ms. Helene Johnson, Executive Director, Government Training Service, testified in support of the legislation, indicating the employee group's preference for amendment LCPR04-109.

Sen. Larson moved LCPR04-109 be recommended to pass and be included in the omnibus pension bill.

In response to a question from Rep. Lipman, Ms. Mary Vanek, Executive Director, PERA, testified that she didn't know whether the IRS would look more favorably at the treatment in LCPR04-110. Ms. Vanek said that PERA's legal advisor has suggested that they review the privatization plan in general. She noted this group is so small it would not put PERA over the de minimus number, but there could be problems in the future as other groups are added.

Ms. Johnson added that this legislation is limited to just seven employees.

Sen. Larson renewed his motion on LCPR04-109. **MOTION PREVAILED.**

Continued Discussion of H.F. 1795 (Swenson): PERA; Optional Annuity Survivor Designation Change

There was no motion on this bill.

H.F. 2422 (Smith); S.F. 2507 (Pogemiller): Various Plans; Service Credit Purchase Deadlines Extension

Mr. Burek reviewed the staff memo and policy issues raised by the bill, and discussed potential amendments.

Ms. Cheryl Furrer, Education Minnesota, testified in support of the bill, indicating preference for amendment LCPR04-137.

Rep. Murphy moved amendment LCPR04-137, inserting the year "2007". **MOTION FAILED.**

Rep. Murphy moved amendment LCPR04-137, inserting the year "2006". **MOTION FAILED.**

Sen. Larson moved H.F. 2422/S.F. 2507 be recommended to pass and be included in the omnibus pension bill. **MOTION FAILED.**

H.F. 2573 (Erickson): Teacher Plans; Sunset Extended Leave of Absence Programs

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

Ms. Cheryl Furrer, Education Minnesota, testified in opposition to the bill.

Rep. Erickson moved H.F. 2573 be recommended to pass and be included in the omnibus pension bill. **MOTION FAILED.**

Adjournment

The meeting adjourned at 8:55 p.m.

Lisa Diesslin, Commission Assistant