

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 1:15 p.m.

Commission Members Present:

Representatives Sondra Erickson, Philip Krinkie, Mary Murphy, and Steve Smith
Senators Don Betzold and Keith Langseth

Commission Members Absent:

Representative Eric Lipman
Senators Cal Larson, Geoff Michel, and Lawrence Pogemiller

Agenda Items

Consideration of Potential Clarifications of or Modifications to Minnesota Statutes, Section 356.611, Subdivision 1

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, referred members to the items in the packets and reviewed the history of the 1994 provision.

Mr. Greg Hubinger, Director of the Legislative Coordinating Commission, Subcommittee on Employee Relations, testified that they have been collecting data from the three statewide funds to get a sense of the number of employees whose salaries exceed the 95% limit specified in the law, and that data is as follows:

MSRS reports approximately 250 individuals, most of whom are considered exempt (i.e., judges) because their salaries are approved by the Legislature.

TRA reports approximately 130 individuals, most of whom are exempt because they are school district employees exempted by the Legislature in 1998.

PERA reports approximately 150 individuals, most of whom are exempt because they are either school district employees or are public hospital employees exempted by the Legislature in 2003.

Mr. Hubinger reported that there are approximately 70 employees at MnSCU, two legislative branch employees, a handful of judicial branch employees who are not judges, and a few quasi-private employees whose salaries are in excess of the 95% limit who are not exempt from that limit.

Mr. David Bergstrom, Executive Director, MSRS, testified that MSRS did err in not following the statute, mainly due to the assumption that the salaries set by law or that went through the employment process were approved by the Department of Employee Relations and were therefore believed to be exempt. There are an additional four employees: two employees of Gillette Hospital (who, had it been a public hospital rather than a private hospital with grandfathered MSRS coverage, would have been exempt), one Historical Society employee and one Minnesota Crop Improvement Council employee. Mr. Bergstrom noted that the law is inconsistently applied and confusing to follow.

Ms. Mary Vanek, Executive Director, PERA, testified that PERA does audit salaries, so they are aware of the number of individuals who are affected. Ms. Vanek said PERA is currently reviewing ten individuals, four county attorneys who have an Attorney General's opinion with respect to how the salary cap affects them but it doesn't reference 356, three individuals from the Southern Minnesota Municipal Power Agency, one individual from Utilities Plus, and two League of Minnesota Cities employees. Ms. Vanek said that it is difficult for employers to set up their systems to not report these individuals or to not withhold contributions.

Mr. Gary Austin, Executive Director, TRA, testified that TRA always administered the limitation when it applied to the school districts, but when that limitation was lifted in 1998 they didn't think they any longer had limitations and were under the assumption that all MnSCU employees were exempted from the limitation because their contracts were approved by the Department of Employee Relations (DOER) and fell under the exemption clause. Mr. Austin said there are about 40 MnSCU employees whose salaries exceed the limit.

Ms. Betty Rivard, Gillette Hospital Vice President of Human Resources, and Mr. John Diehl, attorney representing Gillette Hospital, testified in support of amending the proposal to include the Gillette Hospital employees and provided background information on Gillette Hospital and its employees.

Rep. Erickson asked Mr. Austin and Mr. Bergstrom if they had calculated the amount of excess contributions they would be required to repay if corrective legislation is not enacted. Mr. Bergstrom responded that he has not yet calculated the judges, but for the other employees it would amount to approximately \$50,000 in employee contributions and \$50,000 in employer contributions. Mr. Austin said that TRA has not calculated those amounts.

Rep. Smith requested the fund administrators to provide by April 14 through a letter to the Commission additional information regarding the number of individuals affected and the amount of the financial impact to the fund of anticipated refunds.

Rep. Smith distributed amendment LCPR04-193, representing Gillette Hospital's request for inclusion.

Rep. Erickson asked Mr. Martin to look into the practice of other states regarding to what extent the Governor's salary plays into salary caps for pension plans.

Adjournment

The meeting adjourned at 2:05 p.m.

Lisa Diesslin, Commission Assistant