



March 30, 2005
Room 107 Capitol

2nd Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Senator Lawrence Pogemiller, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 8:05 a.m.

Commission Members Present:

Representatives Mary Murphy, Steve Smith, Paul Thissen, and Lynn Wardlow
Senators Don Betzold, Cal Larson, Geoff Michel, and Lawrence Pogemiller

Commission Members Absent:

Representative Dennis Ozment
Senator Keith Langseth

Agenda Items

Items 1-13; Administrative Provisions

1. S.F. 427 (Betzold); H.F. 2092 (Smith): Elective State Officers Retirement Plan; Applicability and Administration Clarification; Repeal of Certain Plan Provisions as Obsolete
2. S.F. 428 (Betzold); H.F. 2091 (Smith): Legislators Retirement Plan; Legislators Retirement Plan Provisions Modification, Clarification and Recodification
3. S.F. 429 (Betzold); H.F. 2090 (Smith): PERA; Collection Procedures for Unpaid Charter School Employer Contributions
4. S.F. 430 (Betzold); H.F. 2089 (Smith): Various Plans; Public Pension Plan Administrative Expense Itemization in Financial Reports
5. S.F. 431 (Betzold); H.F. 2088 (Smith): First Class City Teacher Plans; Sabbatical Leave Service Credit Provisions Update
6. S.F. 432 (Betzold); H.F. 2087 (Smith): First Class City Teacher Plans; Extended Leave of Absence Program Technical Amendments
7. S.F. 433 (Betzold); H.F. 2112 (Smith): Judges Retirement Plan; Clarification and Judicial Standards Board Provisions Recodification
8. S.F. 434 (Betzold); H.F. 2113 (Smith): Various Plans; Clarification of Consulting Actuary Recommending Actuarial Equivalence Determination
9. S.F. 435 (Betzold); H.F. 2114 (Smith): Various; Omitted Salary Deductions Provisions Update and Clarification
10. S.F. 436 (Betzold); H.F. 2115 (Smith): Various Plans; Average Salary Definition
11. S.F. 437 (Betzold); H.F. 2095 (Smith): First Class City Teacher Plans; Articles of Incorporation and Bylaws Periodic Update Requirement
12. S.F. 438 (Betzold); H.F. 2093 (Smith): Various Plans; Retirement Plans Process and Taxation Exemptions Clarification
13. S.F. 439 (Betzold); H.F. 2094 (Smith): Various Plans; Retirement Provisions Update, Clarification and Correction

Ms. Mary Vanek, Executive Director, PERA, requested clean-up language be included in #4 (S.F. 430; H.F. 2089) to ensure financial reporting standards compliance, and indicated that she has no concerns about the other PERA bills.

Mr. David Bergstrom, Executive Director, MSRS, testified that he has no problem with #1 (S.F. 427; H.F. 2092) or #2 (S.F. 428; H.F. 2091); that he has minor concerns with #4 (S.F. 430; H.F. 2089), testified in opposition to Amendment LCPR05-184 to #7 (S.F. 433; H.F. 2112); and indicated that he would recommend a slight correction to #13 (S.F. 439; H.F. 2094) and that he would like to discuss the amendments to that bill.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified that he agrees with Ms. Vanek regarding some updates to the financial reporting requirements in #4 (S.F. 430; H.F. 2089), and indicated that TRA has no issues with #13 (S.F. 439; H.F. 2094).

Ms. Vanek requested an amendment to broaden the provisions of #3 (S.F. 429; H.F. 2090)

Ms. Karen Kilberg, Executive Director, MTRFA, testified in opposition to #11 (S.F. 437; H.F. 2095).

Mr. Philip Kapler, Executive Director, SPTRFA, testified in opposition to #11 (S.F. 437; H.F. 2095), and recommended that items #4, 5, 6, 9, and 11, be moved to interim discussion so the fund directors have additional time to review the proposals.

Mr. Jay Stoffel, Executive Director, DTRFA, recommended adding #12 and 13 to Mr. Kapler's list for interim discussion, and that DTRFA would like to propose some minor amendments to the bills.

Ms. Judith Johnson, Executive Director, MERF, pointed out that S.F. 439; H.F. 2094 puts an 8.5% interest rate into MERF for repayment of refunds. MERF's current law is 6%; but if you repay a partial refund the rate is 8.5%. Ms. Johnson recommended either putting the current 6% into the bill if the intent is to be purely administrative; but that 8.5% would be acceptable with small (six-month) window.

Senator Betzold moved S.F. 427 (Betzold); H.F. 2092 (Smith) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Representative Smith moved S.F. 428 (Betzold); H.F. 2091 (Smith) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 429 (Betzold); H.F. 2090 (Smith), S.F. 431 (Betzold); H.F. 2088 (Smith, S.F. 432 (Betzold); H.F. 2087 (Smith), and S.F. 435 (Betzold); H.F. 2114 (Smith) were laid over.

Senator Betzold moved amendment LCPR05-051 to S.F. 433 (Betzold); H.F. 2112 (Smith). **MOTION PREVAILED.**

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the LCPR05-184 amendment would eliminate the fail-safe contribution provision. Mr. Bergstrom testified that it is unlikely the fail-safe contribution would be needed, but it is good to have.

Ms. Sandra Neren, representing the Minnesota District Judges Association, testified that she reviewed the changes proposed in the bill, and recommended retaining the fail-safe provision.

Senator Larson moved S.F. 433 (Betzold); H.F. 2112 (Smith), as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Representative Murphy moved S.F. 434 (Betzold); H.F. 2113 (Smith) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Senator Michel moved S.F. 436 (Betzold); H.F. 2115 (Smith) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 437 (Betzold); H.F. 2095 (Smith) was laid over.

Items 14-17; Privatizations

14. S.F. 888 (Kubly); H.F. 704 (Koenen): PERA; RenVilla Nursing Home Privatization Special Law Approval Filing Date Extension
15. S.F. 1091 (Dille); H.F. 1100 (Newman): PERA; Privatized Public Hospital Benefits for Hutchinson Area Health Care Employees
16. S.F. 1149 (Skoe); H.F. 1808 (Eken): PERA; Privatized Public Hospital Benefits for Ada Bridges Medical Services Employees
17. S.F. 1352 (Neuville); H.F. 920 (Cox): PERA; Northfield Hospital Pension Benefits Provided upon Privatization

Mr. Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, briefly reviewed the privatization bills.

S.F. 888 (Kubly); H.F. 704 (Koenen): PERA; RenVilla Nursing Home Privatization Special Law Approval Filing Date Extension

Representative Koenen testified in support of S.F. 888 (Kubly); H.F. 704 (Koenen), noting that there is local support, and that the deal should be completed this summer.

Ms. Vanek testified that the actuarial work has already been completed and the PERA board has reviewed and approved the RenVilla privatization because the cost of the enhanced benefits is covered by the actuarial gain. Ms. Vanek expressed concern regarding the actuarial work practice and the augmentation rate model, and reviewed the history behind the augmentation model. Ms. Vanek indicated that it is unclear if the Hutchinson privatization will occur, that Northfield and Ada Bridges privatizations are ready to go.

Mr. Martin reviewed that privatization actuarial work practices.

There was no action on the bill.

S.F. 1091 (Dille); H.F. 1100 (Newman): PERA; Privatized Public Hospital Benefits for Hutchinson Area Health Care Employees

Senator Dille and Representative Newman testified in support of S.F. 1091 (Dille); H.F. 1100 (Newman), and introduced Mr. Mark Sevara, Hutchinson City Attorney, Mr. Phil Graves, the Hutchinson Area Health Care Administrator, and Ms. Linda Zemer, with Hutchinson Area Health Care Human Services.

Mr. Burek reviewed the potential amendments.

Senator Betzold moved amendment LCPR05-089. **MOTION PREVAILED.**

Mr. Sevara testified that the preference of the Hutchinson Area Health Care would be to be included in the privatization chapter rather than to remain in PERA.

There was no further action on the bill.

S.F. 1149 (Skoe); H.F. 1808 (Eken): PERA; Privatized Public Hospital Benefits for Ada Bridges Medical Services Employees

Senator Skoe and Representative Eken testified in support of the bill, noting that the representative of the Ada Bridges Medical Services was unable to attend the meeting. Senator Skoe indicated that the transfer is expected to take place on March 1 and requested retroactivity. Mr. Burek indicated retroactivity is covered by the bill as drafted.

There was no action on the bill.

S.F. 1352 (Neuville); H.F. 920 (Cox): PERA; Northfield Hospital Pension Benefits Provided upon Privatization

Mr. Burek indicated that the actuarial work for S.F. 1352 (Neuville); H.F. 920 (Cox), Northfield Hospital privatization has been completed.

Senator Betzold moved Amendment LCPR05-068. **MOTION PREVAILED.**

Senator Neuville testified in support of the bill, and asked if allowing the employees to remain in PERA would be a possibility. Mr. Burek noted that there would be additional cost to the purchaser if the employees were to remain as PERA members, so that approach can hamper a privatization.

Mr. Ken Bank, President, Northfield Hospital, testified in support of the bill, indicated they did not believe there would be a problem with the bill given the actuarial work, and that they have not considered the option of staying in PERA. Ms. Sue White, Northfield City Administrator, testified in support of the bill and that they hope this privatization would be considered as other privatizations in the past.

There was no further action on the bill.

Ms. Vanek indicated that she will work with the actuary and the Commission staff regarding the actuarial work issues and that she will report back to the Commission on Friday.

Adjournment

The meeting adjourned at 9:02 a.m.



Lisa Diesslin, Administrative Secretary

S.F. xxx (Pogemiller); H.F. xxx, Document LCPR05-091: PERA; Providing Interest on Minneapolis Community Development Agency Service Credit Purchase Payment Overages and Permitting Purchasers to Revoke Purchase.

Ms. Vanek testified that many of the affected employees have already purchased past service based on overstated eligible salary figures and therefore overpaid on the purchases. Ms. Vanek said the law does not allow for the payment of interest on that returned overpayment, and PERA is asking that these individuals be allowed to receive interest in order to make them whole.

Senator Larson moved LCPR05-091, amended to add a June 30, 2005, expiration date for Section 2, be added by amendment to the omnibus retirement bill. **MOTION PREVAILED.**

S.F. xxx; H.F. 1504 (Thissen): Minneapolis Fire; Service Credit Clarified, Disability Benefits Recomputed, Pension Benefit Reductions Prohibited.

Mr. Walter Schirmer, Executive Secretary, Minneapolis Firefighters Relief Association, testified in support of the bill.

Mr. Brian Rice, attorney representing the Minneapolis Firefighters Relief Association, testified in support of the bill and provided background information on the proposed legislation.

Representative Thissen moved amendment LCPR05-256. **MOTION PREVAILED.**

Representative Thissen moved amendment LCPR05-152. **MOTION PREVAILED.**

Mr. Pat Born, Chief Financial Officer, City of Minneapolis, testified in support of the bill as amended.

Representative Thissen moved H.F. 1504, as amended, be added by amendment to the omnibus retirement bill. **MOTION PREVAILED.**

S.F. xxx (Pogemiller); H.F. xxx, Document A05-0388: Minneapolis Police; Service Pension Schedules Applicable if Funding Ratio is Less than 90 Percent.

Mr. Rice, representing the Minneapolis Police Relief Association, testified in support of the bill.

Senator Betzold moved amendment LCPR05-255. **MOTION PREVAILED.**

Mr. Born testified in support of the bill as amended.

Mr. Dick Nelson testified in support of the bill.

Senator Betzold moved A05-0388, as amended, be added by amendment to the omnibus retirement bill. **MOTION PREVAILED.**

S.F. xxx; H.F. 853 (Kelliher): MERF; Executive Director Salary; Fund Investment, and Transfer Liquidity Flexibility.

Representative Kelliher testified in support of the bill.

Ms. Judith Johnson, Executive Director, MERF, testified in support of the bill, indicating that she met with Commission staff on the issue and that the proposal was approved by both the MERF Board and by the Minneapolis City Council in December, although they still expect to see a local approval clause.

Mr. Born testified that the Minneapolis City Council did approve the provision in its current form and supports the bill. Mr. Born also stated the city's position that the salary cap does presents problems and should be eliminated.

The bill was laid over.

Adjournment

The meeting adjourned at 9:00 a.m.



Lisa Diesslin, Administrative Secretary