



April 1, 2005
Room 15 Capitol

3rd 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, Dennis Ozment, Steve Smith, Paul Thissen, and Lynn Wardlow
Senators Don Betzold, Keith Langseth, Cal Larson, Geoff Michel, and Lawrence Pogemiller

Agenda Items

Continued Discussion of Privatization Bills from the March 30, 2005, Meeting

Ms. Mary Vanek, Executive Director, PERA, testified that she spoke with the consulting actuary and the actuary calculated that based upon the funded ratio they could offer 4% and 6% augmentation rates rather than the current 6.5% and 7.5% rates, but Ms. Vanek recommended granting the current provisions to these four privatizations and then close out the current provisions and replace them with 4% and 6% augmentation rates.

Representative Smith moved S.F. 888 (Kubly); H.F. 704 (Koenen) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Senator Betzold moved S.F. 1091 (Dille); H.F. 1100 (Newman), as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Senator Larson moved S.F. 1149 (Skoe); H.F. 1808 (Eken) be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Representative Wardlow moved S.F. 1352 (Neuville); H.F. 920 (Cox), as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

**S.F. 995 (Betzold); H.F. 2109 (Smith): Various Plans; State Salary Limit Exceptions for Public Pension Purposes; and
S.F. 1206 (Betzold); H.F. 1250 (Smith): Various Plans; Public Pension Salary Limits Local Elected Officials Exemption**

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

Ms. Sandra Neren, representing the Minnesota County Attorneys Association and the Minnesota Sheriff's Association, testified in support of S.F. 1206; H.F. 1250.

Mr. Doug Carnival, representing the Southern Minnesota Municipal Power Association, testified in support of S.F. 995; H.F. 2109.

Mr. Al Bunnett, Hay Group, testified as a consultant to the Southern Minnesota Municipal Power Association in response to a question from Senator Larson about the agency's top salaries. Mr. Bunnett indicated that the top salary is approximately \$160,000 and that they have done studies on behalf of the agency with regard to organizations with which they compete in the utility industry, and that salary figure is considerably below the median.

Mr. Martin reviewed the statutory salary limitation provisions and referred members to a chart showing the history of increases in the Governor's salary.

Senator Larson requested Mr. Martin draft an amendment regarding Duluth Port Authority employees.

Mr. Gary Carlson, League of Minnesota Cities, testified in support of S.F. 995; H.F. 2109, clarified that there are two statutes regarding salary limits and that some individuals are not covered by 43A.17 but are covered by the 356.611 pension cap, and suggested the possibility of ending this problem by amending the statute more generally.

Mr. Keith Carlson, Metropolitan Inter-County Association, began his testimony by disclosing that he is personally affected by the bill. He indicated after last year's legislation, non-school local governments are essentially the only entities that remain subject to the cap. Mr. Carlson indicated that S.F. 995 provides exceptions for four county attorneys, but since the bill was drafted the Olmstead county attorney is also now over the cap and he recommended this individual also be covered. He also noted that more county attorneys and county sheriffs will be over the cap in the future, so he agreed with Gary Carlson's recommendation of a more general provision.

Representative Smith offered amendment LCPR05-195.

Ms. Vanek testified that she did not ask the PERA Board to take a position because it is an issue of what are the appropriate levels of salary to be paid top local government officials, but that PERA has monitored salaries every year since the law passed and has communicated with individuals affected by the cap. Ms. Vanek said PERA will continue to monitor salary levels because of the federal cap, which is currently at \$210,000 and is only increased when inflation increases the amount by \$5,000, and that the salary cap is becoming an increasing issue.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified that TRA does audits on admissible salary and submitted a report on those individuals whose salaries for pension purposes were reduced due to inadmissible items, such as car allowance, that had been included in salary.

Ms. Vanek testified that amendment LCPR05-195 would address PERA's concerns, but that there two Regions Hospital nurses not named in the 2004 legislation PERA would also like to exclude from the cap.

Mr. Martin clarified that amendment LCPR05-195 would exempt individuals who are quasi-governmental enterprises; the individuals who are still covered by the employee relations cap on their actual salary are local governmental employees and they have a mechanism to seek an individual exemption from the 43A.17 limit and would then automatically be also exempt from the 256.611 limit.

Mr. Keith Carlson testified that there have been approximately 54 requests for exemption and approximately 36 have been granted. He offered several examples, including Minneapolis exemption requests for a wide range of positions, a number of which were denied.

Mr. Greg Hubinger, Executive Director, Legislative Coordinating Commission and the Subcommittee on Employee Relations, testified that under law a local government may apply for a waiver from the cap and the Commissioner may grant a waiver but the Commissioner is required to request advice from Subcommittee on Employee Relations before granting a waiver. The standard in the law requires that the employer needs to offer a higher salary to attract or retain an employee. In the case of Minneapolis, the market data did not support granting the waiver for about half of the requests. Mr. Hubinger indicated that the Commission has applied a stricter standard about what market conditions exist in the state and as such has turned down a number of requests in the past months. Mr. Hubinger also noted that the Commissioner is only required to request the advice of the Subcommittee if a waiver is being considered, the request for advice is not required if a waiver is not going to be granted.

Mr. Keith Carlson indicated that Commissioner has gone against Subcommittee recommendations in a number of cases.

Ms. Vanek testified that this is an issue she has discussed with Board. Ms. Vanek said that the federal limit exists and they always have to follow it, but there are states that limit the growth of the salary during the final years. She noted that one of the staff amendments includes such a provision and that while she doesn't necessarily agree with the 106% recommended in the staff amendment, PERA does think this is a reasonable option. Ms. Vanek indicated the problem not addressed is how to address actual promotions in the final years prior to retirement.

Senator Larson and Representative Murphy moved the handwritten amendment to include the Duluth Seaway Port Authority. **MOTION PREVAILED.**

Ms. Neren requested the inclusion of language to make the law retroactive to the original effective date so the individuals would have never been subject to the cap, similar to the 2004 provisions.

Representative Smith moved amendment LCPR05-195, amended to include a retroactivity clause and to require salary audits and a report on those audits. **MOTION PREVAILED.**

Mr. Keith Carlson indicated that the list on page 5 may not be complete, but the positions are either not currently at the cap, are already exempted, or would be covered by amendment LCPR05-195.

Mr. Hubinger testified that the packet a city or county submits with a waiver exemption request includes a resolution from the city or council supporting the increase.

Senator Larson moved technical amendment LCPR05-156. **MOTION PREVAILED.**

Senator Pogemiller requested that the fund directors discuss the limit on end-of-career salary increases.

The bills were laid over.

S.F. 1556 (Betzold-by req.); H.F. 2101 (Murphy): MnSCU; Individual Retirement Account Plan Investment Option Modification

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

Mr. Gary Janikowski, Assistant Director of Personnel, MnSCU, testified that the recommendation came from the Defined Contribution Retirement Plan Advisory Committee and the intention is to simplify the plan to narrow the choices.

Mr. Russ Stanton, Inter-Faculty Organization, testified that the committee included all of the employee groups and it is not a major issue for the faculty.

Representative Murphy moved S.F. 1556; H.F. 2101 be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1431 (Wiger); H.F. 1603 (Slawik): Maplewood and Oakdale Volunteer Firefighter Relief Associations; Liability and Asset Transfer for Six Firefighters

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

Senator Wiger and Representative Slawik testified in support of the bill.

Senator Betzold moved amendment LCPR05-144. **MOTION PREVAILED.**

Representative Murphy moved amendment LCPR05-187. **MOTION PREVAILED.**

Representative Smith moved amendment LCPR05-188. **MOTION PREVAILED.**

Captain Mike Stroeing, Oakdale Fire Department Relief Association, and Mr. Ed Dietz, treasurer of the Maplewood Firefighters Relief Association, were present in support of the bill.

Senator Larson moved S.F. 1431; H.F. 1603, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1741 (Betzold); H.F. 1934 (Wardlow): Supplemental Pension Plans; Public Funds Contribution Restriction Exemption Clarification

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

Ms. Cheryl Furrer, Education Minnesota, testified in support of the bill.

Representative Wardlow moved S.F. 1741; H.F. 1934 be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1763 (Pogemiller); H.F. 2031 (Thissen): PERA-P&F; University of Minnesota Police Officers Exclusion

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

Ms. Shelly Carthen Watson, University of Minnesota Associate General Counsel, testified in support of the bill and noted that the two police chiefs are included in the faculty retirement plan.

Ms. Vanek testified that the University never intended the police chiefs to be covered by PERA-P&F, that PERA encouraged the University to seek this legislation, and that PERA supports the bill.

Representative Thissen moved amendment LCPR05-189. **MOTION PREVAILED.**

Representative Thissen moved amendment LCPR05-190. **MOTION PREVAILED.**

Representative Thissen moved S.F. 1763; H.F. 2031, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 259 (Betzold); H.F. 1706 (Smith): VFRA; Implementing the Volunteer Firefighter Relief Association Working Group Recommendations Relating to Firefighter Retirement Financing and Benefits

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

State Auditor Patricia Anderson testified in support of the bill and reviewed the working group process.

Mr. Ed Dietz, Maplewood Firefighters Relief Association, testified in support of the bill.

Mr. Nyle Zikmund, representing Minnesota fire chiefs and Spring Lake Park-Blaine-Moundsview, testified in support of the bill and in support of amendments LCPR05-025 and LCPR05-026.

Senator Betzold moved amendment LCPR05-025. **MOTION PREVAILED.**

Senator Betzold moved amendment LCPR05-026. **MOTION PREVAILED.**

Mr. Dave Ganfield, Secretary, Minnesota State Fire Department Association and administrator for Apple Valley Fire Relief, testified that some of the amendments weren't brought up in the working group, that the group will continue to meet, and recommended allowing the group to discuss the issues.

Mr. Zikmund commented that while they don't believe there are a lot of relief associations invested in junk bonds, they don't know who is and getting that information would take some time. Mr. Zikmund said an immediate effective date may cause a number of associations to not get certified for state aid.

Auditor Anderson said they are working on a separate bill on the investment issue that includes a three-year phase-in and they will continue to work with funds.

Senator Betzold moved S.F. 259; H.F. 1706, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 623 (Tomassoni); H.F. 240 (Rukavina): VFRA; Aurora, Biwabik, Hoyt Lakes and Palo Volunteer Firefighter Relief Associations Service Pension Calculation after Consolidation

Mr. Rick Bradford, Hoyt Lakes City Administrator, testified in support of the bill.

Representative Rukavina testified in support of the bill and provided letters of support from all four units of government.

Mr. Martin reviewed the amendments.

Representative Ozment moved amendment LCPR05-153. **MOTION PREVAILED.**

Representative Rukavina testified that he is not opposed to amendment LCPR05-154.

Representative Murphy moved amendment LCPR05-154. **MOTION PREVAILED.**

Representative Ozment moved S.F. 623; H.F. 240, as amended, be recommended for inclusion in the omnibus retirement bill.

The bill was temporarily laid aside until a quorum was present.

S.F. 157 (Tomassoni); H.F. 94 (Rukavina): Eveleth P&F; Eveleth Police & Fire Trust Fund Ad Hoc Post-Retirement Adjustment

Representative Rukavina testified in support of the bill, noting that there are only five remaining affected individuals.

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

Representative Murphy moved amendment LCPR05-035 be recommended for full Commission consideration. **MOTION PREVAILED.**

Representative Murphy moved S.F. 157; H.F. 94, as amended, be recommended for inclusion in the omnibus retirement bill.

The bill was temporarily laid aside until a quorum was present.

Mr. Martin referred members to document LCPR05-201, the current working version of the omnibus retirement bill reflecting the Commission action as of March 30. Mr. Martin noted for audience members that the document is posted on the Commission website.

A quorum was now present.

Representative Smith moved to confirm the adoption of amendments LCPR05-153 and LCPR05-154 to S.F. 623 to H.F. 240. **MOTION PREVAILED.**

Representative Ozment renewed his motion that S.F. 623; H.F. 240, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

Representative Murphy moved to confirm the adoption of amendment LCPR05-035 to S.F. 157; H.F. 94. **MOTION PREVAILED.**

Representative Murphy renewed her motion that S.F. 157; H.F. 94, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1927 (Betzold); H.F. 1799 (Wardlow): VFRAs; Statewide Volunteer Firefighter Retirement Plan Study

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

Mr. Nyle Zikmund testified in support of the bill and amendment LCPR05-177.

Representative Wardlow moved amendment LCPR05-177. **MOTION PREVAILED.**

Mr. Zikmund requested a verbal amendment to address Representative Hackbarth's concern to clarify that the task force members are volunteer firefighters.

Representative Wardlow moved to amend S.F. 1927; H.F. 1799 as follows: on page 1, lines 14, 16 and 18, after "members" insert "who are volunteer firefighters". **MOTION PREVAILED.**

Representative Wardlow moved S.F. 1927; H.F. 1799, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1682 (Pogemiller); H.F. xxx: PERA; Defining Covered Salary to Include Certain Employer Contributions to Supplemental Retirement

Mr. Todd Pufile, Business Manager for City Employees Local #363, testified in support of the bill and an amendment to be offered by PERA.

Ms. Vanek distributed amendment LCPR05-202, and requested a verbal amendment as follows: line 4, delete "and the" and delete lines 5-6.

Representative Thissen moved amendment LCPR05-202 as verbally amended. **MOTION PREVAILED.**

Senators Betzold and Larson moved to delete Section 3. **MOTION PREVAILED.**

Mr. Russ Stanton, Inter-Faculty Organization, gave background information on the MnSCU \$2,700 limit.

Representative Thissen moved S.F. 1682, as amended, be recommended for inclusion in the omnibus retirement bill. **MOTION PREVAILED.**

S.F. 1865 (Kelley); H.F. xxx: TRA; School Administrators Retirement Coverage Option; Cooperative Agreements with Other States for Combined Service

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

Senator Kelley testified in support of the bill and provided background information.

Mr. Charlie Kyte, Executive Director, Minnesota Association of School Administrators, testified in support of the bill and explained the need for the proposed legislation. Mr. Kyte testified that Minnesota needs a larger pool for leadership positions and that the challenge is the larger districts; we will lose 70% of metropolitan superintendents in the next two years.

Dr. Ted Blaesing, White Bear Lake Area School District Superintendent, testified in support of the bill. Dr. Blaesing said that he has been assisting the superintendent search firm of Hazard, Young, & Attea which has conducted over 500 searches across the country over the past 20 years and that the number of applicants is dropping – ten years ago there would have been 50-60 applicants, last year there were 20, and 2 top level applicants chose to withdraw their applications after using the TRA online calculator.

Mr. Dale Feste, Hopkins School Board Chair, testified in support of the bill. Mr. Feste told Commission members that the Hopkins superintendent will be forced financially to return to Wisconsin to finish his career because of the lack of pension portability and the high cost of a service credit purchase. He also said that attracting new superintendents is also a concern.

Mr. Thompson testified that purchases of service credit can be very expensive, particularly close to retirement. Mr. Thompson indicated TRA's concern about the multi-state combined service annuity provision and recommended the provision be deleted.

Senator Kelley noted that as school districts have become more diverse, school boards have deemed it advisable to seek candidates who are racially or ethnically diverse and thus have sought candidates from outside the state.

Mr. Kyte testified that they have had success at moving principals up into superintendent positions, but the challenge is in the larger metropolitan and suburban school districts and often the best pool of applicants is those who are serving in similar districts in other parts of the country.

Senator Kelley distributed amendments SCS1865A-1, SCS1865A-2 and SCS1865A-3.

Ms. Furrer testified that there needs to be some portability for superintendents and that there are real challenges in recruiting and retaining superintendents. Ms. Furrer suggested including the cities of the first class in the legislation.

The bill was laid over.

Adjournment

The meeting adjourned at 11:25 a.m.



Lisa Diesslin, Administrative Secretary