



February 27, 2009
Room 107 Capitol

2nd Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Senator Don Betzold, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 10:05 a.m.

Commission Members Present:

Representatives Mary Murphy, Phyllis Kahn, Michael V. Nelson, and Steve Smith
Senators Don Betzold, Ann Lynch, Mary A. Olson, Sandra L. Pappas, and Julie A. Rosen

Commission Members Absent:

Representative Paul Thissen

Agenda Items

Approval of Prior Commission Meeting Minutes

Rep. Kahn moved approval of the February 10, 2009, meeting minutes. **MOTION PREVAILED.**

S.F. 191 (Betzold); H.F. 723 (Murphy, M.): MSRS-General, MSRS-Correctional, State Patrol: Disability benefit filing deadline and age limit revisions.

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 in support of the bill, expressed his preference for amendment S0191-A1, and indicated that the State Patrol section was intentionally omitted.

Sen. Lynch moved amendment S0191-A9. **MOTION PREVAILED.**

Sen. Lynch moved amendment S0191-A1. **MOTION PREVAILED.**

Rep. Murphy moved S.F. 191/H.F. 723, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

S.F. 193 (Betzold); H.F. 727 (Murphy, M.): MSRS-Correctional; Disability benefit program revisions.

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the provisions of the bill.

Mr. David Bergstrom, Executive Director, MSRS, testified in support of the bill, distributed a handout, and reviewed the proposals. Mr. Bergstrom then responded to questions from members, indicating that the proposal is expected to save money and acknowledging members' concerns about the potential disincentive for an employer to hire a Correctional Plan disabilitant because of higher employer contribution rates and the related employee discrimination claim potential.

The bill was laid over. Sen. Betzold asked Mr. Bergstrom to identify provisions that are needed this year.

S.F. 546 (Betzold); H.F. 726 (Murphy, M.): State Patrol; Disability benefit program revisions.

Mr. Martin summarized the staff memo and policy issues raised by the bill, and reviewed the potential amendments, including an amendment requested by MSRS for a retroactive effective date.

Mr. David Bergstrom, Executive Director, MSRS, testified in support of the bill, informing members that there used to be a panel that made decisions related to the paid health insurance for those disabled in the line of duty, but that panel no longer exists so there is no one to make those determinations. According to Mr. Bergstrom, there is one individual who was determined this year to be disabled in the line of duty who has been unable to collect his paid health insurance because there is no one to make a decision and the retroactive effective date is intended to assist this individual.

Mr. Paul Larson, Assistant Commissioner, Minnesota Management and Budget, testified that this individual's claim was not a workers' compensation related claim, which limits the ability of Minnesota Management and Budget to make the adjustment from the insurance perspective.

Rep. Murphy moved S.F. 546/H.F. 726.

Rep. Murphy moved amendment A09-0025. **MOTION PREVAILED.**

Mr. Bergstrom testified that amendment S0546-1A is acceptable to MSRS.

Rep. Murphy moved amendment S0546-1A. **MOTION PREVAILED.**

Mr. Bergstrom testified in opposition to Amendment S0546-2A, which would remove the health insurance provision, pointing out that the provision was brought to his attention by the department. Mr. Bergstrom indicated that it is his understanding that those who are disabled in the line of duty are eligible for the state-paid health insurance so the provision does not constitute a change other than that there is currently no entity to approve the claims.

Mr. Larson testified that when a panel existed under the auspices of the Department of Public Safety with respect to work-related disability and the employer-paid insurance, it applied to the state law enforcement officers. When the panel was abolished and the Legislature codified into law the provisions that are currently in effect for PERA, the state law enforcement officers were omitted. According to Mr. Larson, the same standard the Legislature fixed last year for police officers in PERA would apply to the state law enforcement officers as well.

Ms. Mary Vanek, Executive Director, PERA, clarified that there is a state appropriation to pay for the continuing health insurance and while it doesn't always cover all of the employer costs, but when claims are submitted by employers, if there isn't enough money in the appropriation the Department of Public Safety prorates the distribution to all of those who have paid for the health insurance.

Mr. Martin reviewed amendment S0546-3A.

Mr. Bergstrom testified that amendment S0546-3A is acceptable to MSRS.

Rep. Murphy moved amendment S0546-3A. **MOTION PREVAILED.**

Ms. Vanek testified in response to Rep. Kahn's question that PERA requires one-year vesting for duty disabilities and three-year vesting for non-duty disabilities.

Mr. Bergstrom testified that MSRS intended to keep the one-year vesting requirement, but it was inadvertently taken out. Mr. Bergstrom also indicated that MSRS is comfortable with amendment S0546-4A, and that they have no position on amendment S0546-5A.

Rep. Murphy moved amendment S0546-4A. **MOTION PREVAILED.**

Mr. Bergstrom testified in opposition to amendment S0546-6A until such time that he could discuss it with the membership, and in support of amendment S0546-7A.

Rep. Murphy moved amendment S0546-7A. **MOTION PREVAILED.**

Mr. Bergstrom testified that the MSRS attorney recommended the following technical amendment: page 2, line 17, after "Public Employees Retirement Association" insert "or the Minnesota State Retirement System, whichever is applicable".

Mr. Martin said he looked at this paragraph as well to determine whether a change was needed, but paragraph (b) appears to only apply to someone who doesn't get a regular disability benefit, such as a local police or paid fire plan member.

Senator Betzold suggested Mr. Bergstrom's recommendation, if determined to be necessary, could be included in a technical amendment to the omnibus bill.

Rep. Murphy moved S.F. 546/H.F. 726, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

S.F. 578 (Betzold); H.F. 1123 (Murphy, M.): MSRS, PERA, TRA, First class city teacher plans; Administrative and benefit-related provisions.

Mr. Burek reviewed each proposed change, associated policy issues, and potential amendments, beginning with the TRA proposed service credit procedure provision.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified in support of the proposed service credit provision, provided a handout, and responded to questions from members.

Ms. Karen Williamson, Assistant Executive Director of Operations, TRA, responded to a question from Rep. Murphy, clarifying that Q Comp salary would be included in the salary calculation for service credit.

Sen. Betzold temporarily set aside consideration of this provision.

Mr. Burek reviewed Section 21, the TRA retirement accrual date language.

Mr. Thompson testified in support of the provision, that the provision is not a benefit improvement, and that the TRA actuary determined there would be no measurable cost.

Mr. Burek reviewed the PERA erroneous receipts provisions.

Ms. Mary Vanek, Executive Director, PERA, testified in support of the proposal, reviewing the actions taken by PERA to obtain a favorable determination from the IRS and communication from the IRS to date. Ms. Vanek testified that the provisions are important because should PERA be audited, having the provision in place means the IRS would not impose significant penalties.

Mr. Burek reviewed Sections 1 and 2, the PERA Post Retirement Option provision.

Ms. Vanek testified in support of the provision, explaining that the provision does not expand eligibility but corrects a PERA drafting error in 2008.

Mr. Burek reviewed Section 40, the TRA supplemental needs trust provisions.

Mr. Thompson testified in support of the provisions, noting that the spousal benefit already takes precedence and that TRA provisions are different than MSRS or PERA provisions.

Mr. Burek reviewed Section 31, the TRA full actuarial value military service credit provision.

Mr. Thompson testified in support of the provision, indicating that it is consistent with the Uniformed Service Employment and Reemployment Rights Act (USERRA).

Ms. Vanek testified that PERA has no problem with amendment S0578-20A, but pointed out that on line 1.9 of the amendment, clause (7) is now clause (8).

Mr. Burek reviewed Sections 25 and 37, regarding TRA and first class city teacher plans disabilitant medical exams.

Mr. Bergstrom testified in opposition to amendment S0578-17A.

Ms. Vanek testified in opposition to amendment S0578-17A.

Senator Betzold indicated more time would be needed to consider the TRA service credit provision.

Sen. Olson moved amendment S0578-8A. **MOTION PREVAILED.**

Rep. Murphy moved Section 21 (TRA service credit accrual provision) of S.F. 578/H.F. 1123 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Rep. Murphy moved the language of amendment S0578-24A (new Sections 9 and 10, PERA erroneous receipts) be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Rep. Murphy moved Sections 1 and 2 (PERA post retirement option program) of S.F. 578/H.F. 1123 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Rep. Nelson moved Sections 39 and 40 (supplemental needs trusts) of S.F. 578/H.F. 1123 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Rep. Murphy moved amendment S0578-20A. **MOTION PREVAILED.**

Rep. Kahn moved Section 31 (TRA military service credit purchase at full actuarial value) of S.F. 578/H.F. 1123, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Mr. Thompson testified in opposition to amendments S0578-15A, -16A, and -17A.

Rep. Kahn moved Sections 25 and 37 (disabilitant physical examinations) of S.F. 578/ H.F. 1123 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Ms. Vanek testified in support of Section 5, the PERA allowable service definition provision.

Rep. Murphy moved Section 5 (PERA allowable service definition) of S.F. 578/H.F. 1123 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Mr. Thompson testified in support of Section 22, the TRA reemployed annuitant earnings provision.

Mr. Bergstrom testified that much of the bill is non-controversial.

Ms. Vanek testified that Section 38, the automatic deposit authority provision, is important to all of the funds.

Rep. Nelson moved Section 38 (automatic deposit authority) of S.F. 578/H.F. 1123 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Senator Betzold instructed the pension plan administrators to identify those sections they want to be included in this year's omnibus bill for consideration at the next Commission meeting.

Senator Betzold announced the March 6 Commission meeting will start at 9:30 a.m. rather than 10:00.

Adjournment

The meeting adjourned at 1:02 p.m.