



March 13, 2009
Room 107 Capitol

5th 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 9:30 a.m.

Commission Members Present:

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

Commission Members Absent:

Senator Julie A. Rosen

Agenda Items

S.F. 131 (Bonoff); H.F. 111 (Winkler): SBI; Require divestment of certain investments relating to Iran.

Sen. Betzold informed members that because the bill is on the floor in both the Senate and the House, the Commission is not in the position to amend the bill.

Sen. Terri E. Bonoff and Rep. Ryan Winkler testified in support of their bill.

Sen. Warren Limmer testified in support of the bill.

Mr. Howard Bicker, Executive Director, State Board of Investment, testified that as of December 31, 2008, SBI holdings impacted by the bill would be approximately \$280 million worth of securities, representing 5.6% of SBI's international portfolio and roughly 1% of SBI's entire portfolio. Mr. Bicker requested consideration of a potential amendment giving the SBI the option of a shareholder resolution rather than divestment.

Sen. Bonoff testified in opposition to the replacing the divestment with a shareholder resolution.

Mr. Edward Burek, Deputy Director, LCPR, reviewed the staff memo and policy issues raised by the bill.

Sen. Lynch recommended the Commission provide suggestions to the authors regarding the bill and the potential amendments discussed in the staff materials.

Summary of Commission suggestions:

- In cases where the SBI determines divestment is inconsistent with its fiduciary responsibilities, the SBI should submit a shareholder resolution. Six Commission members thought this was a good suggestion; two thought it was not a good suggestion.
- Expand the scope of the covered investment types beyond only equity investments to also include debt investments (Amendment S0131-2A). Five members thought this was a good suggestion; four were unsure.
- Add a July 1, 2009, effective date. All nine members present thought this was a good suggestion.
- Have the required reports sent to the Commission executive director rather than to the Commission chair and vice chair. All nine members present thought this was a good suggestion.

The bill was laid over.

Approval of prior Commission meeting minutes.

Rep. Murphy moved approval of the March 10, 2009, meeting minutes. **MOTION PREVAILED.**

S.F. 914 (Betzold); H.F. 1100 (Thissen): MERF consolidation with PERA-General.

Sen. Betzold informed members that he was notified that the City of Minneapolis needs more time to develop a proposed resolution, so the Commission will hear testimony and then table the bill as requested by Rep. Thissen.

Rep. Thissen reviewed and testified in support of his bill.

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed MERF history, some of the factors contributing to its financial situation, and explained how contribution rates are set.

Mr. Luther Thompson, Executive Director, MERF, testified in support of the bill and provided handouts, including the MERF board resolution regarding the merger.

Mr. Willie Harris, retiree and board member, MERF, testified in support of the bill.

Mr. Brian Lokkesmoe, President, MERF Board of Directors, testified that the MERF board is in unanimous support of the bill. Mr. Lokkesmoe recognized the presence of Dennis Schulstad (Board Vice President), James Lind (Past Board President), and Heather Johnston, the mayor's appointed representative to the Board of Directors.

Mr. Leonard Krumm, President, Minneapolis Municipal Retirement Association (MMRA), testified that the MMRA is in unanimous support of the bill.

Ms. Mary Vanek, Executive Director, PERA, testified that the PERA board has not taken a formal position on the bill other than an unstated position that a merger would need to be fully funded, and the board directed Ms. Vanek to continue to work with the involved parties.

Mr. Pat Born, CFO, City of Minneapolis, testified that the city is on record as supporting the merger but has to face the reality the city's \$46 million share of the cost.

Ms. Vanek explained that the PERA actuary determined the unfunded liability for a July 1, 2010, merger. She also indicated PERA would like to discuss the possibility of reviewing the actual experience a few years after the merger and adjusting the liability payment accordingly.

Ms. Peggy Ingison, CFO, Minneapolis Public Schools, testified that the school district recognizes the need for the legislation but is concerned about the school district financial obligation.

Mr. Martin reviewed the staff memo and discussed potential amendments.

Rep. Thissen indicated that the MERF membership has agreed to Amendment S0914-3A.

Mr. Thompson testified that the current estimates assume the revisions in Amendment S0914-3A.

The bill was tabled.

Non-Agenda Item

Amendment S0777-4A

Mr. Martin distributed and reviewed technical Amendment S0777-4A correcting a 2008 bill drafting error.

Mr. Luther Thompson, Executive Director, MERF, testified in support of the amendment.

Sen. Lynch moved Amendment S0777-4A be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Adjournment

The meeting adjourned at 12:00 noon.