

## SUBCOMMITTEE ON PENSIONS & RETIREMENT

Meeting July 8 and 9, 1976  
Brainerd, Minnesota

The subcommittee on Pensions and Retirement of the Senate Governmental Operations Committee met in Brainerd, Minnesota, at the Holiday Inn on Thursday and Friday, July 8 and 9. The meeting was held there in order to coordinate it with the Tri-City meeting of the cities of the first class pension funds. The subcommittee wanted to get input from the fire and police associations regarding their pension funds in cities of the first class.

The following members were present: Senators Chenoweth, chairman, Stokowski, McCutcheon and Mel Hansen. Senator Ogdahl was unable to attend. Senator Solon from Duluth attended the deliberations on Friday. Tom Triplett, Senate Counsel for the Governmental Operations Committee, was also present.

The subcommittee met separately on Thursday afternoon and reviewed Chapter 315 which was passed last session on the distribution of state aids to fire and police funds. Discussion indicated that there was some ambiguity in the new language in Section 4, Subdivision 5, on the calculation of state aids. It seems the amendment, which was authored by Senator Carl Jensen, can be interpreted to preclude municipalities with a population of less than 1,000 from receiving state aids. It was felt this should be made more clear since that was not the intent of the legislature.

The subcommittee also discussed a memorandum prepared by John Mandeville of the Legislative Commission on Pensions and Retirement on the advantages and disadvantages of consolidating or phasing out local police and paid fire funds into PERA police and fire funds. The memorandum was prepared at the request of Representative David Beauchamp.

Near the end of the informal discussion among the subcommittee members the police and fire association representatives sent Dick Nelson and Bob Wetherill into the meeting to outline some of their areas of concern. It was agreed that the subcommittee would meet with the police and fire association representatives at 9 o'clock the next morning (Friday). Copies of the Mandeville memorandum were furnished to the association representatives at their request so they could be prepared to respond at the morning session.

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There was no formal agenda for the Friday morning session. Senator Chenoweth opened the meeting by saying he would like it to be a sort of a two-way dialogue.

Following are some of the points brought out by Dick Nelson, recently retired president of the Police Association Council and Bob Wetherill of the Fire Fighters Association about the concerns of the cities of the first class:

The news media is always taking pot-shots at them. The Tommy Thompson pension has really been blown up by the new media to make the public feel that all local pensions are out of line. His is the only pension of that size. The highest pension paid by their groups is \$9000.

There is a great lack of communication between the federal legislators and the state associations. The congressmen lack knowledge as to what the state's position is on pensions, about

information on funding, etc. There is outdated information on pensions at the federal level. This gap has to be closed. Our state is one of the six best states in funding concepts, investments, etc., and yet the congressmen in Washington have been totally unaware of it.

Nelson asked that the state aid distribution bill be left as it is for the next year to actually see how it works, and he suggested declaring a one year moratorium on all pension funds in cities of the first class. Nelson said their number one concern is that they want their fund left as it is, status quo, for the next year until they get their actuarial valuation. He said they would like to lower the retirement age. They are going to "throw their actuarial projection in" with vesting at zero, 10, 15 as well as at 20 years. Nelson restated their number 1 request is that their fund be left at status quo regarding contributions, etc. for the next year until they get their actuarial valuation. He also said they would like to have data to show the cost of public vs private pensions if the staff could get those figures together.

Wetherill indicated his association would go along with the moratorium, but did not agree with Nelson on keeping their fund at status quo. They want benefit improvements. Their representatives from St. Paul and Duluth indicated likewise. They especially want earlier vesting and additional benefits for people who work longer and continue to contribute into the fund.

Dick Feider of the St. Paul Police Department thanked the subcommittee for setting up this type of a meeting and said they would like to have more meetings like this where they could have more time to discuss their problems. He was asked how the police association felt about the employees' bargaining law passed in 1971 and should the police be allowed to strike. He replied that their emergency services.

Senator McCutcheon asked what the impact is where there have been changes within the same town in the fire and police associations. The response was that there is friction between the PERA groups and the regular associations. St. Cloud was given as an example. Dick Feider said the city of Rochester will give the answers to that question. The subcommittee asked that the staff of the LCPR make a study of the financial and legal impact of this change.

The police and fire associations wanted the League of Minnesota Municipalities to be more accountable for their acts. Because of a taxpayers revolt the League has zeroed in on the pension benefits and are working on newly elected officials to cut down on any increased pensions, they said. Weatherill stated "they are dealing in fantasy - we deal in figures and facts; we have to have actuarial valuations." He said the League should be required to present actuarial valuations of the cost of selling combined plans to city councils. He said it costs more money to consolidate the funds. The percentage of cost of running the Minneapolis and St. Paul police departments has gone down in the last 25 years from 30% to 8%, Mr. Nelson said. The subcommittee said they need to have figures on why it costs more to consolidate the funds and on the economy of operation compared to the regular associations.

There seemed to be no immediacy for legislation this next session so far as cities of the first class are concerned. The funds were reminded that if legislation is introduced it could become a vehicle for changes and disturb the status quo. Likewise,

Mr. Nelson said, if the commission or anyone else introduced legislation to consolidate cities of the first class and disturb the status quo, then they would come forth with some of their ideas for increased benefits.

Staff was instructed to put together questions that the subcommittee needs to have answered.

Response to the Mandeville memo on consolidation of funds was delayed for another meeting. Senator Hansen said it would be very helpful for each fund to present figures on how much it costs to operate.

The fire and police associations invited the subcommittee to meet with them again at their next Tri-City meeting which will be held in Duluth the latter part of August or early in September. At that time they will respond to the memo on consolidation and have responses to other questions raised at this meeting.

The meeting adjourned at noon.

Dagny Swanson  
Committee Secretary

(The Friday session is on tape. The informal meeting on Thursday was not taped.)