State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

September 15, 16 and 17, 1978 Meetings
Kahler Inn
Albert Lea, Minnesota

MINUTES

Friday, September 15, 1978 - 5:00 P.M.

PRESENT: Sen. Stokowski, chairman, Sen. Renneke, Sen. Ogdahl,
Rep. Biersdorf, Rep. Reding

1. State Aid Program: Administration and Guidelines Act Enforcement
Commissioner Berton W. Heaton, Commissioner of Insurance spoke about the responsibilities of the insurance commissioner in calculating insurance and how the police and fire insurance fits into the insurance plan.

Emil Anderson, Supervisor of the Insurance Division, discussed the problems in his department in regard to work load and responsibilities. He presented a memo outlining some alternative solutions to these problems re fire & police state aid.

2. Combined Service Annuity with 30 Years of Service (MMER & MTRFA)
John Mandeville went over the memo and discussion followed.

"The two Minneapolis funds have unusually generous early retirement provisions which allow employees with 30 years of service to retire at any age without having the amount of the benefit reduced because of early retirement. The administrators of the two Minneapolis funds have expressed concern about the potential cost impact on the Minneapolis funds of allowing unreduced retirement benefits on the basis of a combination of service; and they have pointed out that when the commission was considering the Combined Service Annuity Law it did not discuss the question of how the law would apply to the Minneapolis "30 and out"."

Lyle Farmer, Sec/Treas of the St. Paul Teachers Retirement Fund, stated that there is need for some actuarial equivalency to be put into the law.

The actuarial statement from Stennes and Associates for services for the period from June 1, 1978 to August 31, 1978 was approved for payment.

The minutes of the June 22 and 23, 1978 meeting was corrected to show Mr. James Heim as representing the Duluth Firemen's Relief.

Saturday, September 17, 1978 - 9:00 A.M.

PRESENT: Sen. Stokowski, Sen. Renneke, Rep. Patton, Rep. Biersdorf, Rep. Reding

3. Volunteer Firefighters Relief Associations: Service Pension Limits and Related Issues

Larry Martin went over the memo and discussion followed.
The memo discussed the problems resulting from the amount of special legislation concerning volunteer firefighters relief associations relating to requests for authorization to exceed the service pension limits provided in Minnesota Statutes. The memo included the following topics: range of service pensions provided, current financial status of volunteer firefighters relief associations, distribution of service pensions, additional retirement benefits provided, actuarial balance sheet, financial requirements and financial support, disbursements by the various categories and types of volunteer firefighters relief associations, membership, investments, treasurer's bonds, incorporation of the relief associations.

Gus Welter, Bloomington, Bloomington Firemen's Relief Assn., told the commission that there is no problem with overfunding if the limits are taken off; that over funding indicates that the funds do not know how to make their funds for the people in the associations.

Stan Peskar, League of Minnesota Cities, advised that firefighting is the kind of service that has to be determined at the local level--the way to finance it and the kind of service; that it depends on the local councils to be sure that there are firemen there to do the service. Mr. Peskar recommended simplification of the volunteer firefighters' benefit provisions; perhaps creating a deferred compensation plan; that there should be a choice. He emphasized the continued use of local automony. He also stated that steps should be taken to inform the local bodies of the dollar consequences to improve benefits at the local level; that perhaps the Commission should do this.

4. Some Questions About Disability Benefits
John Mandeville went over the questions and the following responses were made to the problem of disabilities:

Rick Jorgenson, Field Representative of the Social Security Organization, Austin Social Security Office, advised the Commission that in dealing with disability you must consider social security. The social security definition of "disability" is the inability to do useful and meaningful work--cannot compete in the normal work world. There is no minimum age for social security disability; that the amount of disability is determined by the amount the individual was earning. The maximum social security disability payment is approximately $489 and the minimum is $122 (this does not include the wife and children); that it is totally tax free and the whole family is eligible for certain benefit amounts; that they will receive the benefits as long as the family member is disabled.

The State of Minnesota will provide rehabilitation if a disabled person is trainable. Benefits will be terminated if disabled person refuses to be rehabilitated. There is a 5-month waiting period for social security disability payments. The reason for this ruling is to use up any other benefits that the disabled person is entitled to; such as workmen's compensation.

Paul Groschen, Executive Director of MSRS, reported that there is no disability for a legislator or constitutional officer because of the cost of the insurance. The Judges' Plan defines disability as permanent inability to perform a job. There is a minimum benefit if disability occurs on the very first day. The disabled judge generally requests disability benefits from the Governor. He is entitled to full salary for two years, after that benefit is related to the judge's years of service. There is a question whether a judge should be entitled to a disability benefit after age 65. There is no provision to terminate such disability.

The Highway Patrol definition of disability is the inability to perform the job. There are different benefits for work related disabilities and non work related disabilities; two medical opinions are needed. There is no protection for the wife and children but at age 65 the disabilitant is put on retirement and then he gets benefits for wife and children. There is a voluntary insurance which pays up to 60% of final pay. Mr. Groschen believes that relating disability benefits to length of service is a proper requirement.

Duane Johnson, Asst. Commissioner of the Department of Health, told the Commission that in fiscal 1978 his department made 1,035 disability determinations. Relative to the problem of access to the social security medical records which social security rules is "privat", an employee may sign a release so that this information may be given out.

Bub Currie, representing the state employees union--representing 15,000 state employees, commented that people do want to work; they do not want to be disabled. The requirements for MSRS disability benefits are more rigid than the social security disability requirements; that there is need to provide rehabilitation and retraining.

Mr. Groschen advised that an employee must remain on leave of absence while applying for disability benefits and that there is no authority to require his department to rehire him.

Harold Bernard, Insurance Department, University of Minnesota stated that many organizations are eliminating disability plans from their pension program; that there is need for different programs and objectives; that they should not be tied together. They have two definitions of disability--during the first two years, complete disability to perform occupation, balance should be the ability to engage in business of any kind that a person is qualified to engage in; and that they have the right during the first two years to require a doctor's report every month.

Stan Peskar, League of Minnesota Cities, commented that disability should be aimed at promoting employment.

Chuck Anderson, Minnesota Police Pension Council/West St. Paul Police
Lloyd Berg, President of the Minnesota Police Pension Council
Discussion brought out the differences in the fund plans throughout the state. The West St. Paul Police plan has a maximum of $1250 per month or 60% of Salary at a cost of 11/24% per month. The problems with disability are increasing.

Bob Wetherille, Minneapolis Fire, discussed the Minneapolis disability problems; such as pre-existing back problems, the lack of light duty employment for those on disability. Forty percent are in disability pensions.

Ed Blanck, Duluth Teachers, stated that there is no problem with disability in the Duluth Teachers Retirement Fund.

Tom Gelbmann, St. Paul Firefighters, told the Commission that 12% of the members are on disability.

Harvey Schmidt, Teachers Retirement Association, stated that TRA has a small number on disability--60,000 teachers and only 137 are on disability. There are emotional problems. There is need to look at the age requirements.

Lyle Farmer, St. Paul Teachers, commented that there is a problem with the definition of permanent and total disability and that the limited definition causes the doctors not to want to sign on a disability.

Excess Police State Aid
Stan Peskar, General Counsel, League of Minnesota Cities, presented testimony concerning the police state aid program. Specifically, he suggested that cities should be able to use excess amounts not needed for PERA contributions for non pension purposes.

Mayor Clarence Yaro, Spring Grove, told the Commission that the money could be used for police training, ambulance drivers and other police work.

Lamont Dehn, member of the PERA Board and the Hennepin County Sheriff, told the Commission that the proposal to put the excess state aid into the PERA fund to defray the cost of additional benefits.

Retired Teachers
Guy Tollerud, retired teachers of Minnesota, spoke in behalf of the pre-1973 teachers requesting an improvement in pensions.

FIRE & POLICE TASK FORCE MEETING
Saturday, September 16, 1978
Albert Lea, Minnesota (Kahler Inn)

MINUTES

PRESENT: Rep. Al Patton, chairman, Sen. Renneke and Stokowski

It was stated that the request for a Fire & Police Task Force meeting came from the relief associations. The purpose of the meeting was to talk about the problem with the first class cities and other fire and police relief associations.

The following proposals were presented by the firefighters' relief associations; represented by Jim Heim of the Duluth Firefighters, Tom Gelbmann of the St. Paul Firefighters, Bob Wetherille of the Minneapolis Firefighters, and Bud Hawkins, Minnesota Professional Firefighters:

1. Changes for future retirees: Divide plan A & B. Keep members in the same fund;

2. Would be advantageous not to amortize the deficit;

3. Average firefighter works to age 58; age 55 retirement;

4. Make disability determinations more strict;

5. Different type of escalator for new employees--something like Rochester;

6. Increase contributions to the association to 8%; (starting firefighter now pays 11%; takes 25 years for the 11% to taper down to 6%);

7. Early vesting is no problem;

8. Turnover gain is zero;

9. Problem with those with 25 years of service and still working and getting nothing for contributions after 25 years; should not make extra contributions after 25 years (plan costs $1500 per year);

10. Suggests an additional 2 1/2% per year for over 25 years; (1/2 pay of a fire-fighter plus 10% of a firefighter's pay to the day he quits.

There are no actuarial costs as yet.

Tom Gelbmann, St. Paul Firefighters, advised that these proposals are a starting point for getting the program together; would like to freeze the contribution levels of the cities at a certain point; state might contribute from general revenue.

Bud Hawkins, Minnesota Professional Firefighters, told the Commission that 55% of Minneapolis do not pay taxes into the city and are paying nothing for services; that the churches etc. would not object to paying a service charge for certain services.

Police Discussion:
Chuck Anderson, West St. Paul Police:

Recommends that the police have opportunity to retire at age 50 on a non-escalating feature, but that after age 55 they would go on to an escalating feature of some kind;

Police go along with the 8% contribution;

Police have some problems with disability; no place for officers age 50,52 or 53

Lloyd Berg, Minnesota Police Pension Council, told the Commission that police officers agree with the firefighters' proposals and some disagree.

Lloyd Berg continued:

The 8% contribution proposal should have benefit back; something for the widows;

Should stay at the 6% contribution rate.

Rochester Police, R.Westin . -- discussed Rochester's new plan--a full escalation plan, but that there is some confusion and Rochester is still in discussion with the Police Pension Council.

Dick Feider, St. Paul Police, stated that the charge of the Pension Task Force was to get the employer and the employees together.

Feel strongly about the funding; feel that 100% funding is unreasonable--are paying almost $100 per month in contributions now; that they are talking about 50-60-70% funding; something less than 100%;

Would like contribution increase to be phased in over a period of time; concerned about take-home pay; would like a definite commitment;

That they will not oppose some kind of an employee contribution increase;

That there are some problems with putting all into PERA;

That the benefit level for future employees will have to be adjusted in some way; new employees plugged into another tier within their own plan so that amortization will not be a problem--some type of a benefit in the present benefit schedule.

Vesting is not a problem--all are career employees.

Jim Walton, St. Louis Park, stated that his fund is looking at the vesting-- little actuarial difference between 10 and 20 years.

R. Westin, Rochester Police, stated that since 1969 Rochester has been on a two-tier plan (age 55 and 1/2 escalation; 65/35 ratio). New employees want to be in the same fund; are concerned about getting different benefits for the same contribution.

Dick Huss, Minneapolis Police, stated they would like to get their men back into the old fund.

_____Beaver, Minneapolis Police Federation, spoke about additional benefits if there is an increase to 8% contribution.

John Elwell, City Manager of St. Louis Park, discussed the problem of portability.

Dick Feider talked about in-put and some right of authorship.

Dale Schafer, Winona Police, said they want to solve their own problems locally.

Tom Gelbmann requested that the task force chairman come back in a month with a feasible plan.

E. Diebel
Steno

September 17, 1978 - Sunday - 9:00 A.M.

PRESENT: Sen. Stokowski, Representatives Biersdorf, Patton, Reding

Proportionate Annuity Age 65

John Mandeville went over the memo. "In 1975 the state legislature enacted a provision (M.S. 356.32) allowing employees hired late in life to qualify for a pension benefit with less than the usual 10-year period of service if they reached a mandatory retirement age (of age 65 or earlier) with at least three (but less than 10) years of service." "Because state and local mandatory retirement laws and policies will generally cease being implemented January 1, 1979, the state's proportionate annuity law will also become ineffective, since it applies only to public employees who are 'required to terminate service pursuant to a mandatory retirement statute or ... policy'".

Harvey Schmidt, TRA, stated that they would support age 65 with a proportionate annuity.

Mr. Ousdigian, PERA, also stated that they would support age 65 with a proportionate annuity.

The $3,000 limitation on earnings was brought up with a suggestion that it be repealed.

Early Retirement Reduction Factors - MSRS & PERA

John Mandeville went over the memo which explained the legislative change in the MSRS and PERA laws directing benefits of early retirees to be reduced on the basis of true actuarial equivalence rather than the early reduction factor of 1/2 of 1% for each month the employee is under normal retirement age.

Mr. Currie, Council 6, spoke in reference to the 40 years of service provision--hopes there is a remedy for the problem.

The chairman would like to see some actual instances where an employee is hurt in these instances--whether there is a reduction.

Deferred Augmentation

John Mandeville went over the memo. The rate of credit of deferred annuities augmentation was reduced from 5% to 3% in 1978. The funds were asked to furnish supplementary information to the commission as to the potential impact of the augmentation and also their views on this matter. The commission received a reply from the PERA actuary which was attached.

Use of Unisex Mortality Tables

John Mandeville went over the memo. The memo pointed out that TRA and DTRFA have switched from male/female to unisex mortality tables and that MSRS has also changed to unisex tables. A letter from PERA's actuary was attached which discussed PERA's consideration of the use of unisex tables and alternative ways of implementing the shift.

Various Items Relating to CETA and Public Retirement

Larry Martin went over the memo. Laws 1978, Chapter 720, generally provided for the exclusion from public retirement coverage for persons employed in subsidized employment under the CETA program. Because of events since the passage of Chapter 720, consideration of additional legislation may be necessary.

Assistant Attorney General, Merwin Peterson, issued an informal opinion stating that there are two types of CETA employment--subsidized and unsubsidized.

The memo entitled "Definition of a Year of Service Credit" was held over.

E. Diebel
Steno.