



April 25, 1991
Room 500 North
State Office Building

9th Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

The Executive Committee of the Commission had a brief meeting prior to the full Commission meeting regarding the consulting actuary RFP process. The Executive Committee meeting was called to order at 9:50 A.M.

Rep. Reding requested that Lawrence Martin, LCPR Executive Director, review the timeframe and the RFP process to obtain an actuary for the Commission. Mr. Martin stated that staff would issue the RFP in two parts, one requesting a quote on the current level of actuarial service and the other requesting a quote on the reduced level of service as passed by the Commission at a recent LCPR meeting. The Commission **APPROVED** this procedure. Mr. Martin continued reviewing the process and noted that the RFP would be sent out on May 9th and that the staff would hold an informational meeting shortly after that for any potential responders that may have questions. Commission members **APPROVED** of staff conducting the informational meeting at an open meeting and requested that notification of this meeting be sent to the fund directors. Members also directed staff to seek input from the Department of Administration on the RFP process and material.

Mr. Martin stated that once the RFP's were received, staff would produce a side-by-side comparison of them. He then asked for direction on the level of involvement the Commission wished to have at this stage. Rep. Johnson stated that he would be comfortable with having the Executive Committee and Commission staff work together on screening the bids. Mr. Martin went on to the next stage of the process, the paring down of the bidders, selection of finalists for in-person presentations and final selection of the Commission actuary. He expressed his desire to have either the Executive Committee or a Subcommittee perform this part of the process. Rep. Reding stated that he would like the previous members of the Actuarial Subcommittee to convene again to perform this function. Mr. Martin provided members with a new schedule for completion of the RFP process. He then requested direction from the Executive Committee as to whether the RFP's should be sent only to actuaries within the state or whether the search should be broader. He also questioned whether the Executive Committee preferred an actuary to work exclusively for the Commission or would they be willing to hire an actuary that might also provide services for other Minnesota public pension funds. Sen. Waldorf asked if Mr. Martin was aware of any conflict if the Commission actuary also provided services for other Minnesota pension funds. Mr. Martin responded that he was unaware of any conflict. Discussion followed. It was determined that it was not necessary to restrict the Commission actuary to provide services solely for the Commission and also that it was not necessary to require the Commission actuary to be local.

Representative Leo Reding, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 10:15 A.M.

Commission members present:

Representatives Richard Jefferson, Bob Johnson, Gerald Knickerbocker, Rich O'Connor, and Leo Reding
Senators Steven Morse, Earl Renneke, and Gene Waldorf

H.F. 1373 (Orfield); S.F. 1075 (Spear): PERA; Authorize Purchase of Prior Service Credit by a City of Minneapolis Employee.

Mr. Edward Burek reviewed the staff memo and an amendment, LCPR91-115. Mr. Burek noted that this individual should have been provided PERA coverage for the period of time between 1985 and 1986 when his employment exceeded 120 days in a calendar year, but through employer error the employee was not covered for this time period. Mr. Burek further noted that the amendment requires full actuarial value for the service credit provided with the employee paying the employee contribution plus six percent interest (approximately \$650), and the employer, the city of Minneapolis, paying the remainder of the full actuarial value of the purchase (approximately \$5,000).

Mr. William Hudson, the Minneapolis employee involved in this issue, responded to Commission members questions that he first became aware of this error after the statute of limitations had already expired.

Laurie Hacking, PERA Executive Director, stated that PERA also became aware of this error after the statute of limitations had expired. Judy Strobel, PERA, provided further background on this issue. Ms. Hacking further clarified the cost of this purchase of prior service using PERA's calculations as \$15,000 for the employer contribution and \$756 for the employee contribution including interest.

Mr. Stan Peskar, League of MN Cities, spoke in support of abiding by the statute of limitations. Discussion followed.

Rep. Knickerbocker moved amendment LCPR91-115. **MOTION PREVAILED.**

Sen. Waldorf noted that in the last paragraph of the staff memo on this issue, it was recommended that PERA review its procedure to ensure compliance with PERA membership provisions and report to the Commission during the interim. Sen. Waldorf requested that the Commission recommend that this occur. Ms. Hacking responded by stating that in 1988 PERA did improve their procedure but that 600 local government units do not comply with statute by sending PERA their abstracts. Discussion followed and Rep. Reding requested that PERA keep the Commission informed of the status of compliance with PERA membership provisions.

Amendment LCPR91-116: State Patrol Retirement Fund; Limit For Certain Reemployed Annuitants.

Greg Hubinger, Executive Director of the LCER, reviewed the issue of reemployed annuitants. He stated that he was requested to look into the issue of the combination of salaries and pensions for the heads of state agencies after a recent newspaper article highlighted the issue of the Commissioner of Public Safety who is receiving a salary of \$76,000 and an annual pension of \$41,000. The general policy under Minnesota Statutes, Section 352 is to suspend the pension of employees once their salary reaches the Social Security threshold each year. The amendment Mr. Hubinger was requested to draft would apply that policy narrowly to retired state patrol employees who are appointed to head state agencies and would become effective January 1, 1992.

Rep. Johnson questioned whether a person who retired under a private pension plan and was appointed by the Governor to head a state agency would be permitted to receive both the pension and salary. Mr. Hubinger responded that yes that person would probably be able to keep both. Rep. Reding stated that the problem is that state employees are not being treated equally.

George McCormick, Senate Counsel, reviewed the 1983 Christensen case for members. He noted that the Supreme Court had ruled in that case that the Legislature could not take away a benefit once a person had retired and had begun to draw an annuity. Discussion followed.

Rep. Reding questioned whether conservation officers, highway patrol officers and others should be treated differently than the majority of state employees. Mr. Lawrence Martin stated that the issue of placing limits on reemployed annuitants could still be addressed by the Commission without the retroactive portion of the amendment.

Rep. Reding stated that he would prefer to have a bill drafted for consideration next session to address limits on reemployed annuitants.

Amendment LCPR91-119: State University-Community College Supplemental Plan; Recodification in Minnesota Statutes, Chapter 354B.

Mary Stanton, representative of the state universities and community colleges, reviewed LCPR91-119. Ms. Stanton stated that last Session the Legislature passed legislation which would transfer the administration of the Supplemental Plan from TRA to the State University System effective July 1, 1991. She further stated that the State Board of Investment advised them that they lack the authority to invest the funds as they are deducted from employees wages in the SBI short term investment pool. TRA has this authority by statute. Part of this amendment would provide this authority to the State University and Community College System. The balance of the amendment would move existing language from Chapter 136 into Chapter 354B.

Sen. Waldorf moved amendment LCPR91-119. **MOTION PREVAILED.**

H.F. 1358 (Olsen); S.F. 1372 (Mondale): St. Louis Park Police; Authorize Service Credit for Duluth Police Service.

Rep. Sally Olsen introduced Mr. Roger Landgren, St. Louis Park police officer, to review the background on this bill. Mr. Landgren stated he has had a 31 year career as a police officer. He served the first three years as a Duluth police officer and then joined the St. Louis Park Police Department. Both of these police departments have now consolidated with PERA. Mr. Landgren believed that he would be credited with all of his years of service but he was advised by PERA that even though he had not received a refund from the Duluth Police Relief Association, he would not be credited with this service. Discussion followed.

Mr. Lawrence Martin reviewed some of the differences between local police and fire funds with regard to vesting policies and refunds of contributions. Mr. Martin noted that the consolidation law specifically prohibits repayment of refunds and purchasing of prior service credit. He further noted that passage of this legislation would set a precedent.

Rep. Reding stated that he opposes any changes in the way in which police and fire relief associations are treated. Mr. Landgren stated that he thought there was some inconsistent treatment in this instance. Rep. Reding responded that in his view, PERA was abiding by the conditions under which Mr. Landgren was hired and under which Mr. Landgren left the Duluth Police Department.

Rep. Knickerbocker, Sen. Waldorf, and Rep. Olsen had questions to which Mr. Martin responded.

Rep. Reding moved to have this bill **LAI D O V E R.**

Rep. Reding then asked for suggestions on what issues the Commission would like to study during the Interim.

Rep. O'Connor suggested the consolidation issue especially as it pertains to St. Paul and Mankato. Rep. Reding added that this issue should also be studied in light of the effect of recent benefit improvements for St. Paul on consolidation costs.

Rep. Reding suggested the buyback issue and determining how the full actuarial value is calculated.

Sen. Waldorf suggested studying the funding and Social Security issues for the Legislator's and Constitutional Officers plans.

The meeting adjourned at 11:20 A.M.


Jean Lieb Gott, Secretary