



May 10, 1991
Room 500S State Office Building

11th Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Representative Leo Reding, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 10:20 A.M.

Commission members present:

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

Rep. Reding introduced the topic of this meeting, police and fire amortization aid. He then asked Sen. Waldorf to review Senate action on this issue to date.

Sen. Waldorf stated that language appeared in the State Departments bill that he believed originated in the Governor's office. This language would cap the amortization aid amount at approximately half of what has been appropriated in previous years. The amortization aid would be capped at \$3.525 million per year and was tied to the Minneapolis Police and Fire thirteenth check. The \$3.525 would be sufficient if Minneapolis funds were able to pay a thirteenth check, thereby permitting a reduction in aid for Minneapolis. If Minneapolis funds were not able to pay a thirteenth check, the \$3.525 would be prorated and would cause a reduction in amortization aid for all local police and fire associations. Sen. Morse introduced an amendment in Senate Finance which would eliminate the prorating if Minneapolis funds did not pay a thirteenth check and would require the city of Minneapolis to pay the additional amortization aid required by the Minneapolis funds. On the floor of the Senate, Sen. Pogemiller further amended this bill to more or less reinstate the previous language. Sen. Waldorf continued by stating that he believed the Commission should consider the policy issues of this bill prior to further action in the Senate or House.

Ron Hackett, Finance Department, provided members with information from the Governor's budget document. Mr. Hackett stated that \$9.25 million for the biennium was actually allocated in the Governor's budget for both amortization aid and supplemental amortization aid.

Rep. Knickerbocker asked for clarification that the Governor's budget proposed a \$3.5 million cap. Mr. Hackett responded that this was correct and was shown on his handout as direct amortization aid. Mr. Hackett continued by stating due to an oversight, the \$1.1 million supplemental amortization aid was not provided although the fund balance reflected this amount as part of the Governor's recommendation.

Sen. Renneke questioned the terminology ("direct" and "open") used by Finance. Mr. Hackett stated that he was also confused by that terminology but believed "direct" referred to amortization aid and "open" referred to supplemental amortization aid.

Rep. Reding remarked that the 1990 amortization aid was \$6,574,598 and then was reduced by the amount of the thirteenth check. He questioned whether that was accurate.

Brian Rice, representing the Minnesota Police Pension Council and Minneapolis Police and Fire, responded to Rep. Reding. He stated that Rep. Reding was correct and also that due to the change in assumptions for Minneapolis Police and Fire, the 1989 Legislature had reduced the \$6,574,598 by \$1,520,000. The 1989 Legislature also limited the appropriation for amortization aid and supplemental amortization aid to \$6,017,000 due to an automatic \$1,500,000 reduction in Minneapolis aid. Discussion followed.

Rep. Knickerbocker restated the information. He stated that all of the cities that participate would receive a portion of the \$3.6 million in amortization aid and \$756,904 in supplemental amortization aid. He went on to say that the only questions for the Commission to respond to were whether the Commission agreed with the cap or could offer an alternative amount

for the cap and how would payment of the thirteenth check for current and future municipalities that have or may have the thirteenth check affect amortization aid. Discussion followed. Mr. Hackett agreed that the budget cap recommendation may have been higher if it had been known earlier in the year that Minneapolis police and fire funds would not be paying a thirteenth check. The prior year amortization aid allocation was agreed to as the budget cap recommendation without indepth analysis.

Stanley Peskar, League of MN Cities, recommended that if the budget cap does pass, the interest and salary actuarial assumptions could be changed to 4% and 6% for all local police and fire relief associations, except for police and fire relief associations that have consolidated with PERA-P&F. He further stated that changing these assumptions would prevent an adverse impact on property taxes. Discussion followed.

Phil Kappler, Finance Department, suggested that the amortization aid be separated into two distinct appropriations, one for relief associations with a thirteenth check mechanism and one for relief associations without a thirteenth check mechanism. Sen. Morse noted that it would still be necessary to increase the cap amount.

Sen. Waldorf moved to increase the amortization aid cap amount to \$5.05 million. He questioned whether an increase in the amortization aid cap amount would solve this problem and noted that if a thirteenth check is paid, the state will be refunded a portion of the amortization aid. Mr. Martin noted that the thirteenth check law does provide a repayment of amortization aid when a thirteenth check is payable as stated in Minnesota Laws 1989, Chapter 319, Article 19, Section 7, Subdivision 4, sentence 3. Mr. Martin went on to note that current law under 423A historically has generated about 6.5 million annually in amortization aid. Two years ago the budget bill reduced that amount by approximately \$1.5 million presumably due to the change in actuarial assumptions for Minneapolis Police and Fire. This was not done by amending 423A so that reduction was only effective for the two years of that biennium. If the Commission wants to continue that reduction, it would be necessary to amend 423A.

Duke Addicks, City of Minneapolis, further commented on the Minneapolis reduction two years ago. Discussion followed. Mr. Martin stated that to increase the 3.525 to 5.05 cap now would allow everyone to receive a portion of the 1.5 million reduction rather than a portion of the 3 million reduction so there is a need to capture the Minneapolis \$1.5 million reduction.

Sen. Waldorf moved to add this information to his previous amendment. Discussion followed.

Sen. Morse clarified by stating that this amendment would provide funding at a level presuming no thirteenth check would be paid. Mr. Martin suggested that the Commission should codify MN Laws 1984, Chapter 564.

Sen. Waldorf moved to increase the cap and to recodify MN Laws 1984, Chapter 564.
MOTION PREVAILED.

Sen. Waldorf reviewed the issue of the local police and fire relief associations that are near full funding with regard to amortization aid. He stated that he had requested Mr. Martin to draft legislation to stop aid to local police and fire funds that are 95% funded.

Rep. Rich O'Connor approved of Sen. Waldorf's concept and questioned whether the purpose of amortization aid was to provide full funding or to put local relief associations on track for full funding by 2010. Rep. O'Connor would prefer to stop amortization aid when a relief association was on track towards full funding. Discussion followed.

Sen. Waldorf withdrew his amendment for further discussion at a later time.

Rep. Reding reviewed the issue of authorizing the DTRFA, MTRFA and StPTRFA to assess penalties if the Duluth, Minneapolis and St. Paul school district employee and employer pension contributions were not provided in a timely manner. This provision would be similar to a provision TRA currently has.

Eugene Waschbusch, StPTRFA Executive Secretary, spoke in support of the amendment stating that it would provide an obligation for omitted salary deductions. He further noted that this amendment would permit the first class city teacher retirement funds to assess a 6%

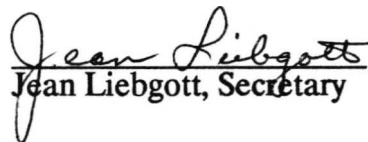
penalty plus interest on any omitted employee and employer contributions 60 days late. This amendment would be retroactive to June 30, 1988.

Rep. Reding moved this amendment and requested that it be amended to the first class city teachers thirteenth check legislation. **MOTION PREVAILED.**

Rep. Johnson stated that he has assurance that H.F. 401 will be heard by the Appropriations Committee on Monday, May 13th, and also that the LCPR budget would be reinstated to an appropriate amount. He further requested that the Commission study the deferred compensation issue during the interim.

Rep. Reding stated that it was his intention to have the LCPR meet every month during the interim.

The meeting adjourned at 11:55 A.M.


Jean Lieb Gott, Secretary