

March 6, 1992
Room 10 State Office Building

23rd 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 7:10 P.M.

Commission members present:

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

Rep. Reding introduced H.F. 2186 (McGuire); S.F. 1780 (Marty): St. Paul Fire; Surviving Spouse Benefit to Certain Former Spouse.

Sen. Marty reviewed the bill and background. He then read a letter prepared by Mrs. Larson, the surviving former spouse. Sen. Marty noted that the LCPR staff memo raised the issue of setting a precedent. He stated that the particular circumstances of this situation were unique enough to prevent use as a general precedent.

Rep. McGuire spoke in support of this bill. Discussion followed.

Sen. Waldorf questioned whether the member's second wife had received benefits. The answer was no. The second wife did not qualify since the member died six months after the marriage and the plan requires at least one year of marriage to qualify for surviving spouse benefits.

Lawrence Martin reviewed the staff amendment, LCPR92-38.

Rep. Reding moved amendment LCPR92-38. **MOTION PREVAILED.**

Sen. Waldorf moved amendment LCPR92-39 (the amendment provided a local approval clause). **MOTION PREVAILED.**

Sen. Morse asked for an explanation of divorce provisions relating to pensions. Discussion followed.

Frances Larson, surviving former spouse, spoke in support of this bill.

Rep. Reding **LAI D OVER** the amended H.F. 2186 to the 3/7/92 LCPR meeting as originally scheduled.

Rep. Reding introduced the tenth item on the agenda, H.F. 1744 (Dempsey); S.F. 1710 (Frederickson, D.R.); PERA; Optional annuity for Survivor of Deceased Disabilitant.

Sen. Waldorf reviewed amendment LCPR91-71 which requires the Commission to review the problem of gaps in survivor coverage for coordinated members of public pension plans.

Sen. Waldorf moved H.F. 1744 and amendment LCPR92-71. **MOTION PREVAILED.**

Rep. Reding introduced the first item on the agenda, H.F. 1868 (Johnson, R.); S.F. 2166 (Stumpf): Public Employees; Paid Health Insurance for Certain Employees.

Rep. Johnson spoke in support of this bill. He stated that this bill expands on similar bills that were passed in the last two years and makes the program mandatory. He then requested Edward Burek to review the staff memo and amendments. In reviewing amendment LCPR92-63, Mr. Burek noted that the amendment would make the program optional for local units of government. Amendment LCPR92-64 provides additional options. Amendment LCPR92-65 eliminates the years of service requirement. Discussion followed.

Linda Barton, Commissioner Department of Employee Relations, opposes this bill because it has \$2.1 million dollar cost in the first year, the program does not provide management control for the positions that are vacated, and DOER has a mechanism in place under Chapter 43A to implement an early retirement program in a layoff situation. Sen. Waldorf questioned what programs DOER has implemented to date. The response was none. Discussion followed.

Elliot Seide, AFSCME Council 6, supports the bill. He noted that page 3, lines 17-21 of the bill provides for the program on an optional, not mandatory basis, for the University of Minnesota. He commented on the fiscal note on this issue and also the method of achieving cost savings.

Cheryl Fuehrer, MEA, supports the bill and sees it as a cost savings. She also stated that the levy authority is key to school districts being able to utilize this benefit. Sen. Stumpf questioned what the average age of a retiring teacher would be. The response was 59 to 60. Discussion followed.

Bob Gunderson, MFT, strongly supports this bill. He referred members to page 2, line 28, which refers to the May 20 starting date for the window for school districts to utilize the program and stated that one school district closes earlier than that in May.

Stan Peskar, League of Minnesota Cities, opposes the bill because it is mandatory but could support it if it was optional as it was last year. He also noted that any salary savings through these programs are short lived.

H.F. 1868 was **LAI D O V E R** to the meeting of 3/7/92.

Rep. Reding introduced H.F. 2313 (Jaros); S.F. 2182 (Solon): DTRFA 13th Check.

Sen. Solon reviewed this bill and stated that this is the same as the bill passed by the LCPR and Legislature last session and vetoed by the Governor except that the vetoed bill included St. Paul Teachers and this bill includes only Duluth Teachers.

Jay Stoffel, DTRFA Executive Secretary, stated that the passage of this bill would not add any additional cost to the fund.

Sen. Morse moved H.F. 2313. **MOTION PREVAILED.**

Gene Waschbusch, SPTRFA Executive Secretary, stated that the repealer in H.F. 2313 removes SPTRFA post retirement adjustment language.

Sen. Morse moved to withdraw his motion for approval of H.F. 2313. **MOTION PREVAILED.**

Sen. Waldorf moved approval of a handwritten amendment to H.F. 2313 as follows: Page 2, line 36 strike "and 3". **MOTION PREVAILED.**

Sen. Morse moved to renew his motion to approve H.F. 2313 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the fourth item on the agenda, H.F. 1692 (Jaros); S.F. 1558 (Solon): PERA-P&F; Joint Consolidation for Duluth Police and Fire.

Sen. Solon reviewed this bill and noted that it does have the support of both the Duluth Police and Fire Departments as well as approval of the Duluth City Council and Mayor Gary Doty.

Lawrence Martin reviewed amendment LCPR92-42 which converts the bill from a statewide bill to a local bill affecting only Duluth. He further stated that PERA has requested two changes to the amendment. The first on page 2, line 21 delete "police and fire fund" and insert "retirement association". The second on page 2, line 23 delete "accounting" and insert "personnel data".

Rep. Reding moved amendment LCPR92-42 as amended. **MOTION PREVAILED.**

Mike Murphy, Secretary of the Duluth Fire Relief Association, spoke in support of this bill

as amended. Discussion followed.

Brian Rice, MN Police Pension Council, spoke in opposition to this bill as a statewide bill, reviewed the policy issues relating to the bill as a local bill, and opposed the bill as a local bill. Mr. Rice further noted that Rep. Wayne Simoneau's 1985-1987 task force set up the ground rules and a process for relief associations to consolidate with PERA. This bill changes the ground rules. Discussion followed.

Rep. Reding moved H.F. 1692; S.F. 1558 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the sixth item on the agenda, H.F. 2438 (Reding): IRAP; Defined Contribution Plan Coverage for Certain Higher Education Employees.

Mary Stanton, Finance Division of the State University System, reviewed the bill. The primary purpose of this bill is to provide portability for the administrators of the State University system as well as the board office employees of the technical college board and higher education coordinating board by permitting the unclassified employees the option of remaining in the unclassified plan or transferring to IRAP. Ms. Stanton continued to review the bill on a section by section basis. Ms. Stanton noted that this bill would not increase the employer contribution. Discussion followed.

Rep. Reding reviewed an amendment, LCPR92-40, stating that it would increase the deferred annuity augmentation rate for the Elective State Officers Plan. This change in the augmentation rate is consistent with the rate used for other public pension plans.

Rep. Reding moved amendment LCPR92-40. **MOTION PREVAILED.**

Sen. Morse moved H.F. 2438 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the fifth item on the agenda, H.F. 2266 (Reding): IRAP; Defined Contribution Plan Coverage for Technical College Personnel.

Glen Anderson, representative of TIAA-CREF, reviewed the bill and noted that this bill would provide IRAP coverage to Technical College faculty. Discussion followed.

John Ostrem, administrator of technical colleges, spoke in support of this bill.

Rep. Jefferson questioned why first class city teachers were excluded. The response was that they were excluded at their request.

Gene Waschbusch, Executive Secretary SPTRFA, stated that St. Paul teachers who are vo-tech college teachers prefer to remain members of SPTRFA and retain the defined benefit plan they currently have.

Discussion followed.

Tom Rhue, representative of TIAA-CREF, spoke in support of this bill.

Roger Helgerson, representative of MEA, stated that MEA has no official position on this bill.

Bob Gunderson, representative of MFT, stated that MFT is opposed to this bill. They do not want intermixing of a defined benefit and a defined contribution plan.

Elton Erdahl, TRA Executive Director, stated that TRA is opposed to this bill. Mr. Erdahl also stated that TRA would suffer a loss of turnover gain if this bill were passed.

H.F. 2266 was **LAID OVER** for further review.

Rep. Reding introduced the seventh item on the agenda, H.F. 2137 (Lourey); S.F. 2048 (Stumpf): MSRS and PERA; Administrative Provisions.

Rep. Becky Lourey reviewed the bill briefly.

Dave Bergstrom, incoming director of MSRS, reviewed Article 1 which deals with MSRS. Sen. Waldorf asked if this bill provided a benefit improvement. Mr. Bergstrom responded that section 9 would be the only section that may be construed as providing a benefit

improvement and if that was construed as a benefit improvement, it was very minimal. Discussion followed

Laurie Hacking, PERA Executive Director, reviewed the six policy questions raised by Commission staff relating to Article 2, the PERA section of the bill. Several questions and considerable discussion followed.

Ms. Hacking reviewed a technical amendment, H2137A-1.

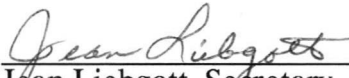
Sen. Stumpf moved amendment H2137A-1. **MOTION PREVAILED.**

Ms. Hacking reviewed amendment H2137A-2 which provides retroactive survivor benefits upon application to a surviving spouse whose benefits were discontinued due to a remarriage. She noted that 101 surviving spouses may be affected by this bill and the cost would be one one-hundredth percent of payroll. Discussion followed.

Sen. Stumpf moved amendment H2137A-2. **MOTION PREVAILED.**

Sen. Stumpf moved H.F. 2137 with the two amendments and with the verbal amendment to H2137A-2 which should be provided in Committee. **MOTION PREVAILED.**

The meeting adjourned at 11:35 P.M.


Jean Lieb Gott, Secretary