

March 7, 1992
Room 10 State Office Building

24th 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 9:15 A.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 the eighth item on the agenda, H.F. 1637 (Osthoff): PERA-P&F Change in Actuarial Assumption for Preparing Consolidation Work.

Rep. Tom Osthoff reviewed his bill and noted that he has a resolution from the City of St. Paul approving the bill. He then introduced Joe O'Neill and Al John to provide further information.

Joe O'Neill, attorney for the St. Paul Firefighters Relief Association, reviewed the background on the bill. He noted that state law requires that the 8.5% interest and 6.0% salary assumptions for PERA-P&F are used in consolidation actuarial work even though local relief associations use 5.0% interest and 3.5% salary assumptions in all of their actuarial work. The St. Paul City Council feels that this causes an apples and oranges comparison situation.

Thomas Custis, Commission-retained actuary from Milliman and Robertson, stated that in his opinion, enactment of this bill would have an impact on the post fund. Discussion followed.

Al John, President of the St. Paul Firefighters Relief Association, stated that the St. Paul City Council cannot justify the worst case scenario shown in the consolidation actuarial work using the current PERA-P&F actuarial assumptions.

Rep. O'Connor spoke in opposition to this bill and changing the assumptions. Discussion followed.

Rep. Reding spoke in opposition to pension plans changing actuarial assumptions to fit their particular case.

Rep. Reding moved H.F. 1637. **MOTION FAILED.**

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

Rep. Reding stated that this bill was amended twice by LCPR92-38 and LCPR92-39 and then laid over at the 3/6/92 LCPR meeting.

Al John stated that if this bill was worded to prevent a precedent from being set, the St. Paul Firefighters Relief Association would not oppose this bill.

Rep. Reding moved to approve H.F. 2186 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the ninth item on the agenda, H.F. 2018 (Farrell): St. Paul Fire Department Relief Association Various Benefit Increases.

Rep. Farrell reviewed his bill.

Lawrence A. Martin, LCPR Executive Director, reviewed the staff memo and the four benefit changes proposed. Mr. Martin noted that the relief association had provided an actuarial cost estimate on benefit changes two and three with the escalated longevity

benefit (benefit change three) causing the major cost impact. Discussion followed.

Gary Norstrem, St. Paul City Treasurer, stated that the city of St. Paul has not had enough time to review the actuarial cost impact but he believed they would oppose this bill particularly the escalated longevity benefit. Discussion followed.

George Jurgenson, retired St. Paul firefighter, spoke in support of this bill.

Rep. O'Connor moved an amendment to remove the escalated longevity benefit from H.F. 2018. **MOTION PREVAILED.**

Rep. O'Connor moved H.F. 2018 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the eleventh item on the agenda, H.F. 1499 (Carruthers); S.F. 1304 (Luther): Brooklyn Center Volunteer Firefighters Relief Association; Service Pension Maximum Increase.

Rep. Carruthers reviewed his bill.

Rep. Reding stated that he is opposed to passing a local bill when the issue is under discussion on a statewide basis. Discussion followed.

This bill was **LAID OVER.**

Rep. Reding introduced the first item on the agenda, H.F. 2476 (Reding): TRA and TRFAs; Deferred Compensation Program Coverage for Extracurricular Compensation.

Rep. Sviggum reviewed the background on this bill and offered an amendment, LCPR92-67, that would permit a documentation service fee paid by the person who would benefit by the information.

Rep. Reding moved LCPR92-67. **MOTION PREVAILED.**

Lawrence Martin reviewed the three articles in the bill. Discussion followed.

Mary Gilbert, St. Paul public schools, stated that they do not have a problem with the concept of this bill but it would add significant administrative work for the school districts. She also requested that teachers be permitted to opt into the plan only at the beginning of the year and that a minimum salary level to qualify for the plan be put into place.

Linda Sandvig, Minneapolis public schools, stated that they would support the bill if the amendments suggested by St. Paul schools were added to the bill.

Cheryl Fuehrer, MEA, stated that MEA does not have a formal position on this bill but they do support the concept. The concerns that MEA has relate to the contribution limit for the 457 plan (\$7,500) which this bill provides as opposed to the contribution limit for the 403(b) plans (\$9,500) which many teachers currently have. They would prefer extracurricular compensation to be part of a career average supplement that would be added to the high five rather than create a defined contribution plan.

Rose Hermanson, MFT, stated that MFT supports the concept. She further testified that counselors and other school employees for many years had 48 week extended contracts but now are on 36 week contracts and would not benefit by this program. She would like them included in this bill.

Dave Bergstrom, MSRS Executive Director, noted that the language on page 3, lines 3-7, seems to require him to take legal action against an employer who refuses to participate in the deferred compensation plan. Mr. Martin responded that this is a recodification of current law and not a new change.

Elton Erdahl, TRA Executive Director, reviewed the background on this bill. He stated that the TRA Board supports the concept but prefers the career average supplement rather than fragmenting their current plan. Discussion followed.

Rep. Reding moved H.F. 2476 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the third item on the agenda, H.F. 1902 (Johnson, R.); S.F. 1845 (Morse): Statewide Plans; Benefit Formula Accrual Rate Increased.
Rep. Johnson referred members to a delete everything amendment, H1902A-1, and reviewed the amendment and background.

Edward Burek, LCPR Deputy Executive Director, reviewed the staff memo and noted that the primary change is to increase the accrual rate by one-tenth of one percent. Mr. Burek reviewed the policy issues and noted that in comparing accrual rates in Minnesota to those in other states, Minnesota ranks in the bottom third. However, in looking at the total retirement period, Minnesota would rank higher.

Thomas Custis reviewed the actuarial cost information provided for the original bill. Mr. Custis noted that the change in the percent of payroll for Coordinated members only would be an increase of 0.82% for MSRS; 0.69% for PERA; 1.23% for TRA; 1.15% for DTRFA; 0.32% for MTRFA; 0.39% for SPTRFA. Discussion followed.

Cheryl Fuehrer, representative of MEA and the Benefit Improvement Coalition, reviewed a handout provided and spoke in support of this bill. Ms. Fuehrer introduced Steve Hunter, representative of AFSCME. Mr. Hunter stated that all of the members he represents support this proposal and that they favor improving benefits rather than reducing contribution rates.

Sen. Renneke stated that he has a concern about creating another pre-73 group. Discussion followed.

Laurie Hacking, PERA, referred members to a cost estimate prepared by each fund’s actuary and reviewed the information. Mr. Burek also noted that the delete everything amendment shows a change in salary actuarial assumptions. Ms. Hacking went on to provide the funds’ employer and employee annual dollar increase for coordinated and basic members as follows:

PERA	\$13.3 million
PERA-P&F	\$2.7 million
MSRS	\$4.5 million
State Patrol	\$389,000
Correctional	\$218,000
TRA	\$14 million
DTRFA	\$213,000
MTRFA	Not Available
SPTRFA	\$821,000
MERF	\$2 million

Discussion followed and it was agreed by Commission members that additional cost information must be obtained and reviewed on this issue as this bill progressed to the next committees.

Rep. Johnson moved H.F. 1902 as amended by H1902A-1. **MOTION PREVAILED.**

Rep. Reding introduced the fourth item on the agenda, H.F. 419 (Johnson, R.); S.F. 410 (Pogemiller): Tax Deferred Retirement Savings Plans; Broadening Investment Options for Employer Matching Amounts.

Rep. Johnson reviewed the background on this bill and a delete everything amendment, H419A-4, which authorizes expanding deferred compensation plans to include 403(b) and 457 plans. Rep. Johnson further reviewed amendment H419A-3 which exempts MTRFA from his bill as they are satisfied with their plan as it currently exists. Discussion followed and Rep. Johnson withdrew H419A-3.

Richard Manke, Minnesota Mutual Life, spoke in opposition to this bill.

H.F. 419 was **LAID OVER** to the meeting of 3/10/92.

Rep. Reding introduced the second item on the agenda, H.F. 1960 (Reding); S.F. 1910 (Morse): MPRIF; Revision in Post Retirement Adjustment Formula.

Howard Bicker, Executive Director SBI, reviewed the names of the groups that worked on and support the bill and introduced a technical amendment, MS133.

Cheryl Fuehrer, MEA, spoke in support of this bill.

Robert Whitaker, President of the Minnesota Association of Retired Public Employees and spokesperson for a retiree coalition, stated that except for one group of 300, the coalition of retirees does support this bill. Discussion occurred about the transition component of 1%. Howard Bicker stated that the 1% equals \$60 to \$65 million. Discussion followed.

Ray Vecellio, board member of the Minnesota Retired State Employees Association, stated that he has studied the impact and analysis of this bill and does support the bill.

H.F. 1960 was **LAI D O V E R** to the meeting of 3/10/92.

Rep. Reding introduced the twelfth item on the agenda, H.F. 1805 (Leppik): Golden Valley Volunteer Firefighters Relief Association; Authorizing Increased Ancillary Benefits.

Rep. Leppik's representative offered the bill.

Lawrence Martin reviewed the staff memo on the bill and noted that the purpose of this bill was to permit payment of a funeral benefit provided for in the Golden Valley Volunteer Firefighters Relief Association bylaws prior to June 1, 1983. Mr. Martin also reviewed staff amendment, LCPR92-56, which permits the funeral benefit to be increased to \$5,000, provides a procedure for determining the liability of the funeral benefit, and provides a local approval clause.

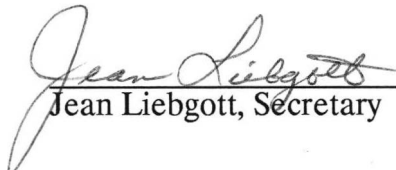
Eric Sherman, President of the Golden Valley Volunteer Firefighters Relief Association, provided background on this issue. He stated that they had requested a legal opinion from Best & Flanagan on this issue and were told that they could not pay the benefit to any retired member who had already begun to receive a benefit. Mr. Sherman expressed support for this bill. Discussion followed.

Dean Mooney, Director Public Safety, stated that the Golden Valley City Council supports this bill.

Sen. Morse questioned how the \$1,500 funeral benefit was raised to \$5,000. Mr. Sherman responded that they had received legal opinions that stated that since the rewrite of 424A in 1973, the special laws were inactive and, therefore, able to be changed. Mr. Martin stated that a portion of Golden Valley's special law was repealed but not the part relating to the \$1,500 maximum funeral benefit. Discussion followed.

H.F. 1805 was **LAI D O V E R** to the meeting of 3/10/92 for consideration with other volunteer fire related bills.

The meeting adjourned at 2:30 P.M.


Jean Liebgott, Secretary