

March 10, 1992
Basement Hearing Room - State Office Building

25th 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 7:45 P.M.

Commission members present:

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

Rep. Reding introduced and reviewed LCPR92-57. He stated that Rep. Jefferson removed H.F. 1979 from Special Orders to permit this amendment to be added to it assuming it passed the LCPR.

Rep. Lyn Carlson reviewed LCPR92-57. Rep. Carlson stated that this bill involves two full time members of the Minneapolis Park Police who were not made aware of their eligibility for membership in PERA. One of the officers has eight years of service that he wishes to buyback and the other has seven. Upon being made aware of their eligibility in 1990, they both began to make contributions.

Robert C. Hammar, Minneapolis Park Police Officer, stated that he started in June 1967 and several years ago asked his Captain about joining PERA and was told that he was ineligible. About one year ago it was mandated that he join PERA.

James C. Anderson, Minneapolis Park Police, stated that his situation was similar and he was also told by the Captain that he was not eligible for PERA. Discussion followed.

Rep. Reding stated that he would take this issue under advisement and possibly offer an amendment to Rep. Jefferson's bill.

Rep. Reding introduced the first item on the agenda, H.F. 2545 (Reding); S.F. 1793 (Waldorf): Legislators and Elected State Officers Plan; Establish a Pension Fund.

Lawrence A. Martin, LCPR Executive Director, reviewed the bill and stated that this bill makes a change for the Legislators and Elective State Officers Plan similar to the change made last year for the Judges Plan, which is to create a fund for each plan. Mr. Martin noted that this change would not have an impact on the employee contribution but would create concurrent employer contributions. Discussion followed.

Rep. Reding moved H.F. 2545. **MOTION PREVAILED.**

Rep. Reding introduced the second item on the agenda, H.F. 2287 (Reding); S.F. 1970 (Waldorf): Local Police and Salaried Firefighter Relief Association; Eliminate Amortization and Supplemental Amortization State Aid for Relief Associations and Consolidation Accounts Without an Unfunded Actuarial Accrued Liability.

Lawrence Martin reviewed the bill and stated that this bill would eliminate the amortization and supplemental amortization aid for a police and fire plan that did not have an unfunded actuarial accrued liability. He further noted that West St. Paul Police is fully funded and Bloomington Police is close to being fully funded. Sen. Waldorf questioned what would prevent a fund from increasing their benefits to keep their unfunded actuarial accrued liability. The response was that any increase in benefits would need to be approved by the local government or perhaps the Legislature could enact a moratorium on benefit improvements for a certain period of time.

Dick Nelson, Minnesota Police Pension Council, suggested that the Commission further review this issue during the interim. Discussion followed regarding the 2% money. This bill would not have any effect on the 2% money whatsoever.

Sen. Waldorf moved a verbal amendment to move the effective date to be the day following final enactment. **MOTION PREVAILED.**

Sen. Waldorf moved H.F. 2287 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the third item on the agenda, H.F. 1775 (Reding); S.F. 1792 (Waldorf): PERA-P&F; Reduce Employee and Employer Contribution Rates to Reflect Actuarial Funding Status.

Stan Peskar, League of Minnesota Cities, stated that the bill would reduce the employee and employer contribution rates for relief associations depending on their funding status. The League requested that the consolidated accounts be removed from this bill.

Rep. Reding moved a handwritten amendment excluding consolidation accounts from this bill. **MOTION PREVAILED.**

Mr. Martin reviewed amendment LCPR92-32 which added members of the Chiefs of Police Association who are former members of PERA to PERA.

Sen. Waldorf moved LCPR92-32. **MOTION PREVAILED.**

Laurie Hacking, PERA Executive Director, stated that the PERA Board opposed changing employee and employer contributions. In considering the benefit formula accrual rate increase passed in H.F. 1902 at the last LCPR meeting, PERA took into account 1.2% of the sufficiency in PERA-P&F. Discussion followed.

Rep. Reding **LAID OVER** H.F. 1775.

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

Rep. Johnson reviewed H.F. 1868 and amendment H1868A-7.

Linda Barton, Commissioner of Employee Relations, spoke to the issue and noted that the amendment still provided the Department without a choice but they would not oppose this amendment. Discussion followed.

Rep. Johnson stated that this bill was designed to actually save money by not hiring replacements.

Rep. Johnson moved amendment H1868-7. **MOTION PREVAILED.**

Rep. Johnson reviewed H1868-9 and stated that this amendment made the bill permissive rather than mandatory as requested by the cities and counties. Discussion followed.

Cheryl Fuehrer, MEA, spoke in support of this bill and stated that 4,000 teachers would be eligible. She also stated that approximately 30% of the teachers eligible would utilize this opportunity and the cost would be approximately \$3 million.

Rose Hermanson, MFT, stated that the last time this came up 4,500 to 5,000 teachers were eligible but only 500 used the program.

Rep. Johnson moved amendment H1868A-9. **MOTION PREVAILED.**

Rep. Johnson reviewed amendment H1868A-6 and stated that it would permit employees to use this program and still receive the other incentives provided by collective bargaining agreement excluding health insurance. He further stated that this benefit would apply to members who have service in a combination of the covered funds.

Rep. Johnson moved amendment H1868A-6 as changed by deleting page 1, lines 23-24. **MOTION PREVAILED.**

Senator Waldorf questioned whether there would be layoffs in the school districts.

Rose Hermanson, MFT, responded by stating that there would be layoffs. Discussion followed.

Rep. Johnson moved H.F. 1868 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the fifth item on the agenda, H.F. 2025 (Reding); S.F. 1916 (Waldorf): Statewide Plans; Increasing Interest Rate Charged on Refund Repayments.

Rep. Reding reviewed the bill and stated that it increased the interest rate to 8 1/2% on repayment of refunds. Mr. Martin briefly reviewed a technical amendment which made it clear that all of the interest rates referenced in the bill referred to annual interest rates.

Rep. Jefferson moved amendment LCPR92-47. **MOTION PREVAILED.**

Rep. Reding reviewed an amendment, LCPR92-48, which would require the pension funds to pay 8 1/2% when they paid a refund.

Laurie Hacking spoke in opposition to the amendment since the difference between the interest assumption and the interest paid on refunds is used to cover administrative costs in processing a refund. She further stated that PERA processes 5,000 to 6,000 refunds per year. Discussion followed.

David Bergstrom, MSRS Executive Director, spoke in opposition to this amendment and stated that MSRS pays about 3,000 refunds per year. Discussion followed. Sen. Waldorf stated that a person who takes a refund already leaves behind the employer contribution and investment gains and he believes that equity required that the funds pay an interest rate equal to what members would have to pay if they repaid the refund.

Sen. Waldorf moved amendment LCPR92-48. Discussion followed. Motion withdrawn.

Rep. Reding stated that there is a problem with regard to MSRS on page 6 but offered to correct it in the Government Operations Committee. Rep. Reding moved H.F. 2025 as amended by LCPR92-47. **MOTION PREVAILED.**

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

Lawrence Martin reviewed amendment LCPR92-77 and noted that the amendment did two things; it reinstated all technical college teachers in the first class cities in this plan and changed the description of the three investment groups so that the language was the same as the language dealing with the State University and Community College teachers.

Gene Waschbusch, SPTRFA Executive Secretary, expressed concern about the effect on his plan of including first class city vo-tech teachers in this plan.

Glen Anderson, representative of TIAA-CREF, spoke in support of this bill and noted that it may be used as a recruitment tool and provided portability.

Jim Fremstad, President Minnesota Technical College Faculty affiliated with MEA, spoke in support of this bill with some reservations. Discussion followed.

Karen Kilberg, MTRFA Executive Secretary, spoke in opposition to LCPR92-77 if it included the first class city teachers.

Rep. Reding moved a verbal amendment to LCPR92-77 as follows: page 1, delete lines 3 through 20. **MOTION PREVAILED.**

Rep. Reding moved amendment LCPR92-77 as amended. **MOTION PREVAILED.**

Sen. Morse preferred to have the State University System administer this plan rather than TRA and suggested changing subdivision 2 to reflect this change.

Mary Stanton, State University Plan, requested that the effective date be changed to 1993. She also suggested changing "shall" to "may" on page 2, line 33.

Sen. Morse moved his handwritten amendment which changed the administration of this plan from TRA to the State University System and changed the effective date to 1993. **MOTION PREVAILED.**

Elton Erdahl, TRA Executive Director, spoke in opposition to this bill.

Rep. Reding moved H.F. 2266 as amended by the two amendments above. **MOTION PREVAILED.**

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

Howard Bicker, SBI Executive Director, reviewed three amendments to this bill to change the post retirement adjustment formula. Two of the amendments were short, technical amendments. The first amendment clarified the CPI the State Board of Investment would be using to make the calculation.

Rep. Reding moved the amendment clarifying the CPI. **MOTION PREVAILED.**

The second amendment clarified the reserves that would be utilized to determine a benefit increase.

Sen. Morse moved the amendment clarifying the reserves. **MOTION PREVAILED.**

Mr. Bicker reviewed amendment 1960A-2 which provided a transition benefit increase or an investment component increase in addition to the CPI increase.

Rep. Reding moved amendment 1960A-2. **MOTION PREVAILED.**

Mr. Bicker reviewed amendment MS133 which was a technical amendment that insured that the 1993 postretirement increase would be based on the current formula. Sen. Waldorf asked if the list of values he had requested was available. Mr. Bicker explained that the difference between the book value and market value of the post fund as of June 30, 1991 was \$250 million dollars. Sen. Waldorf questioned how the SBI would be disposing of bonds to get into the stock market. Mr. Bicker responded that he would be utilizing futures to provide for a fair amount of the conversions and that SBI expected to conclude the conversions by the end of the first quarter in fiscal 1993. Discussion followed.

Sen. Morse moved amendment MS133. **MOTION PREVAILED.**

James Hacking, MERF Executive Director, spoke in support of the this bill as it related to MERF.

Sen. Morse moved H.F. 1960 as amended by the four amendments above. **MOTION PREVAILED.**

Rep. Reding introduced the eighth 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.

H.F. 419 was **LAI D O V E R.**

Rep. Reding introduced the ninth item on the agenda, H.F. 2014 (Reding): Local Police and Paid Fire; Interest and Salary Assumption Change with Local Approval.

Rep. Reding reviewed this bill and amendment LCPR92-79. He stated that the amendment changed the bill from a statewide to a local bill. He further stated that the amendment would increase the per diem that Austin police and fire board members could be paid to \$35, it provided for payment of health and medical insurance premium payments, and it changed the assumptions from 3.5% to 5% and from 4% to 6% which saves approximately \$38,000 per year. The benefit improvements would cost approximately \$30,000 per year. This bill has local approval. Discussion followed.

Rep. Reding moved amendment LCPR92-79. **MOTION PREVAILED.**

Rep. Reding moved H.F. 2014 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the tenth item on the agenda, H.F. 1334 (Reding); S.F. 1230 (Stumpf): Volunteer Firefighters Relief Association; Various Benefit Provision Changes.

Lawrence Martin reviewed the bill and amendment HA92-953.

Sen. Stumpf moved amendment HA92-953 with the following change: Page 10, lines 5 and 6, delete the second sentence. **MOTION PREVAILED.**

Gus Welter spoke to the issue and noted the difference between the monthly annuitant and lump sum annuitant maximum annual pension payment amounts.

Sen. Stumpf moved LCPR92-80 which simplified the time-weighted rate of return for volunteer firefighters relief associations with assets under \$2 million. **MOTION PREVAILED.**

Sen. Morse moved LCPR92-82 which provided funding for the Golden Valley Volunteer Firefighters Relief Association \$1,500 funeral benefit . **MOTION PREVAILED.**

H.F. 1334 was **LAI D OVER** to the meeting of 3/11/92.

Rep. Reding introduced the eleventh item on the agenda, H.F. 2001 (Jefferson); S.F. 1934 (Pogemiller): MERF; Require Metropolitan Airport Commission to Apply for State Aid.

Rep. Jefferson reviewed the bill and noted that this bill required MERF to calculate benefits under two formulas and to pay the larger benefit for certain employees to maintain equity.

Rep. Jefferson moved amendment LCPR92-59 which required that the state aid referenced would be dedicated for pension purposes. **MOTION PREVAILED.**

Rep. Jefferson moved amendment LCPR92-60 which provided a definition for firefighters and police officers. **MOTION PREVAILED.**

Rep. Jefferson moved amendment LCPR92-61 which restricted the alternative public safety coverage of this bill to service as a MAC police officer or firefighter. **MOTION PREVAILED.**

Rep. Jefferson moved amendment LCPR92-62 which accommodated the differences between the MERF and PERA-P&F plan. **MOTION PREVAILED.**

James Hacking reviewed a technical amendment, H2001A-1, which clarified that the definition of peace officer included MERF peace officers. Rep. Reding questioned the distribution of fire state aid to the Metropolitan Airport Commission.

Robert Wetherille, Secretary of the Minnesota Fire Council, stated that fire state aid is distributed on the basis of population and market value and that the airport has never been considered part of Minneapolis.

Rep. Jefferson moved amendment H2001A-1. **MOTION PREVAILED.**

Rep. Jefferson moved amendment LCPR92-75 which removed fire state aid from this bill. **MOTION PREVAILED.**

Rep. Jefferson moved H.F. 2001 as amended by the six amendments noted above. **MOTION PREVAILED.**

Rep. Reding introduced the twelfth item on the agenda, H.F. 2028 (Jefferson); S.F. 1935 (Pogemiller): MERF; Require Metropolitan Airport Commission to Apply for State Aid.

Edward Burek reviewed the staff memo on this bill and noted that this bill would bring MERF more in line with the other pension plans.

James Hacking reviewed the amendments H2028A-1 and MS158 and actuarial cost. He stated that H2028A-1 was a technical amendment that would define the procedure to allocate losses in the active fund against accumulated employer reserves.

Rep. Jefferson moved amendment H2028A-1. **MOTION PREVAILED.**

Mr. Hacking reviewed amendment MS158 which would permit employers to amortize MERF administrative costs for which they are responsible. Discussion followed.

Rep. Jefferson moved amendment MS158. **MOTION PREVAILED.**

Rep. Jefferson moved H.F. 2028 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the thirteenth item on the agenda, H.F. 1996 (Reding); S.F. 2023 (Benson, J.E.): TRA; Expanded Employer Contribution Transfer to IRAP for Certain Persons. Russ Stanton, representative of the Faculty of State University and Community College System, reviewed the bill and noted that this bill applied to a faculty member hired between the 1988 passage and 1989 implementation of the IRAP whose employer share was not transferred from TRA to IRAP due to modest TRA prior service.

Sen. Morse moved H.F. 1996. **MOTION PREVAILED.**

Rep. Reding introduced the twentieth item on the agenda, H.F. 1997 (Reding); S.F. 1837 (Morse): IRAP; Change in Contribution Rates, Contributions for Sabbatical Leave, and Funding IRAP Administrative Expenses.

Russ Stanton reviewed a delete everything amendment which raised the employer contribution to IRAP from 4.5% to 6%, it allowed employees to make contributions based on full salary while on Sabbatical leave, and it created an administrative fee to be funded from employer and employee contributions.

Sen. Morse moved the amendment. **MOTION PREVAILED.**

Sen. Morse moved H.F. 1997 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the fourteenth item on the agenda, H.F. 2225 (O'Connor): St. Paul Police; Retirees and Surviving Spouses Participate in Board Elections.

Rep. O'Connor reviewed the bill and amendment LCPR92-24.

Rep. O'Connor moved amendment LCPR92-24. **MOTION PREVAILED.**

Rep. O'Connor moved H.F. 2225 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the fifteenth item on the agenda, H.F. 2226 (O'Connor): St. Paul Police; Change in Benefit Accrual Date.

Rep. O'Connor reviewed the bill and noted that there is some question regarding the cost of this bill.

Gary Norstrem, Treasurer of the City of St. Paul, stated that the cost of the bill is in dispute and that they have requested their actuary to review the cost. Discussion followed.

John Mercado, retired St. Paul Police Officer, provided background information and spoke in support of this bill.

Rep. Reding moved H.F. 2226. **MOTION PREVAILED.**

Rep. Reding introduced the eighteenth item on the agenda, H.F. 2769 (Rukavina): Virginia Police; Escalator Calculation Revision.

Lawrence Martin reviewed amendments LCPR92-84 and LCPR92-85. He stated that LCPR92-84 is a technical amendment that would permit certain changes to the Virginia Police bylaws and the bill is subject to local approval.

Rep. Jefferson moved amendment LCPR92-84. **MOTION PREVAILED.**

Mr. Martin stated that LCPR92-85 would correct omissions in the original bill relating to deferred members.

Rep. Jefferson moved amendment LCPR92-85. **MOTION PREVAILED.**

Rep. Jefferson moved H.F. 2769 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the nineteenth item on the agenda, H.F. 2565 (Jefferson); S.F. 2382 (Pogemiller): Minneapolis Police and Fire; Increased Surviving Spouse Benefits.

Gerald Bridgeman, Secretary of the Minneapolis Police Relief Association, reviewed the bill and provided three handouts. He stated that two of the handouts provided actuarial work the other was a chart that compared the other local relief associations with the Minneapolis relief associations. This bill would phase-in a three unit increase for police surviving spouses based on achievement of specific funding levels and would provide a one

unit increase for fire surviving spouses. He further stated that this bill has a local approval clause.

Rep. Jefferson moved H.F. 2565. **MOTION PREVAILED.**

Rep. Reding introduced the seventeenth item on the agenda, H.F. 2784 (Sarna); S.F. 2547 (Pogemiller): Minneapolis Police; Recodification of Local and Special Laws.

Lawrence Martin reviewed the bill and amendment LCPR92-83 which clarified that all general laws in Minnesota Statutes, Chapter 69.80 apply to Minneapolis Police except as stated in lines 3-5, a notwithstanding clause which would permit Minneapolis Police to continue to have one additional paid board member. Discussion followed.

Gerald Bridgeman spoke in opposition to the amendment.

Sen. Pogemiller moved amendment LCPR92-83 with lines 6-9 deleted. **MOTION PREVAILED.**

Sen. Pogemiller moved H.F. 2784 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the twenty-second item on the agenda, H.F. 2063 (O'Connor); S.F. 1819 (Dahl): PERA Change in Annuity Reduction Due to Reemployment.

Rep. O'Connor spoke in support of the bill.

Lawrence Martin reviewed the bill and stated that it would provide a procedure for reducing a PERA retirement annuity by \$1 for each \$3 earned after the \$8,000 Social Security earning limit was reached in the year that followed the year in which the \$8,000 limit was reached.

Rep. O'Connor moved H.F. 2063. **MOTION PREVAILED.**

Rep. Reding introduced the twenty-first item on the agenda, H.F. 2683 (Solberg); S.F. 2467 (Lessard): Nashwauk Police; Authorizing a Surviving Spouse Benefit Increase.

Lawrence Martin reviewed the bill and stated that it provided an automatic annual increase not to exceed 5% for Nashwauk Police surviving spouses.

Rep. Johnson moved an amendment to page 2, line 19, strike everything after "life," and page 2, delete line 20, which would remove the remarriage penalty in H.F. 2683. **MOTION PREVAILED.**

Rep. Reding moved H.F. 2683 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the sixteenth item on the agenda, H.F. 2474 (O'Connor); S.F. 2396 (Solon): First Class City Teachers; Administrative Bill.

Eugene Waschbusch, Executive Secretary of SPTRFA, reviewed the amendment, LCPR92-74, which removed two sections in the bill that were construed as benefit improvements.

Rep. O'Connor moved amendment LCPR92-74. **MOTION PREVAILED.**

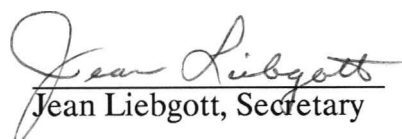
Sen. Pogemiller reviewed legislation that passed last year and noted that it caused a \$268,000 liability to the Minneapolis school district that Commission members were unaware of during passage.

Dave Lutz reviewed amendment LCPR92-68.

Karen Kilberg spoke in opposition to the first part of the amendment. Discussion followed.

Sen. Pogemiller moved H.F. 2474 as amended by LCPR92-74. **MOTION PREVAILED.**

The meeting adjourned at 1:30 A.M.


Jean Liebgott, Secretary