

March 11, 1992
Basement Hearing Room - State Office Building

26th 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 7:57 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 H.F. 2018 (Farrell); S.F. 2750 (Kelly): St. Paul Fire; Various Benefit Increases.

Rep. Farrell reviewed the background on this bill.

Lawrence A. Martin, LCPR Executive Director, reviewed the handwritten delete everything amendment and stated that this bill provided the same benefits for St. Paul police that were originally proposed for St. Paul fire. This amendment does not contain the longevity escalator benefit.

Rep. Reding moved H.F. 2018 with the handwritten amendment. **MOTION PREVAILED.**

Rep. Reding introduced the first item on the agenda, H.F. 2222 (Carlson); S.F. 2031 (Reichgott): PERA Defined Contribution Plan; Certain Local Official Buyback.

Rep. Carlson reviewed the bill and noted that the bill would permit a certain individual to buy back time in the PERA Defined Contribution Plan.

Mr. R. Gangelhoff, City of Robbinsdale, spoke in support of this bill and noted that the individual thought he would be able to select the defined contribution plan at any time.

Laurie Hacking, PERA Executive Director, explained that this individual missed the one year window of opportunity for defined benefit plan members to switch into the defined contribution plan. Discussion followed.

Lawrence Martin reviewed the bill and stated that this bill entitled a certain person to opt into the defined contribution plan even though they had missed the deadline. Mr. Martin further suggested that the Commission add a local approval clause.

Rep. Reding moved H.F. 2222. **MOTION FAILED.**

Rep. Reding introduced the eighth item on the agenda, H.F. 2792 (Rice); S.F. 2581 (Kroening): Minneapolis Fire; Level Benefits.

Rep. Rice reviewed the bill and provided actuarial work from Gabriel, Roeder, Smith. He further noted that this bill does have a local approval clause.

Rep. Jefferson moved H.F. 2792. **MOTION PREVAILED.**

Rep. Reding introduced the second item on the agenda, H.F. 2754 (Simoneau); S.F. 2599 (Frank): Columbia Heights Fire; Termination of Relief Association.

Stuart Anderson, City Manager of Columbia Heights, reviewed the bill.

Lawrence Martin reviewed the two articles of the bill and noted that one article dealt with the termination of the relief association and its conversion into insurance policies for the eight retirees and the one active member affected by this bill. Discussion followed.

Rep. Johnson moved H.F. 2754. **MOTION PREVAILED.**

Rep. Reding introduced the next item on the agenda, 92-5249; Columbia Heights Police; Consolidation of Columbia Heights Police Relief Association with PERA-P&F.

Lawrence Martin reviewed the bill and noted that it provided a benefit increase since it included college incentive pay and longevity pay in the base salary used to calculate benefits. He further noted that if consolidation with PERA-P&F occurred, members of the Columbia Heights Police Relief Association would be required to make contributions at the PERA-P&F rate if they chose PERA-P&F benefits. Discussion followed.

Rep. Reding moved amendment 92-5249. **MOTION PREVAILED.**

Rep. Reding introduced the fifth item on the agenda, H.F. 2257 (Jefferson): TRA; Purchase of ISD No. 197 Leave Period.

Rep. Jefferson reviewed the bill and noted that it required payment of full actuarial value by a 47 year old employee who wished to buyback a seven year leave period.

Elton Erdahl, TRA Executive Director, stated that with the payment of full actuarial value, they do not have a position. He further noted that the cost under the combined service annuity would be \$85,000.

Rep. Jefferson moved H.F. 2257. **MOTION PREVAILED.**

Rep. Reding introduced the tenth item on the agenda, H.F. 699 (Reding); S.F. 684 (Pogemiller): Judges; Elimination of Social Security Offset.

Lawrence Martin reviewed LCPR92-88, a delete everything amendment to H.F. 699. Mr. Martin then reviewed the Milliman & Robertson report which provided an actuarial cost of 2.27% of pay for eliminating the Social Security offset for judges. The amendment, LCPR92-88, also provided an increase in member contribution rates but the amount of the increase was left blank. Mr. Martin further noted that LCPR92-88 made the repeal of the Social Security offset retroactive to July 1, 1991. Mr. Martin reviewed an additional handwritten amendment which provided for a second Social Security coverage referendum for basic member judges. Discussion followed.

Roland Faricy spoke in support of the bill and noted that 16 judges would be affected by the second chance Social Security referendum. Discussion followed. Members expressed concern about the Social Security offset retroactivity provision.

Rep. Reding moved H.F. 699 as amended. **MOTION PREVAILED.**

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

Lawrence Martin reviewed the three amendments passed at the LCPR meeting on 3/10/92.

Robert Wetherille, Secretary Minnesota State Fire Department Association, noted a concern with the change in the state aid allocation. Discussion followed.

Gus Welter, Minnesota State Fire Department Association, spoke in support of raising the maximum benefit amount for the lump sum retirees. He further noted that many municipalities were contributing at least as much as their state aid amount and that state aid was not driving benefit increases. The municipality is providing benefit increases to maintain good fire service. Mr. Welter further supported the Golden Valley funeral benefit. Discussion followed.

Robert Wetherille spoke in support of the time weighted rate of return change and the prorated benefits provision in this bill.

Rep. Knickerbocker moved to strike section 1 of amendment HA92-953.

Sen. Stumpf stated that agreement was reached to phase-in an increase for lump sum annuitants from \$3,050 currently to \$3,750 by 1/1/95. Mr. Martin offered some corrected language.

Sen. Stumpf moved H.F. 1334 as amended. **MOTION PREVAILED.**

Rep. Reding introduced the sixth item on the agenda, H.F. 2369 (Sparby); S.F. 2242 (Stumpf): Thief River Falls Police; Benefit Increase.

Lawrence Martin reviewed the background on this issue. He noted that this bill provided a \$25 per month increase to retirees and surviving spouses and it does have a local approval clause.

Sen. Stumpf moved H.F. 2369. **MOTION PREVAILED.**

Rep. Reding introduced the seventh item on the agenda, H.F. 2641 (Jefferson); S.F. 2387 (Pogemiller): MTRFA; Elimination of Retroactive Omitted Salary Deduction Provision.

Sen. Pogemiller reviewed the agreement between the MTRFA and Minneapolis school district.

Karen Kilberg, Executive Secretary MTRFA, spoke in support of this compromise and noted that the school district would request teachers who had omitted contributions to pay their contributions and the school district then to pay the employer contribution. Any teacher who chose not to pay their share of the omitted contributions would not receive credit for service for the omitted contribution period.

Dave Lutz, Minneapolis School District, also spoke in support of the compromise.

Rep. Reding moved the concept of this agreement and directed staff to prepare the language to be amended to the first class teachers bill in the Government Operations Committees. **MOTION PREVAILED.**

Karen Kilberg requested an amendment to require disabled members to receive retirement benefits once they reached retirement age. Discussion followed. This item was laid over for further review.

Rep. Reding introduced the eleventh item on the agenda, H.F. 2601 (Simoneau); S.F. 2434 (Kroening): MSRS; Coverage Continuation.

Lawrence Martin reviewed this bill and noted that the U of M heating plant service was being contracted out to a private concern and eighty U of M employees would be permitted by this bill to continue coverage with MSRS. Discussion followed.

David Bergstrom, MSRS Executive Director, stated that MSRS does not have a problem with this bill. He further noted that previously circumstances such as this have threatened the tax qualification status of MSRS and he was not sure how this instance would be viewed. With the Gillette Hospital situation, contributions to the plan are not tax deferred. Discussion followed.

Rep. Reding moved H.F. 2601. **MOTION PREVAILED.**

Rep. Reding introduced the thirteenth item on the agenda, H.F. 2756 (Rukavina); S.F. 2530 (Dicklich): Virginia Firefighters; Increase in Survivor Benefits.

Lawrence Martin reviewed this bill and noted that it provided an ongoing escalator or 3.5% increase in benefits, whichever is smaller. Mr. Martin further suggested an amendment to page 1, line 11 after "percentage" add "salary."

Rep. Reding moved H.F. 2756 with the suggested amendment. **MOTION PREVAILED.**

Rep. Reding introduced the twelfth item on the agenda, H.F. 1311 (Hasskamp); S.F. 1051 (Samuelson): Brainerd Police; Benefit Increases.

Lawrence Martin reviewed this bill and noted that Subdivision 1 provided ten year vesting, Subdivision 2 provided a 2% benefit for each year beyond 20 years, Subdivision 3 increased surviving spouse benefits, Subdivision 4 provided survivor benefits to age 22 if the surviving child is a full time student. Mr. Martin reviewed LCPR92-89 which stated that the bill only applied to new retirees.

Senator Waldorf expressed concern regarding the Subdivision 2 benefit improvement. Discussion followed.

H.F. 1311 was **LAI D O V E R.**

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

Rep. Johnson reviewed an amendment to LCPR92-73. He stated that the new amendment required the State Board of Investment to review all contracts with any new vendors before execution and that the Executive Director of the State Board of Investment must establish rules to carry this out. Discussion followed.

Rep. Johnson moved amendment H419A-4 as amended. **MOTION PREVAILED.**

Rep. Johnson moved the amendment LCPR92-73. **MOTION PREVAILED.**

Rep. Johnson moved H.F. 419 as amended. **MOTION PREVAILED.**


Rep. Reding introduced the ninth item on the agenda, H.F. 1057 (Welle): MSRS; Educational Leave Buyback.

Edward Burek, LCPR Deputy Executive Director, reviewed the staff memo on this bill and two amendments, LCPR92-46 and LCPR92-36. He stated that this bill would provide two employees of the Willmar Regional Treatment Center to purchase time as if it were an educational leave of absence. Due to subsequent changes to MSRS law that were made retroactive, there is an equity argument to authorize these individuals to purchase this service for contributions plus interest.

David Bergstrom stated that the number of individuals permitted to purchase this service for contributions plus interest without special legislation would number in the tens. Discussion followed.

H.F. 1057 was **LAI D OVER.**

The meeting adjourned at 11:30 P.M.


Jean Liebgott, Secretary