

April 1, 1992
Room 10 State Office Building

29th 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, Gerald Knickerbocker, Rich O'Connor and Leo Reding
Senators Earl Renneke, Leroy Stumpf and Gene Waldorf

Rep. Reding introduced the first item on the agenda, a Finance Department Briefing of Members on Potential Retirement Funding Changes.

Philip Kapler, Budget Officer in the Department of Finance, began his briefing by stating that extending the amortization date to 2055 is not being contemplated by the Department of Finance or the Governor's office. He suggested one issue the Commission may consider would be the possibility of a thirty year rolling amortization date rather than a fixed amortization date. He stated that the current practice of a fixed amortization date permits sufficiencies to periodically occur followed by benefit increases and a change in the amortization date.

Mr. Kapler then provided a handout and briefed members on the four recommendations currently in the Governor's budget. The first recommendation decreased the MSRS General employee contribution from 4.15% to 3.99% and the employer contribution from 4.29% to 4.12%. This change would provide approximately a \$1.7 million savings in the general fund. Mr. Kapler further briefed members on two proposals that changed the traditional public safety plan 40% employee/60% employer contribution rate split to a closer split for the MSRS Correctional Plan and the PERA-P&F Plan. Discussion followed.

Mr. Kapler continued the briefing by noting that the fourth recommendation would maintain a reserve in the Judges Fund and create an open appropriation.

Discussion followed and it was agreed to send a letter opposing changing the amortization date, similar to the letter sent to Representative Phyllis Kahn, to Senator Carl Kroening.

Rep. Reding introduced the second item on the agenda, an Amendment to H.F. 1334 (Reding); S.F. 1230 (Stumpf): Grandfathering Volunteer Fire Plans With Nonconforming Service Pension Amounts.

Rep. Reding informed members that the House Government Operations Committee had passed H.F. 1334 with an amendment grandfathering nonconforming service pension amounts to prevent lawsuits.

Sen. Stumpf introduced the amendments the House Government Operations Committee passed on H.F. 1334 and Lawrence Martin reviewed the amendments (LCPR92-107 and LCPR92-131). Mr. Martin stated that LCPR92-131 changes the penalty of the loss of state aid from a five year period to a one year period for a volunteer fire relief association that provided benefits that did not conform to state law. Mr. Martin then reviewed LCPR92-107 and stated that it is unrelated to the volunteer fire issue. LCPR92-107 provided a second chance social security referendum for a constituent of Rep. Dorn's.

Rep. Reding asked members for their comments on LCPR92-131. Discussion followed. Sen. Waldorf questioned how the loss of aid would be enforced. Mr. Martin stated that it would be the State Auditor's duty to recover the state aid from the nonconforming volunteer fire relief associations.

Sen. Stumpf moved amendment LCPR92-131. **MOTION PREVAILED.**

Rep. Reding asked Mr. Martin to further review LCPR92-107. Mr. Martin stated that this amendment would apply to a Mankato teacher who is a basic member of TRA and, therefore, does not have social security. Mr. Martin stated that in 1989 the federal government authorized a medicare referendum for basic pension plan members. The teacher did not choose medicare coverage at that time due to the spouse's medical coverage but on further review of the spouse's coverage it was determined that it did not provide what the couple thought it would and the teacher would like the opportunity to choose medicare coverage now. Discussion followed.

Sen. Renneke stated that if this amendment was passed, he would like a second chance medicare referendum made available to everyone who would qualify.

Elton Erdahl, TRA Director, stated that TRA does not have a position on the medicare referendum as it would not have an effect on TRA but if it were opened up to everyone that would qualify, it would be a difficult administrative task for TRA.

Sen. Waldorf expressed concern about the precedent being set by allowing people to make a second selection.

Rep. Knickerbocker moved amendment LCPR92-107. **MOTION FAILED.**

Rep. Reding introduced Rep. Steve Smith to review an amendment, HA92-1086, he would like considered by the Commission.

Rep. Smith stated that this amendment would permit a member of the Shorewood City Council to opt out of the defined contribution plan. He introduced Alan Rolek, Finance Director of Shorewood, who stated that the plan had an adverse effect on the person's IRA. Lawrence Martin suggested the following wording be added to the amendment, "Revocation election must be made on or before January 1, 1994." Members agreed to this addition.

Rep. O'Connor questioned whether the employer contribution would revert back to the employer.

Laurie Hacking, PERA Director, responded that PERA would have to check into the issue but she believed the employer contribution would probably not be returned due to the possibility of causing a federal tax problem for the employee.

Rep. Knickerbocker moved amendment HA92-1086. **MOTION PREVAILED.**

Rep. Reding introduced Rep. Irv Anderson to review a constituent's issue.

Rep. Anderson stated that a bill was passed last year for his constituent which permitted the constituent to buyback service at full actuarial value. The buyback was very expensive and the constituent declined to purchase the service.

Laurie Hacking reviewed the issue and stated that this person wished to terminate membership in the defined benefit plan and become a member of the defined contribution plan as well as receive credit for 18 years of previous service. If the person remained in the defined benefit plan, the benefit would be \$580 per month. If the person became a member of the defined contribution plan, the benefit would be \$285 per month.

Rep. O'Connor raised several questions.

Ms. Hacking further stated that after recently discussing the ramifications of these actions with the person involved, the person was surprised at the reduction in benefits that could occur but still wanted the option to possibly make this change.

Rep. Anderson spoke in support of this amendment.

Rep. O'Connor moved the unnumbered amendment concerning the Clerk/Treasurer for Deer River.

Sen. Waldorf spoke in opposition to this amendment as it would set a precedent. Discussion followed. Sen. Waldorf requested that this amendment be **LAIID OVER.**

Rep. Reding introduced the third item on the agenda, a House Floor Amendment to H.F. 2658 (Peterson); S.F. 2514 (Frederickson, D.J.) Regarding PERA Coverage for Benson City-Swift County Hospital Employees.

Lawrence Martin reviewed the House Journal language from Monday, March 30th, 1992. Mr. Martin stated that the amendment allowed Swift County Hospital PERA members to have immediate vesting upon sale or lease of the hospital to a private organization and that the new private owners would be required to provide these members with pension coverage comparable to that provided by PERA. He further stated that the Senate progressed consideration of this bill pending Commission action. Discussion followed.

Sen. Waldorf raised a concern with permitting immediate vesting.

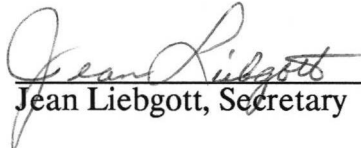
Sen. Waldorf moved that the Commission recommendation be that the Senate not concur with clause 1 of the House amendment on page 11418 of the House Journal. **MOTION PREVAILED.**

Rep. Reding asked members if they had any other issues they would like to bring before the Commission.

Rep. Knickerbocker asked what the status was of H.F. 2476 (Reding); S.F. 2427 (Waldorf): the Extracurricular Activities Fund.

Sen. Waldorf stated that he was comfortable with narrowing the bill as his amendment previously reviewed by the Commission would have accomplished. He further stated that prospectively he supported Rep. O'Connor's suggestion of eliminating both the employee and employer contribution for extracurricular activity service. Rep. Knickerbocker stated that he could support that concept. Sen. Waldorf stated that he would discuss this concept with the Senate members.

The meeting adjourned at 12:05 P.M.


Jean Lieb Gott, Secretary