

December 1, 1993
Room 123 Capitol

16th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Phil Riveness, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 1:50 P.M.

Commission members present:

Representatives Mindy Greiling, Bob Johnson, Phyllis Kahn, Gerald Knickerbocker, and Leo Reding
Senators Steven Morse, Lawrence Pogemiller, Phil Riveness, LeRoy Stumpf, and Roy Terwilliger

Approval of Minutes of Prior Meeting, November 4, 1993

Rep. Johnson moved approval of the November 4, 1993, Commission meeting minutes.
MOTION PREVAILED.

Options for Adapting Retirement Coverage for Teachers Engaged in Job-Sharing (First Consideration)

Lawrence A. Martin, LCPR Executive Director, reviewed the background on this topic. Sen. Riveness asked the author to inform the members of her purpose in offering this bill.

Rep. Greiling stated that she viewed this issue as one method for teachers to phase-into retirement. She also stated that the bill she introduced in the House and that Senator Krentz introduced in the Senate would reduce eligibility for teachers to participate in a job-share program from 20 years to 15 years, would allow teachers to make employee pension contributions at the full-time salary rate, and would permit job-sharing teachers to receive a retirement benefit based on a full-time high-five. Rep. Greiling also mentioned that she is interested in providing a similar program for teachers with preschool children to enable them to have a career as well as spend time with their children.

Rep. Johnson agreed with the concept of job-sharing but stated that he is concerned that this program might become an incentive program.

Rep. Knickerbocker noted that this program might cause an additional burden on the employer since the employer would be paying two people to do one job while also paying two full-time employer pension contributions. Discussion followed.

Mr. Martin referred members to page 2 of the staff memo and pointed out how service and salary are credited differently by the various pension plans.

Barb Conrad, representative of DOER, provided information on state job-sharing positions. She testified that currently 39 full-time positions have been split into job-sharing positions. She was unaware of how pension coverage for job-sharing positions was treated.

David Bergstrom, MSRS Executive Director, testified that a full time employee is given full credit for all service and a part-time employee is given prorated service credit. Discussion followed.

Gary Austin, TRA Executive Director, testified that TRA credits service by days and 180 days is the minimum credit for one year of service. He further testified that a TRA member's high-five is based on an equivalent of five full years of service. He stated that TRA may go back 13 or 14 years to accumulate five full years of service credit to determine a person's high-five for pension benefit calculations. Discussion followed.

Rep. Greiling stated that it appears that the only difference between current practice and the bill she authored is the reduction in eligibility for the job-share program from 20 years to 15 years of service for K-12 teachers.

Mr. Martin continued with his review of the staff memo and stated that the hypothetical is inaccurate in view of the testimony of Mr. Austin as to how TRA determines service credit for job-sharing teachers.

Sen. Krentz testified that she was a teacher who had job-shared for three years in order to spend more time with her small children and knew of other teachers who were reluctant to job-share because it would affect their high-five. This was why she authored and supported this bill. Discussion followed.

Rep. Knickerbocker requested an example of a job-sharing teacher and what the cost would be to the school district if the school district paid the full employer contribution for job-sharing teachers. Rep. Greiling requested an example of whether their might be a cost savings for a school district if a younger, lower salaried job-sharing teacher were paired with an older, higher salaried job-sharing teacher. Discussion followed.

Potential Major General Employee Pension Plan Benefit Accrual Rate Increase (First Consideration)

Mr. Martin reviewed the background on this topic and stated that the staff memo deals primarily with the question of the adequacy of public employee pension benefits and what impact a benefit formula increase would have on benefit adequacy. He further stated that the Commission actuary has been asked to cost out the benefit accrual rate increase and the cost estimate should be available the next time the Commission looks at this issue. Mr. Martin referred members to the graphs in the appendix of the memo and reviewed them.

Sen. Morse questioned what is the average age and years of service at which a TRA member retires. Mr. Austin responded that the average age is 60 and the average years of service is 28. Discussion followed.

Sen. Terwilliger questioned whether staff could get information from the private sector (General Mills, Pillsbury) for comparison with Minnesota public pension plans. Mr. Martin stated that it may be possible to get some information on the private sector. He further stated that private plans are usually funded solely by the employer and that private employers may have two plans, a basic salary plan and/or a 401K plan making comparison difficult.

Sen. Riveness stated that Bill Blazer from the Minnesota Chamber of Commerce recently did a comparison of public sector and private sector salaries that had a pension component. He suggested that staff invite Mr. Blazer to testify before the Commission.

Sen. Morse stated that in considering this bill, changes in actuarial assumptions or other measures may need to be studied to minimize any increased burden to local governments.

Hank Stankiewicz testified that the Wyatt report was based on an assumption of a married, one wage earner family and it may be more appropriate to compare situations closer to reality today. Mr. Martin stated that Mr. Stankiewicz was correct and that it was noted on page 11 of the staff memo that the charts do not necessarily reflect a typical public employee.

Establishment of a Statewide Pension Plan For Emergency Service Personnel (Second Consideration)

Mr. Martin reviewed the staff memo on this topic which provided information on six issues Commission members had raised during the October 11, 1993 meeting.

Rep. Johnson stated that he had received a copy of a letter sent to the volunteer fire community and he was concerned by the misinformation it contained regarding the interim study undertaken by the LCPR. Sen. Riveness agreed with and added to Rep. Johnson's comments as did Sen. Morse.

Rep. Bertram testified on behalf of his volunteer firefighters and stated that the volunteer firefighters do not have a full-time paid lobbyist. Rep. Bertram stated that volunteer firefighters are concerned about what the Commission may propose and he will share the information he gets from this meeting today with his constituents. Discussion followed.

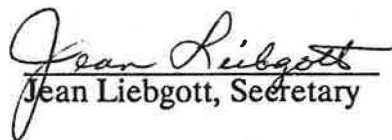
Sen. Lesewski testified that her firefighters are concerned that the Commission may take the state aid currently distributed to the volunteer firefighters and redistribute it to other emergency service personnel as well as the volunteer firefighters.

Chief Mike Evnet testified on behalf of the Lake Region Volunteer Firefighters. He testified that the 2% money has been reduced each year making it necessary for local government to make a contribution to adequately fund pension benefits. He further testified that he would not like to see local departments lose control of their own administration.

Judith Johnson, general counsel from the State Auditor's Office, testified that in her visits around the state to discuss volunteer firefighters relief association compliance with reporting to the State Auditor's Office, she first must address concerns about what the Pension Commission is doing. She testified that some of the larger relief associations have established an organization that is planning to meet with the State Auditor's Office to discuss doing a joint RFP for audit and actuarial services. Ms. Johnson noted that these larger relief associations seem to already be addressing some of the issues the Commission was discussing with regard to economies of scale. She further noted that the State Auditor's Office is receiving and reporting information regarding the administrative costs for volunteer fire plans.

Rep. Bertram stated that out of the over 690 volunteer fire relief associations, 400 of them received a letter saying they would not receive their 2% money. At the same time, the volunteer fire relief associations received word that the LCPR was studying the establishment of a statewide pension plan for emergency services personnel. These two occurrences raised volunteer firefighters' level of concern. Discussion followed.

The meeting adjourned at 4:05 P.M.


Jean Lieb Gott, Secretary