



April 5, 2016

Basement Hearing Room
State Office Building

MINUTES

Call to order:

Representative Tim O'Driscoll, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 5:40 p.m.

Commission Members Present:

Representatives Albright, Anderson, Erickson, Kresha, Murphy, O'Driscoll, and Thissen
Senators Goodwin, Hayden, Pappas, Rosen, Saxhaug, and Thompson

Commission Members Absent:

Senator Johnson

Agenda Items

Meeting Minutes

Rep. Albright moved approval of the March 29, 2016, meeting minutes. **MOTION PREVAILED.**

Amendment H2807-2A: Technical corrections; eliminating obsolete references

Rachel Barth, Pension Commission Deputy Director, reviewed the amendment.

Rep. O'Driscoll moved H2807-2A be recommended to pass and be incorporated into the 2016 omnibus pension bill. **MOTION PREVAILED.**

Amendment H2807-4A: Effective date change for the service pension maximums previously adopted by the Commission, applicable to the Eden Prairie Firefighter Relief Association.

Ms. Barth reviewed the amendment.

Rep. O'Driscoll moved H2807-4A be recommended to pass and be incorporated into the 2016 omnibus pension bill. **MOTION PREVAILED.**

HF3805 (O'Driscoll), SFxxxx: Minnesota public pension plans additional sources of funding.

Susan Lenczewski, Pension Commission Executive Director, reviewed the bill.

In response to a question from Rep. Albright, Ms. Lenczewski indicated that a plan would not want to accept gifts that are illiquid, but that Minnesota Management and Budget (MMB) statutes provide authority to do what is necessary in order to liquidate such assets.

Rep. O'Driscoll clarified that the bill as drafted does not authorize a plan to take out life insurance policies on its members.

In response to a question from Rep. Murphy, Rep. Albright clarified that a gift is irrevocable, the recipient of the gift can make use of it as the recipient sees fit without direction by the grantor, and that the gifted funds cannot be used to offset any debt owed by grantor to the plan.

David Bergstrom, Executive Director, MSRS, testified that MSRS currently has the authority to accept gifts, donations, and bequests, but not life insurance or other types; testified to his concern that the proposal would allow an EPOCH-type proposal without additional legislation; and that the wording "similar sources of funding" is rather vague. Mr. Bergstrom also suggested repealing the current MSRS language if this proposal is adopted.

Ms. Lenczewski clarified that an EPOCH situation would not work under current law and that, at a minimum, the insurance statutes would have to be amended.

Jill Schurtz, Executive Director, SPTRFA, testified that St. Paul does not currently have a similar provision and would welcome items 1-3. Ms. Schurtz indicated that she shares concerns similar to Mr. Bergstrom's that legislation is coming ahead of a very involved discussion regarding an EPOCH-type arrangement.

Rep. O'Driscoll proposed deleting everything after the comma on line 1.14 and delete lines 1.15-1.17.

The bill was laid over.

HF3606 (Erhardt); SFxxxx: MSRS-Correctional; Department of Corrections retiree, transfer of prior general plan service credit and retirement annuity adjustment.

Rep. Ron Erhardt reviewed and testified in support of his bill.

Daniel Ahlness, the person affected by the bill, testified in support of the bill.

Ms. Lenczewski reviewed the bill.

Lisa Wojcik, Assistant Commissioner of Operations Support, Department of Corrections, testified that the Department is unable to verify due to lack of documentation that Mr. Ahlness was offered the option to transfer prior service credit. Ms. Wojcik testified to the Department's concern about precedent.

Mr. Bergstrom testified that in 1996, case workers were added to the Correctional Plan; when the Department of Corrections certified that they met the 75% inmate contact criteria MSRS would contact the employees to inform them they had the option to buy back service but MSRS has no documentation that a notice was sent to Mr. Ahlness. Mr. Bergstrom testified that there is no question that Mr. Ahlness should have had that opportunity, but because the option to buy back service expired in 1999, MSRS does not have the authority to allow such a service credit purchase, and that even if a fact-finding were to occur, without legislation MSRS would not be able to help him. Mr. Bergstrom also indicated that there are likely other individuals in a similar situation.

The bill was laid over for possible inclusion in an omnibus retirement bill.

Items laid over for possible inclusion in the 2016 Omnibus Pension Bill

- Amendment H2807-5A; adding the language of HF2810 (Howe), Sec. 2; SF2743 (Pappas), Sec. 3
Ms. Lenczewski reviewed the amendment, which would add to the omnibus bill only the portion of the bills that relates to PERA and would also correct a cross-reference.
Sen. Pappas moved Amendment H2807-5A be recommended to pass and be incorporated into the 2016 omnibus pension bill. **MOTION PREVAILED.**
- HF3136 (Thissen); SF2853 (Pappas)
Russell Hess, Political Coordinator, Laborers District Council of Minnesota and North Dakota, testified in support of the bill. Mr. Hess informed members that the maximum was last revised from \$2,000 to the current \$5,000 in 2006.
Sen. Pappas moved HF3136/SF2853 be recommended to pass and be incorporated into the omnibus retirement bill. **MOTION PREVAILED.**
- HF3718 (Metsa); SF3366 (Tomassoni)
Sen. Pappas moved HF3718/SF3366 be recommended to pass and be incorporated into the 2016 omnibus pension bill. **MOTION PREVAILED.**
- HF3422 (Knoblach), as previously amended
Sen. Pappas moved HF3422/SFxxxx be recommended to pass and be incorporated into the 2016 omnibus pension bill. **MOTION PREVAILED.**
- HF3351 (Theis); SF2890 (Pederson)
Sen. Saxhaug moved HF3351/SF2890 be recommended to pass and be incorporated into the 2016 omnibus pension bill. **MOTION PREVAILED.**
- HF2560 (Zerwas); SFxxxx
HF2560/SFxxxx failed for lack of a motion.
- HFxxxx (Whelan, by request); SFxxxx, Revisor #15-3939
HFxxxx/SFxxxx (Revisor #15-3939) failed for lack of a motion.
- HF1919 (Daniels); SF1972 (Lourey)
HF1919/SF1972 failed for lack of a motion.
- HF3606 (Erhardt); SFxxxx
Mr. Bergstrom testified that without legislative action the MSRS Board is unable to remedy Mr. Ahlness' situation because the service credit purchase authority expired in 1999.
Sen. Pappas moved HF3606/SFxxxx be recommended to pass and be incorporated into the 2016 omnibus pension bill.
Ms. Wocjek testified that there is no documentation that notification was sent to Mr. Ahlness, that the Department is not contesting the cost of the legislation, but is concerned about precedent.

Mr. Bergstrom testified that, at the time, the department required to certify those eligible, then MSRS was required to notify individual. Mr. Bergstrom's understanding is that the Department does not dispute that he met the 75% inmate contact requirement.

Ms. Wocjek testified that the Department does not dispute that he met the 75% inmate contact.

Rep. Thissen suggested, in order to limit precedent, adding language to the bill that Mr. Ahlness did not receive notice and/or that the Department of Corrections failed to notify MSRS.

Ms. Lenczewski mentioned that doing so would make sense, but she is not sure that it would stop the precedential effectiveness.

The bill was laid over.

HF3716 (O'Driscoll); SFxxxx: MSRS; Fairview Hospital privatized employees; revising augmentation rates, revising exception regarding public reemployment.

Mr. Bergstrom testified in support of the bill, distributed and reviewed a handout on augmentation containing hypothetical examples. Mr. Bergstrom also clarified that the proposed augmentation change is prospective only, and is similar to what was done in 2010 for other MSRS deferred annuitants.

Chad Burkitt, Legislative Liaison, MSRS, in response to a question from Sen. Rosen, testified that there are 1,280 affected people as of March 1, but that MSRS doesn't have a breakdown of those employees by age. Mr. Burkitt indicated that he would provide that information to members.

Mr. Bergstrom clarified that of the 1,280 total only 500 are still employed at Fairview but the employees who have left Fairview employment remain eligible for augmentation.

Mary Gilbert, lobbyist for Fairview Health Services, in response to a question from Rep. Murphy, informed members that current merger discussions will have no impact on these employees; no hospital employee will be going back to the University of Minnesota.

Dan Stromquist and Gayle Stromquist, one of the employees affected by the bill, testified in opposition to the bill and provided a handout.

Rena Garni, one of the employees affected by the bill, testified in opposition to the bill.

Written testimony from Monica Rosin, one of the employees affected by the bill who was unable to attend the meeting, was distributed to members.

Adjournment

The meeting adjourned at 8:10 p.m.

Lisa Diesslin, Commission Assistant