

April 8, 1989
Room 123
Capitol

9th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Donald M. Moe, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 9:20 A.M.

Commission members present:

Senators Donald Moe, Steven Morse, Larry Pogemiller, Earl Renneke, and Gene Waldorf
Representatives Gerald Knickerbocker, Rich O'Connor, and Wayne Simoneau

Commission members absent:

Representatives Robert A. Johnson and Leo Reding

~ A quorum was present.

Senator Moe introduced the first item on the agenda, S.F. 1131 (Moe D.M.); H.F. 1324 (O'Connor): MSRS; Administrative Changes. Mr. Lawrence A. Martin, Executive Director of the Commission, reviewed the staff memo on this bill, staff amendments and the MSRS section by section memo. Mr. Martin noted four policy issues raised by this bill which are the formal appeals procedure, the revision of the Social Security leveling option, reduction of the Unclassified Employees Retirement Plan retirement age, and the repeal of the pre-63 retiree special post retirement adjustment state general funding.

Paul Groschen, Executive Director of MSRS, reviewed in further detail the policy issues noted by Mr. Martin. Discussion followed.

Members moved approval of S.F. 1131; H.F. 1324 with amendments LCPR21 and LCPR35. **MOTION PREVAILED.**

Sen. Moe introduced the second item on the agenda, S.F. 1201 (Moe D.M.); H.F. 1434 (Simoneau): TRA; Administrative Changes. Mr. Martin reviewed the staff memo and the staff amendments for this bill. Mr. Martin noted five policy issues raised by this bill which are excluding time shifted income from salary, what constitutes a board quorum, the formal appeals procedure, the revision of the Social Security leveling option, and the re-employed annuitant earnings limitation benefit reduction amount.

Elton Erdahl, Executive Director of TRA, reviewed in further detail the exclusion of time shifted income from salary noted by Mr. Martin.

John Ahlers, Business Agent for the School Service Employees Local, testified that this practice is also an issue in PERA.

Rep. Simoneau moved approval of S.F. 1201; H.F. 1434 with amendment, LCPR28. **MOTION PREVAILED.**

Sen. Moe moved a handwritten amendment to delete section 6 of this bill which dealt with a Board quorum and majority. **MOTION PREVAILED.**

Sen Moe introduced an amendment, LCPR33, to S.F. 1201; H.F. 1434, relating to the First Class City Teacher Funds. Mr. Martin reviewed the amendment for Commission members and noted the purpose of this amendment is to keep the first class city teacher coordinated law identical to TRA law.

Eugene Waschbusch, Executive Secretary of the St. Paul Teachers Retirement Fund Association, reviewed the "qualified rollover" issue.

Edward Blanck, Executive Secretary of the Duluth Teachers Retirement Fund Association, testified in support of LCPR33 including the "qualified rollover" provision.

Morgan Fleming, representative of the Committee of 13 of the Minneapolis Teachers Retirement Fund Association, testified in support of the amendment and the "qualified rollover" provision. Discussion followed.

Members moved approval of LCPR33 and an unnumbered amendment extending the "qualified rollover" provision to MSRS, TRA and MTRFA. **MOTION PREVAILED.**

Senator Moe introduced the third item on the agenda, S.F. ____ (); H.F. 1446 (Simoneau): PERA; Administrative Changes. Mr. James Hacking, Executive Director of PERA, reviewed the sections of the bill and the policy issues raised by the Commission staff memo.

Rep. Simoneau reviewed amendments to H.F. 1446. The first half of his amendment would provide a general exclusion for ambulance service personnel from PERA and PERA-P&F to prevent double coverage under the Volunteer Ambulance Service plan and PERA or PERA-P&F. The second half would permit a person to elect to have volunteer ambulance service credited to PERA or PERA-P&F if the person was a public employee by virtue of other employment. The second amendment would change the term of one PERA board member to coincide with the election of two other board members, set for 1991, to permit one election. Discussion followed.

Members moved approval of S.F. ____; H.F. 1446 with amendments LCPR31, the first half of the amendment which excludes volunteer ambulance service personnel from PERA and PERA-P&F, a handwritten amendment to page 13, line 33 restricting this provision to PERA, and an amendment extending the "qualified rollover" provision to PERA. **MOTION PREVAILED**.

Senator Moe introduced S.F. 1312 (McQuaid); H.F. 1419 (Olsen): St. Louis Park Police; No Termination for Surviving Spouse. Sen. Moe noted that this bill makes a very substantive change in prior pension policy and would set a precedent that should be further reviewed.

Members laid over S.F. 1312; H.F. 1419 for further study.

Senator Moe introduced the fourth item on the agenda, S.F. 209 (Chmielewski); H.F. 133 (Johnson, R.): PERA; Coverage Expansion for Association of Township Employees, S.F. 825 (Chmielewski); H.F. 1005 (Johnson, R.): PERA; Coverage Expansion for Association of Township Employees, S.F. ____ (); H.F. 1206 (Reding): PERA; Coverage Expansion for Association of Metro Municipalities and Association of Township Employees. It was noted that these bills are contained in the PERA administrative bills and do not require further action.

Members laid over S.F. 209; H.F. 133, S.F. 825; H.F. 1005, S.F. ____; H.F. 1206.

Senator Moe introduced the fifth item on the agenda, Purchases of Credit for Prior Service. Mr. Martin referred Commission members to the staff memo generally summarizing the bills introduced to date, reviewed the prior policy of the Commission on this issue, and also noted that the Commission typically requires payment of the full actuarial value of the benefit obtained by the buyback.

1. S.F. 1217 (Decker); H.F. 362 (Johnson, R.): TRA; Bemidji Teacher Sabbatical Service. Elton Erdahl noted that this particular case can be handled by a TRA administrative procedure and does not require Commission action. Rep. Knickerbocker stated that he had a note from Rep. Johnson asking that this bill not be continued. The bill was laid over.
2. S.F. ____ (); H.F. 668 (Jefferson): MERF; Labor Union Employee or Agent Leave of Absence. Mr. Martin reviewed the bill. Sen. Pogemiller stated that if the Commission passes this bill, it should contain a requirement for payment of the full actuarial value. Willis Harris testified in opposition to this bill. Discussion followed. The bill was laid over.
3. S.F. 1038 (Cohen); H.F. 1079 (Orenstein): PERA; St. Paul Highland Golf Course Part Time Employee Purchase of Prior Service Credit. Mr. Martin reviewed the bill and noted that after some years of seasonal employment, it was discovered that this person should have been permitted to be a PERA member and the bill does require payment of full actuarial value for the benefit obtained by the buyback. The bill was PASSED.
4. S.F. 67 (Cohen); H.F. 209 (O'Connor): PERA; Prior Uncredited Ramsey County Commissioner Employment. Mr. Martin reviewed the bill and noted the bill does require payment of full actuarial value. The bill was PASSED.
5. S.F. 136 (Johnson); H.F. 103 (Welle): MSRS Prior Educational Leave. Mr. Martin reviewed the bill and noted that this particular issue has come up before and does not contain a provision requiring payment of full actuarial value. Discussion followed. The bill was laid over.
6. S.F. 142 (Knaak); H.F. 835 (Stanis): TRA; Leave of Absence and Medical Leave Periods. Mr. Martin reviewed the bill and noted that this bill does not contain a provision requiring payment of full actuarial value. Elton Erdahl testified in opposition to this bill and noted that neither of these leaves are the type of leaves for which members are permitted to obtain service credit. The bill was laid over.
7. S.F. 250 (Bertram); H.F. 562 (Bertram): MSRS; Prior Military Service. Mr. Martin reviewed the bill and noted that this bill grants service credit to all members of the military for active duty during the Vietnam War era and does not require any payment for this service credit. The bill was laid over.

8. S.F. 687 (Dahl); H.F. 899 (Quinn): PERA; Prior Hennepin County Employment. Mr. Martin reviewed the bill and noted that salary deductions for this person were omitted and an amendment is being offered by the author that would require payment of the full actuarial value of the benefit obtained by the service credit. Mr. Larry Anderson, the employee covered by this bill, testified in support of the bill as amended and noted that during the period involved he was a full time student as well as a full time Hennepin County employee and was, therefore, permitted to opt out of PERA. He went on to note that he later became aware of an opportunity to petition the Legislature to purchase this prior service and did so. Discussion followed. The bill was PASSED as amended.
9. S.F. 691 (Dicklich); H.F. 365 (Blatz): TRA and First Class City Teachers; Unrequested Not-For-Cause Leaves of Absence. Mr. Martin reviewed the bill and noted that this bill would permit members of these funds with five years of service to continue to make current contributions for up to five years for periods of unrequested leaves. Discussion followed. The bill was laid over.
10. S.F. 902 (Knaak); H.F. 547 (Stanis): TRA; Sabbatical Leave. Mr. Martin reviewed the bill and noted that the teacher missed the deadline for buying back service credit for a sabbatical leave. He also noted that this bill does not require payment of the full actuarial value. Elton Erdahl testified in opposition to this bill noting that this person was given full information in adequate time to take action prior to the deadline. The bill was laid over.
11. S.F. 908 (Pogemiller); H.F. 801 (Simoneau): MSRS; Prior Metropolitan Sports Facilities Commission Employment Periods. Rep. Simoneau reviewed the bill. It was noted that this bill requires the computation of the full actuarial value on the basis of the employees retiring at age 65 and if the employees choose early retirement, requires an actuarial equivalent early retirement reduction. Mr. Martin asked members to approve an amendment making the section one effective date retroactive to the passage of the 1988 legislation. The bill was PASSED as amended.
12. S.F. 1176 (Metzen); H.F. ____ (): PERA; Dakota County Recorder Prior Uncredited Service. Mr. Martin reviewed the bill and noted that this was an elected official and the bill did require payment of the full actuarial value for the service credit obtained. The bill was PASSED.
13. LCPR25 (Knickerbocker): PERA; Bloomington City Employee Prior Uncredited Service. Mr. Martin reviewed the amendment and noted that salary deductions for this person were omitted in the early years of employment and the amendment did provide for payment of the full actuarial value for the service credit obtained. The amendment was PASSED.
14. S.F. ____ (Pehler); H.F. ____ (): PERA; St. Cloud City Council Member Prior Uncredited Service. Mr. Martin reviewed the bill and noted that this was an elected official and the bill did require payment of the full actuarial value for the service credit obtained. Rep. Simoneau moved that this bill be laid over.

Senator Moe deferred agenda item fifteen, S.F. 1148 Morse); H.F. 1318 (Reding): TRA; State University and Community College Faculty Social Security Coverage, to the meeting of Wednesday, April 12, 1989, since it would more appropriately be taken up with the discussion of defined benefit bills.

Senator Moe introduced the sixth item on the agenda, S.F. 73 (Cohen); H.F. 316 (Vallenga): PERA; St. Paul Bureau of Health Employee Partial Employee Contribution Refund. Mr. Martin reviewed the staff memo on this bill.

James Hacking testified in support of this bill noting that the bill affects about eight or nine people and the amount of money is very small. Discussion followed.

Members moved approval of S.F. 73; H.F. 316 with amendment LCPR26. **MOTION PREVAILED.**

Senator Moe introduced the fourteenth item on the agenda, S.F. 1029 (Moe, D.M.); H.F. 1233 (Simoneau): Various Funds; Bounce Back Optional Joint and Survivor Annuity. Rep. Simoneau noted that this bill was included in H.F. 1302 which is on the Commission agenda for April 12, 1989. The bill was laid over.

Rep. Simoneau reviewed the eighth item on the agenda, S.F. 451 (Frank); H.F. 425 (Simoneau): TRA; Joint and Survivor Annuity for Certain Surviving Spouse. The bill was laid over for further study.

Senator Moe introduced the ninth item on the agenda, S.F. 599 (Pogemiller); H.F. 663 (Jefferson): PERA; Exclusion of Certain Municipal Community Development Agency Employees.

Duke Addicks, City of Minneapolis, reviewed the bill and testified in support of this bill. Mr. Addicks noted that existing employees at the time of the reorganization of the housing and redevelopment departments in Minneapolis were excluded from PERA. Since that time, new employees have not made contributions to PERA and this bill permits the exclusion.

Members moved approval of S.F. 599; H.F. 663 with amendment LCPR27. **MOTION PREVAILED.**

Senator Moe laid over agenda items 7, 10, 11, and 12.

Senator Moe introduced the thirteenth item on the agenda, S.F. 931 (Pogemiller); H.F. 1073 (Johnson, R.): Various Funds; Medicare Coverage Election. Rep. Simoneau reviewed the bill and noted that this bill permits a referendum for public employees not covered by the Social Security program to choose Medicare coverage on an individual basis and that this bill makes the state law conform with the changed interpretation of the federal Social Security law.

Members moved approval of S.F. 931; H.F. 1073. **MOTION PREVAILED.**

Senator Moe laid over agenda items 16 and 17 dealing with the PERA and MSRS Correctional plans.

Senator Moe introduced the eighteenth item on the agenda, S.F. 799 (Morse); H.F. 153 (Simoneau): Judges; Inclusion in Combined Service Annuity. Mr. Edward Burek, Deputy Executive Director of the Commission, reviewed the staff memo and the April 5, 1988, actuarial work done by The Wyatt Company. Mr. Burek noted that this bill would add the Judges Fund to the list of other funds eligible for combined service, disability, and survivor benefit annuities.

Judge McCarr testified in support of this bill. Discussion followed.

James Hacking, Elton Erdahl, and Paul Groschen stated they did not object to this bill.

Members moved approval of S.F. 799; H.F. 153 with an amendment making August 1, 1987, the effective date of this bill. **MOTION PREVAILED.**

Senator Moe introduced the nineteenth item on the agenda, S.F. 1146 (Morse); H.F. 974 (Simoneau): Judges; Permit Refund Repayment. Mr. Burek reviewed the staff memo on this bill and noted that this bill would permit a judge who took a refund and then became a judge again to repay the refund plus six percent interest.

Members moved approval of S.F. 1146; H.F. 974. **MOTION PREVAILED.**

Senator Moe laid over agenda items 20, 21, 22, and 24.

Senator Moe introduced the twenty-third item on the agenda, S.F. 1030 (Pogemiller); H.F. 1165 (Johnson, R.): Teacher Plans; Employer Contribution Toward Tax Sheltered Annuities in Addition to State Deferred Compensation Plan.

Mr. Leonard introduced Mr. John Espe, an insurance company representative, to testify in support of this bill. Discussion followed.

Edward Blanck testified in support of this bill. The bill was laid over.

The meeting adjourned at 1:15 P.M.