



February 24, 2016

Room 200 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 1:10 p.m.

Commission Members Present 2/24:

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

Commission Members Absent 2/24:

Representative Murphy and Senator Goodwin

Agenda Items

Approval of minutes.

Sen. Johnson moved approval of the February 3-4, 2016, meeting minutes. **MOTION PREVAILED**

LCPR16-016: MSRS-covered Fairview Hospital privatized employees; Revising augmentation rates, revising exception regarding public reemployment.

David Bergstrom, Executive Director, MSRS, presented and testified in support of draft legislation LCPR16-016 and provided handouts entitled "*Augmentation Rate and Exception for Fairview Employees*" and a February 10, 2016, letter from Gabriel, Roeder, Smith & Company to the Minnesota State Retirement System (MSRS).

Representative Phyllis Kahn testified in opposition to the proposal. Rep. Kahn was on the Pension Commission when the Fairview legislation was enacted, and she remembers that the pension issue was the only thing standing in the way of the merger. Rep. Kahn told members that at the time it was assumed that the agreement was in perpetuity and does not recall anyone raising the issue that it would be changed in the future.

Gayle Stromquist, Fairview employee, and Dan Stromquist testified in opposition to LCPR16-016 and provided handout materials.

Robert Liebig, spouse of a Fairview employee, testified in opposition to LCPR16-016 and provided a handout.

Diane Johnson, Fairview employee, testified in opposition to the proposal.

Julie Bleyhl, Legislative Director, AFSCME Council 5, and on the University of Minnesota Board of Regents at the time of the merger, testified in opposition to LCPR16-016. Ms. Bleyhl reinforced Rep. Kahn's testimony that there was a lot of resistance to the merger by the employees; the last piece of the transaction was the pension provision and it could not be negotiated and thus needed to be legislated.

Eliot Seide, Executive Director, AFSCME Council 5, testified in opposition to the proposal and indicated that he will be looking into the effect of the merger on employee benefits such as salaries, lost sick & vacation time, holidays, and health insurance and he asked members to delay action so they can study the impact on the employees.

Paula Shivers, a Fairview employee who was unable to attend the meeting, sent a petition signed by Fairview employees in opposition to LCPR16-016. The petition was distributed.

Luann Krantz, Fairview employee, testified in opposition to the proposal.

Chair O'Driscoll asked Mr. Bergstrom to work with the interested parties and commission staff on the proposal.

LCPR16-025: Eden Prairie Firefighters Relief Association; Vesting, maximum lump sum amounts.

Representative Jennifer Loon testified in support of the proposed legislation.

Aaron Casper, President, Eden Prairie Fire Relief Association, testified in support of the proposed legislation.

Rachel Barth, Deputy Director, Legislative Commission on Pensions and Retirement, informed members that the Eden Prairie relief association is unique in that they have full vesting at 10 years and do not have partial vesting.

Rose Hennessey-Allen, Pension Director, Office of the State Auditor, in response to a member's question, testified that Spring Lake Park-Blaine-Mounds View joined the statewide plan so the return-to-service provision is not available to them and that, as drafted, no other fire department would be able to make use the 3-year vesting.

Amendment LCPR16025-1A, extending the service pension maximums to all relief associations but keeping the vesting portion applicable only to Eden Prairie, was discussed.

Brian Rice, representing the Maplewood Fire Relief Association, testified in support of amendment LCPR16025-1A, extending the maximums to all relief associations. Mr. Rice indicated that Maplewood is at the cap and would be interested in the provision, and that there are probably about six relief associations at or nearing the maximum.

Sen. Pappas moved amendment LCPR16025-1A be recommended to pass and be incorporated into the 2016 omnibus pension bill. The motion failed due to lack of a quorum.

Chair's comments on MSRS, TRA, and SPTRFA funding package proposals.

Chair O'Driscoll asked members come to him with questions and concerns about the proposals, indicating that he would like to continue to do some research on the topic and give staff additional time to review.

Mortality assumption changes for Appleton and White Bear Lake fire relief associations.

- Motion LCPR16-M2: Appleton Firefighters' Relief Association mortality assumption changes.
- Motion LCPR16-M3: White Bear Lake Fire Department Relief Association mortality assumption changes.

Susan Lenczewski, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the motions.

Sen. Pappas moved motions LCPR16-M2 (Appleton) and LCPR16-M3 (White Bear Lake). **MOTION PREVAILED.**

HF1908 (Atkins); SF1774 (Hayden): Local P&F; Benefit increase for certain former local police and paid fire relief association recipients.

- Delete-All Amendment H1908-2A (*makes technical and clarifying changes to HF1908*)
- Delete-All Amendment H1908-3A (*makes technical and clarifying changes, and does not include surviving spouse benefits in the proposed increase*)

Rep. Atkins presented and testified in support of his bill and amendment H1908-2A.

Sen. Hayden testified in support of his bill and amendment H1908-2A.

Brian Rice, Rice Michels & Walther LLP, testified in support of the bill and amendment H1908-2A.

Shana Jones, Policy Director, Public Employees Retirement Association (PERA), testified that PERA opposed a similar bill during the 2013-2014 legislative session because there was no funding mechanism.

Doug Anderson, Executive Director, Public Employees Retirement Association (PERA), testified that there is a fairly significant cost to the proposal, including the impact of the new mortality rates, in excess of \$9 million. Mr. Anderson expressed his concern that with the proposed funding mechanism, there would be an immediate liability but a deferred asset which would come at the end of a period about 35 years out so you can't recognize the asset, creating an unfunded liability.

HFxxxx; SFxxxx (Revisor #16-5720): State Auditor's Volunteer Fire Relief Association Working Group Bill

State Auditor Rebecca Otto testified in support of bill.

Rose Hennessey-Allen, Pension Director, Office of the State Auditor, testified in support of the bill.

Steve Donny, Mayor of Harmony, President of Harmony Relief Association, member of the Volunteer Fire Working Group, testified in support of the bill.

Shana Jones, Policy Director, PERA, testified that PERA is not prepared to comment on section 1 at this time.

The bill was laid over.

**HF659 (O'Driscoll); SF588 (Pappas): MSRS; Modifying disability application deadlines in certain instances.
LCPR16-015: MSRS; Rule of 90 eligibility for certain Department of Transportation (MnDOT) employees.**

Due to the lack of a quorum, all remaining items were laid over.

Adjournment

The meeting adjourned at 3:40 p.m.

Lisa Diesslin, Commission Assistant