

Legislative Commission on Pensions and Retirement

55 State Office Building

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St. Paul, MN 55155-1201

HOUSE MEMBERS

Representative Mary Murphy, Chair
Representative Mike Freiberg
Representative Kaohly Her
Representative Michael V. Nelson
Representative Tim O'Driscoll
Representative Ruth Richardson
Representative Bob Vogel

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Senator Julie A. Rosen, Vice Chair
Senator Sandra L. Pappas, Secretary
Senator Gary H. Dahms
Senator Nick A. Frentz
Senator John R. Jasinski
Senator Warren Limmer
Senator David H. Senjem

COMMISSION STAFF

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April 2, 2019

Room G-3, State Capitol

MINUTES

Call to order:

Chair Murphy called the meeting to order at 5:00 p.m.

Commission Members Present:

Representatives Freiberg, Her, Murphy, Nelson, O'Driscoll, Richardson, and Vogel
Senators Dahms, Frentz, Jasinski, Limmer, Pappas, Rosen, and Senjem

Agenda Items

Approval of the March 26, 2019, meeting minutes

Sen. Dahms moved approval of the March 26, 2019, meeting minutes. **MOTION PREVAILED.**

HF 2683 (Murphy, by request); SF xxxx: MnState; Eliminating the expiration of an early retirement incentive; making nonsubstantive style and form changes.

Chad Burkitt, Analyst, Legislative Commission on Pensions and Retirement, reviewed the bill and amendment.

Derek Hughes, System Director Compensation & Retirement, Minnesota State, testified in support of the amendment and the bill.

Rep. Nelson moved amendment H2683-3A. **MOTION PREVAILED.**

Sen. Rosen moved HF 2683, as amended, be recommended to pass and be incorporated into the 2019 omnibus pension bill. **MOTION PREVAILED.**

2019 Omnibus Retirement Bill: Delete-all amendment H2632-1A to HF2632 (Murphy); SF 2583 (Rosen).

Mr. Burkitt and Susan Lenczewski, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the delete-all amendment.

- Amendment H2632-2A: LCPR staff technical corrections

Sen. Pappas moved amendment H2632-2A. **MOTION PREVAILED.**

- Amendment H2632-3A: Austin fire state aid allocation expiration date

Sen. Rosen moved amendment H2632-3A. **MOTION PREVAILED.**

- Amendment H2632-4A: PERA military service credit purchases

Sen. Limmer suggested deducting the \$250 fee from the purchase payment. Ms. Lenczewski recommended the following amendment: page 7, line 6, after the period insert: "If the member proceeds with the purchase, the administrative fee will be credited toward the purchase payment amount."

Doug Anderson, Executive Director, PERA, testified that PERA receives about 50-60 requests per year for a purchase cost estimate, and that only one to two of those would make the purchase. Mr. Anderson estimated staff time to be approximately five to six hours per estimate request.

Mr. Stoffel, TRA, testified that although TRA has had the authority in law to assess a fee since 2009, they do not assess the fee. Mr. Stoffel also noted that in the last five years, TRA has received 35 requests for a purchase estimate but there has been only one purchase and that the average payment amount is \$108,000 for an average of three years of service.

Sen. Frenz moved amendment H2632-4A incorporating the following amending: page 7, line 6, after the period insert: "If the member proceeds with the purchase, the administrative fee will be credited toward the purchase payment amount." **MOTION PREVAILED.**

- Amendment H2632-5A: VFRA vesting requirements; and
- Amendment H2632-6A: interest on VFRA deferred lump-sum pension benefits

State Auditor Julie Blaha testified in opposition to the -5A and -6A amendments to allow the working group to have an in-depth discussion and vet the proposals.

Rose Hennessy Allen, Office of the State Auditor, testified that the volunteer firefighter relief associations with 15 or 20-year vesting requirements do provide for reduced vesting, and all but eight of the defined benefit plans provide for reduced vesting.

Mark Rosenblum, Golden Valley Fire Department, and President of the Minnesota State Fire Department Association (MSFDA), requested that the amendments be allowed to go through the work group.

Ron Johnson, Maple Grove Fire Department, Minnesota State Fire Dept. Association, testified that vesting is not a money issue but ultimately has to do with choice at the fire department level.

Rep. Nelson moved to lay -5A and -6A on the table. **MOTION PREVAILED.**

Rep. Murphy asked Auditor Blaha to have the working group review these two issues.

- Amendment H2632-8A: TRA service credit purchase, drawn from HF 2630 (Pryor); SF 368 (Cwodzinski)

Senator Steve Cwodzinski presented and testified in support of the amendment.

Dr. Abbas Mehdi, Professor, St Cloud State University, the person affected by the amendment, testified in support of the amendment.

Mr. Stoffel testified that TRA does have military leave provisions when a university classifies a leave as a military leave. In this case, the college reported the leave as a general rather than military leave, so TRA does not have the authority for the purchase. Mr. Stoffel informed members that the service credit purchase payment would be \$40,160, representing the contributions plus interest. Dr. Mehdi's benefit would increase by roughly \$190 per month and the payback period would be roughly 15-16 years.

Rachel Barth, Legal & Policy Director, TRA, testified that in order to be granted a leave, the employer and employee have to agree on the leave and they came to agreement that this would be a general leave. Ms. Barth testified that because no type of error occurred, TRA is concerned about precedent.

Dr. Mehdi testified that when he met with TRA, the estimate provided to him indicated that the purchase would cost \$12,000, and that the university changed the leave and he was not aware.

Ms. Lenczewski indicated that in the absence of error, according to the Commission's principles, the Commission typically does not recommend this type of legislation. Ms. Lenczewski also noted that there is an appeals procedure for TRA and it would be possible to flesh out the record through this procedure.

Chris Dale, Senior System Director Labor Relations, Minnesota State, testified that while not directly employed at SCSU at the time, his understanding that in this case, the leave was split into two periods and only one extended leave may be granted under the statute; the problem is that there are two leaves and only one allows the service credit purchase.

The amendment was laid over.

- Amendment H2632-9A: TRA coverage election, drawn from HF 2775 (Youakim); SF 2713 (Latz)

Senator Ron Latz and Representative Cheryl Youakim presented and testified in support of their amendment.

Mr. Hughes testified that they agree they do not have proof that she was offered an election under the law, and that Minnesota State will pay the \$78,573 purchase payment difference.

Mr. Dale testified that the IRAP contributions are not used to make the purchase payment and allow the participant to keep those IRAP contributions, the participant would receive a windfall in having both pension plans.

Mr. Stoffel testified that an election is offered upon hire and upon achieving tenure, and that the forms are held at the college and not TRA. Mr. Stoffel also indicated that it is his understanding the location where the records were stored flooded and all the records were lost.

Sen. Pappas moved amendment H2632-9A. **MOTION PREVAILED.**

- Amendment H2632-10A: Delete article 5, section 2; delete articles 7-8

Sen. Rosen reviewed her amendment.

Keith Carlson, Executive Director, Minnesota Inter-County Association, testified in opposition to the amendment removing the PERA aid provision.

Sen. Rosen moved amendment H2632-10A. **MOTION FAILED.**

Adjournment

The meeting adjourned at 7:10 p.m.