



October 14, 2003
Room 300 South, State Office Building

4th Subcommittee Meeting

ADMINISTRATIVE LEGISLATION SUBCOMMITTEE
OF THE
LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT
MINUTES

Call to order:

Representative Steve Smith, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 9:15 a.m.

Subcommittee Members Present:

Representative Eric Lipman, Representative Steve Smith, Senator Don Betzold, and Senator Geoff Michel

Agenda items

Approval of Prior Subcommittee Meeting Minutes

Rep. Lipman moved approval of the August 12 and September 16, 2003, Subcommittee minutes.

MOTION PREVAILED.

Consideration of Proposed Administrative Legislation, Part III

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the items in members' packets.

Sen. Betzold moved technical amendment LCPR03-226. **MOTION PREVAILED.**

Mr. Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo related to the Part III working document LCPR03-225, and highlighted the benefit-related provisions contained in the amendment.

Article 28: Dependent Child Definition

Mr. Burek reviewed Article 28 and the related policy issues.

Rep. Lipman moved to delete Article 28, Sections 1, 2, 3, and 4. **MOTION PREVAILED.**

Rep. Lipman moved Article 28, Section 5, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Article 29: Designated Beneficiary Definition

Mr. Burek reviewed Article 29 and the related policy issues.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified in support of the provision, stating that the current requirements do cause some administrative problems.

Sen. Betzold moved Article 29 for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Article 30: Survivor Benefit Applicability

Mr. Burek reviewed Article 30 and the related policy issues.

Sen. Betzold moved Article 30 for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Article 31: Surviving Spouse Benefit

Mr. Burek reviewed Article 31, stating that the article raised no significant policy issues.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified in support of the provision.

Sen. Betzold moved Article 31 for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Article 32: Survivor Benefit Coverage and Amounts

Mr. Burek reviewed Article 31, Section 1, and the related policy issues.

Mr. David Bergstrom, Executive Director, MSRS, testified that MSRS initially understood that a six-year term-certain annuity option would have tax advantages, but they have since received clarification that it would not. Mr. Bergstrom also stated removing the 75-percent requirement would not constitute a benefit improvement, but MSRS would not be opposed to eliminating the provision.

Sen. Betzold moved to delete Article 32, Sections 1. **MOTION PREVAILED.**

Mr. Burek reviewed Article 32, Section 2, and the related policy issues.

Sen. Betzold moved Article 32, Section 2, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Mr. Burek reviewed Article 32, Section 3, and the related policy issues.

Sen. Betzold moved the technical portions only of Article 32, Section 3, eliminating the benefit-related portions, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Mr. Burek reviewed Article 32, Sections 4, 5, and 6, and the related policy issues.

Sen. Betzold moved Article 32, Sections 4, 5, and 6, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Mr. Burek reviewed Article 32, Sections 7, 8, and 9, and the related policy issues.

Mr. David Bergstrom, Executive Director, MSRS, testified that MSRS is trying to provide more flexibility in payout options for a surviving spouse and that there is no associated cost because it is a defined contribution plan. Mr. Bergstrom also testified that MSRS would not be opposed to modifying the language so as to be similar to that of TRA's provision.

Rep. Lipman moved to direct staff to make the appropriate changes to the language regarding the beneficiary designation on pages 34-35 to appear more like TRA's on page 4. **MOTION PREVAILED.**

Sen. Betzold moved Article 32, Sections 7, 8, and 9, as amended, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Mr. Burek reviewed Article 32, Sections 10 and 11, and the related policy issues.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified that the provision would give TRA more flexibility and that it represents an actuarial equivalent.

Sen. Betzold moved Article 32, Section 10, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Mr. Thompson provided additional information regarding Section 11 and noted that there are generally not a large number of people who die prior to retirement.

Sen. Betzold moved to delete Article 32, Section 11. **MOTION PREVAILED.**

Mr. Burek reviewed Article 32, Sections 12 and 13, and the related policy issues.

Sen. Betzold moved Article 32, Sections 12 and 13, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Regarding Article 32, Section 3, Mr. Martin clarified for members of the audience that it was his understanding of the Subcommittee's intent that staff would leave the \$20 per month proration language in the work product. The Subcommittee members agreed.

Article 33: Terminated Active Member Refunds

Mr. Burek reviewed Article 33 and the related policy issues.

Mr. David Bergstrom, Executive Director, MSRS, testified that compounding interest on a daily rather than annual basis would result in a larger payout, but that the current method is archaic.

Sen. Betzold moved Article 33, Sections 1 and 4, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Mr. Bergstrom testified that there was a drafting error in Section 2, and proposed reinstating the stricken language.

Sen. Betzold moved Article 33, Section 2, amended by reinstating the stricken language on page 14, lines 27 (beginning with “~~Interest~~”) to 29, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Sen. Betzold moved Article 33, Section 3, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Mr. Bergstrom testified regarding Section 5 that the Judges Plan provides 5% interest while all of the other MSRS plans provide 6% interest; and that there is an administrative cost associated with having only one plan continue with a different interest rate.

Sen. Betzold moved Article 33, Section 5, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Sen. Betzold moved Article 33, Section 6, for inclusion in the Subcommittee work product.

Mr. Burek recommended amending “July 1, 2003” on page 16, line 26, to read “July 1, 2004”.

Sen. Betzold moved Article 33, Section 6, amended by changing “July 1, 2003” on page 16, line 26, to read “July 1, 2004”, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Article 34: Death Refunds

Mr. Burek reviewed Article 34 and the related policy issues.

Sen. Betzold moved Article 34, Sections 1 and 2, for inclusion in the Subcommittee work product.

Mr. David Bergstrom, Executive Director, MSRS, testified in support of Sections 3 through 5, stating that it does represent a benefit improvement but MSRS believes it is an equity issue.

Sen. Betzold moved to delete Article 34, Sections 3, 4, and 5. **MOTION PREVAILED.**

Sen. Betzold moved Article 34, Section 6, as it relates to Sections 1 and 2, for inclusion in the Subcommittee work product. **MOTION PREVAILED.**

Mr. Martin indicated that staff would work on clarifying language regarding page 14, lines 18 to 29, and have it available when the Commission considers the Subcommittee report.

Article 35: Refund Repayments

Mr. Burek reviewed Article 35 and the related policy issues.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified in support of the provision, stating that TRA doesn't question the source of the funds and that there have been changes to the Internal Revenue Code provisions regarding the use of tax-free rollover funds.

Sen. Betzold moved Article 25, Sections 1, 3, and 4, be amended by directing staff to revise the language so as to eliminate purchases of prior service credit, for inclusion in the Subcommittee work product.

Ms. Mary Vanek, Executive Director, PERA, testified in opposition to striking references to prior service credit purchases because current law allows such purchases, federal law allows the use of such funds, and prior special legislation such as that enacted for the St. Paul Port Authority has allowed it.

Sen. Betzold renewed his motion. **MOTION PREVAILED.**

Amendment LCPR03-242: SPTRFA and TRA Definition of “Compensation”

Mr. Ed Emerson, Oppenheimer Wolff and Donnelly, testified in support of the provision, stating that the Internal Revenue Service requested the language during the federal compliance determination process.

Sen. Betzold moved Amendment LCPR03-242 for inclusion in the Subcommittee work product.

MOTION PREVAILED.

Rep. Smith announced that this completed the work of the Administrative Legislation Subcommittee.

Adjournment

The meeting adjourned at 11:25 a.m.