



August 21, 2009
Room 10 State Office Building

7th Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Representative Mary Murphy, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 10:10 a.m.

Commission Members Present:

Representatives Mary Murphy, Phyllis Kahn, and Steve Smith
Senators Don Betzold, Dan Larson, and Ann Lynch

Commission Members Absent:

Representatives Michael V. Nelson and Paul Thissen, Senator Mary A. Olson
(There is currently one vacant Senate position)

Agenda Items

Approval of Prior Commission Meeting Minutes

Senator Larson moved approval of the August 12, 2008, meeting minutes. **MOTION PREVAILED.**

Mandated Study of Teacher Retirement Benefits (Laws 2008, Ch. 349, Art. 1, Sec. 7)

Ms. Grace Schwab Kelliher, Minnesota School Boards Association, testified that although school districts were recently given the authority to bond for other benefits they cannot levy for pension cost increases; that there is a need to fully fund current benefits before adding or increasing benefits; requested that the Commission consider all retirement benefits, including salary and 403(b) benefits; and that Minnesota will desperately need teachers in the near future and if retirement looks too good it will cause teachers leave the workforce. Ms. Kelliher then responded to members' questions.

Ms. Ann Finn, League of Minnesota Cities, testified that cost increases fall back to property taxes, and because pension costs are fixed they need to be addressed first. She distributed their publication "Guidelines for Preparing City Budgets" and several articles also prepared by the league on pension funding, city employment/workforce planning. Ms. Finn said cities try to use their workforce creatively and the league is working with PERA on flexibility options such as phased retirement and rehiring retirees without compromising their benefits. Ms. Finn also expressed her belief that we don't need incentives to encourage employees to leave sooner, but rather need to keep them as long as possible. In response to members' questions, Ms. Finn indicated she would gather information and get back to the Commission on the following: the number of city council members who are also city employees, educational degree requirements for city managers, continuing education or training requirements for city managers, whether any cities have had problems (including lawsuits) when city employees are also city council members, and if any cities require a city employee to terminate city employment when serving on the city council.

Mr. Mark Haveman, Executive Director, Minnesota Taxpayers Association, responded to questions raised by members at the Commission's August 12, 2008, meeting. Mr. Haveman testified that the association shares the Commission's interest in designing a defined benefit system that meets the needs of teachers and other public employees while avoiding undue harm to the school's finance system and exposing taxpayers to unnecessary risk. He indicated that their primary concern with respect to the scope of the study is to ensure that the discussions of adequacy are placed in a broader public finance context, citing as an example the Citizens Research Council of Michigan report looking at the per pupil cost of contribution increases. Mr. Haveman that in a simple benchmark comparison between states some important information may be missing. In response to a question from Rep. Murphy, Mr. Haveman indicated that the association has not specifically discussed the difference in benefits for pre- and post-1989 hires; when the issue came up on the House floor they did some calculations regarding implications for school finance but they have not looked at the ongoing equity concerns.

Reports Presentation:

"A Better Bang for the Buck," National Institute on Retirement Security

"Measuring the Economic Benefits," Retirement Systems of Minnesota

Ms. Laurie Hacking, Executive Director, TRA, Ms. Mary Vanek, Executive Director, PERA, and Mr. David Bergstrom, Executive Director, MSRS, distributed materials and presented findings from the two study reports and answered questions from members.

Review of the Commission's Principles of Pension Policy

- Principle II.C.4. Appropriate Normal Retirement Ages

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the principle and the potential alternative for amending the principle.

Mr. Bergstrom testified that he is not sure there is a need to specify age 66.

Senator Betzold moved to amend Policy Principle II.C.4. to reflect the proposed language on page 13, lines 1-4, of staff memo LM071708-1, deleting the new language on lines 4-5. **MOTION PREVAILED.**

- Principle II.C.5. Appropriate Early Retirement Reductions

Mr. Martin reviewed the principle and the potential alternative for amending the principle.

Mr. Philip Kapler, Executive Director, SPTRFA, testified that he is uncertain what meaning is intended by the term "subsidized;" if an early retirement offset is not actuarially equivalent there are costs.

Mr. Martin explained that the principle indicates pension plans should not subsidize early retirements.

Ms. Mary Vanek, Executive Director, PERA, testified on behalf of the three statewide fund directors that the current statement is a good guiding principle.

Senator Betzold recommended leaving the principle as is.

- Principle II.C.7. Adequacy of Benefits at Retirement

Mr. Martin reviewed the principle and the two potential alternatives for amending the principle.

Ms. Laurie Hacking, Executive Director, TRA, suggested the Commission consider including a reference to personal savings in paragraph (e) of the first alternative on page 20, lines 1-3, and expressed her opposition to the proposed amendments to paragraph (e) regarding national comparability in the second alternative on page 20, lines 13-16, of the staff memo.

Mr. Brian Rice, representing the Minneapolis Firefighters Relief Association and the Minneapolis Police Relief Association, reminded members that relief associations do not qualify for Social Security benefits, and testified in support of the proposed changes to paragraphs (a) to (e) in the first alternative on page 20 of the staff memo, but that the proposed paragraph (f) is not needed.

Mr. Morgan Fleming, Middle Management Association, provided some history of the 1987 Legislative Session changes and commented that the Commission has been facile in addressing fairness issues.

Mr. David Bergstrom, Executive Director, MSRS, also recommended the Commission consider including some mention of personal savings.

Senator Lynch moved to amend Policy Principle II.C.5. to reflect the proposed language on pages 19-20, paragraphs (c), (d), and (e), of staff memo LM071708-1.

Senator Betzold suggested that the Commission may want to consider additional changes to paragraph (e).

Senator Lynch amended her motion, moving to amend Policy Principle II.C.5. to reflect the proposed language on page 19, items (c) and (d), of staff memo LM071708-1.

Mr. Ed Rapp, Education Minnesota Retired, testified that he believes teacher retirement benefits in Minnesota are inadequate.

Senator Lynch renewed her motion. **MOTION PREVAILED.**

Non-Agenda Items

Retirement Coverage for Probation/Parole Officers

Mr. Jeremie Reinhart, a Pine County probation officer representing the Minnesota Association of County Probation Officers and the Minnesota Correctional Association, provided handout materials and testified in support of enhanced retirement benefits for probation officers, such as an earlier retirement age for probation officers not included in public safety plan coverage. Mr. Reinhart said they are not seeking a new retirement plan, but rather accommodations within existing plans.

Mr. Jeff Kapler, Hennepin County Intensive Supervision, testified in support of enhanced retirement benefits for parole officers.

Mr. Dan Larson, Hennepin County Intensive Supervision, testified in support of enhanced retirement benefits for parole officers

Representative Murphy asked if they have talked with the Association of Minnesota Counties. Mr. Reinhart responded that they have continued conversations with the association.

Representative Murphy thanked the testifiers for their service, and indicated that the Commission would continue to discuss the issue.

Representative Murphy announced the Commission's next meeting would be on September 17.

Adjournment

The meeting adjourned at 12:25 p.m.