



March 24, 2015

Basement Hearing Room, State Office Building

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Representative Tim O'Driscoll, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 5:31 p.m.

Commission Members Present:

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

Agenda Items

Approval of the minutes

Sen. Saxhaug moved approval of the March 17, 2015, meeting minutes. **MOTION PREVAILED.**

H.F. 1997 (Gunther); S.F. 1877 (Rosen): PERA; Service credit purchase for period of Nashville township omitted contributions

Rachel Thurlow, Deputy Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill.

Rep. Bob Gunther testified in support of his bill.

Shana Jones, Policy Director, PERA, testified that Mr. Wiederhoff should have been included in coverage and that PERA does not oppose the bill.

HF1997/SF1877 was laid over for possible inclusion in an omnibus retirement bill.

H.F. 284 (O'Driscoll); S.F. 54 (Pappas): TRA administrative bill

J. Michael Stoffel, Deputy Executive Director, and Laurie Hacking, Executive Director, TRA, presented and testified in support of the bill.

Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill, and reviewed the amendments.

HF284/SF54 was laid over for possible inclusion in an omnibus retirement bill.

H.F. 285 (O'Driscoll); S.F. 55 (Pappas): PERA administrative bill

Shana Jones, Policy Director, PERA, presented and testified in support of the bill and in support of amendment H0285-14A. Ms. Jones noted that many of the amendments would affect the other funds.

Sen. Pappas moved amendment H0285-14A. **MOTION PREVAILED.**

Mr. Martin reviewed the staff memo and policy issues raised by the bill, and reviewed the amendments.

Ms. Jones testified that the effective dates were likely the default and that PERA is not opposed to the H0285-12A amendment but does not see the need for it.

Sen. Pappas moved amendment H0285-12A. **MOTION PREVAILED.**

Sen. Pappas recommended that the issue of conformity be studied during the Interim.

HF285/SF55, as amended, was laid over for possible inclusion in an omnibus retirement bill.

H.F. 661 (O'Driscoll); S.F. 589 (Pappas): MSRS administrative bill

David Bergstrom, Executive Director, MSRS, presented and testified in support of the bill.

Mr. Martin reviewed the staff memo and policy issues raised by the bill.

Sen. Pappas moved amendment H0661-1A. **MOTION PREVAILED.**

HF661/SF589, as amended, was laid over for possible inclusion in an omnibus retirement bill.

H.F. 1508 (O'Driscoll); S.F. 1398 (Pappas): Public retirement plans; Revision or elimination of outdated or obsolete provisions

Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo on the bill.

Sen. Pappas moved amendment H1508-1A. **MOTION PREVAILED.**

HF1508/SF1398, as amended, was laid over for possible inclusion in an omnibus retirement bill.

Amendment LCPR1504A-1A: SPTRFA; Post-retirement adjustment mechanism revision

Mr. Martin reviewed amendment LCPR1504A-14A, a revised version of the -1A amendment.

Christine McDonald, Deputy Director, SPTRFA, testified in support of amendment LCPR1504A-14A.

Brian Rice, representing SPTRFA pension political committee, testified in support of LCPR1504A-14A.

Rep. Erickson moved amendment LCPR1504A-14A. **MOTION PREVAILED.**

Consideration of MSRS and PERA contribution rate revisions

Mr. Martin reviewed the motions and the contribution rate revision recommendation provisions.

Shana Jones, Policy Director, PERA, testified that the board had a healthy discussion on the issue and board voted 5-4 to forward the recommendation because their legal counsel concluded that the board was obligated to act even though there is a contribution sufficiency based on the market value of assets.

Mr. Martin indicated that the cost of the proposal, based on some quick calculations, would be about \$13.5 million for members and about \$13.5 million for employers.

Mansco Perry III, Executive Director, State Board of Investment, in response to a question from Rep. Albright, testified that in general the returns over a long period of time that the investments make have a somewhat more significant impact on the pension plan than do the contributions, although it is a combination of both based on how and how much you invest. In a positive year, interest would have more impact than the contributions. Mr. Perry also indicated that there would be a moving to an 8% interest rate assumption would be prudent, but there would be only a negligible change on how the portfolio would be managed.

Sen. Pappas moved LCPR15-M2 to reject the MSRS contribution rate increases. **MOTION PREVAILED.**

Sen. Pappas moved LCPR15-M3 to reject the PERA contribution rate increases. **MOTION PREVAILED.**

Kim Crockett, COO, EVP, General Counsel, Center of the American Experiment, testified in opposition to the St. Paul Teachers Retirement Fund Association (SPTRFA) paying 2.5% post-retirement increases when they are receiving so much state aid and have a large unfunded actuarial accrued liability and funding ratio.

Mr. Martin clarified that SPTRFA is currently paying less than 2.5% and that the amendment eliminates a CPI-based cost-of-living adjustment that could pay up to 5%.

Christine McDonald, Deputy Director, SPTRFA, testified that currently the plan is paying 1% which will continue until the plan is 80% funded, and then would increase up to 2%. SPTRFA would only pay 2.5% if the plan reaches 90% funding and that under current law they could pay up to 0.5%.

Bonnie Wurst, Gabriel Roeder Smith, SPTRFA actuary, testified that in the actuarial analysis, it is their expectation that SPTRFA would reach 80% funding in 2029, and in 2036 would reach the 90% funding

threshold and begin to pay the 2.5% COLA. Ms. Wurst testified that making this change now would have a small impact, reducing liabilities because they would pay lower benefits in the future.

Ms. Crockett testified to her concern about over a benefit improvement for TRA in H.F. 284/S.F. 54, the TRA administrative bill, particularly in light of the current financial health of the TRA fund which, if you look at the actuarial value of assets, has a 74% funding ratio and over \$6 billion in unfunded actuarial accrued liability. Ms. Crockett recommended that any retirement benefit promised to employees is fully funded, and that the Commission consider alternatives to using the discount rate for calculating unfunded actuarial accrued liability, specifically Moody's, corporate bond rate, and municipal bond rates. Ms. Crockett also recommended that in order to stop taking on additional liabilities, Minnesota should shift to defined contribution retirement plans and to take steps to prudently grow pension assets. Referred to paper available online.

Review and final action on the 2015 Omnibus Retirement Bill

Mr. Martin reviewed the current compilation of the items laid over for possible inclusion in the omnibus retirement bill. Mr. Martin reviewed the compilation article by article and reviewed the potential amendments for each article.

Sen. Pappas moved amendment LCPR1504A-5A. **MOTION PREVAILED.**

Christine McDonald, Deputy Director, SPTRFA, in response to a question from Rep. Erickson, testified that there are approximately 3,400 retirees, 4,000 actives, and 3,000 in deferred status, and that the number of active members is stable and is expected to grow.

Laurie Hacking, Executive Director, TRA, testified that TRA anticipates bringing forward a package of recommendations next year based on the results of the upcoming experience study.

Sen. Pappas moved Article 1, as amended, be recommended to pass and be incorporated into the Omnibus Pension Bill. **MOTION PREVAILED.**

Rep. Murphy moved amendment LCPR1504A -3A. **MOTION PREVAILED.**

Rep. O'Driscoll moved to amend the -6A amendment on 1.4, 1.12, and 1.16, delete "System" and "Association". **MOTION PREVAILED.**

Rep. O'Driscoll moved amendment LCPR1504A-6A, as amended. **MOTION PREVAILED.**

Ms. McDonald, SPTRFA, testified in support of excluding SPTRFA from the provisions to lower interest on refunds & service credit purchases or leaves of absence (original amendments -5A & -6A), in order to study whether the assumed rate of return is the appropriate rate for people to pay and to consider if it may be more appropriate to charge the actual rate of return during the period to repay a refund.

Rep. Thissen moved Articles 2 and 3, as amended, be recommended to pass and be incorporated into the Omnibus Pension Bill. **MOTION PREVAILED.**

Rep. O'Driscoll moved amendment LCPR1504A-19A. **MOTION PREVAILED.**

Rep. O'Driscoll moved amendment LCPR1504A-4A, as amended. **MOTION PREVAILED.**

Sen. Pappas moved Article 4, as amended, be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Rep. Thissen moved Article 5 be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Rep. O'Driscoll moved Article 6 be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Sen. Rosen moved Article 7 be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Sen. Pappas moved amendment LCPR1504A-7A. **MOTION PREVAILED.**

Rep. Sen. Pappas moved Article 8, as amended, be recommended to pass and be incorporated into the Omnibus Retirement Bill.

Sen. Pappas moved Article 9 be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Nyle Zikmund, representing the Centennial volunteer firefighter relief association, testified that Lino Lakes has told him that it prefers a statewide resolution; the current language will solve the problem, but Lino Lakes would be in a position to adopt a resolution.

Sen. Pappas moved to include Article 10, Section 1, be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Sen. Rosen moved to delete Article 11, Section 10. **MOTION PREVAILED.**

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

Rep. O'Driscoll moved to delete Article 11, Section 6. **MOTION PREVAILED.**

Sen. Pappas moved amendment LCPR1504A-16A. **MOTION PREVAILED.**

Sen. Pappas moved amendment LCPR1504A-8A. **MOTION PREVAILED.**

Rep. O'Driscoll moved Article 11, as amended, be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Sen. Pappas moved HF284/SF54 be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Sen. Pappas moved HF285/SF55, as amended, be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED**

Sen. Pappas moved HF661/SF589, as amended, be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Sen. Pappas HF1508/SF1398, as amended, be recommended to pass and be incorporated into the Omnibus Retirement Bill **MOTION PREVAILED.**

Moved HF19987/SF1877, be recommended to pass and be incorporated into the Omnibus Retirement Bill. **MOTION PREVAILED.**

Adjournment

The meeting adjourned at 8:33 p.m.

Lisa Diesslin, Commission Assistant