



March 28, 2007
Room 10 State Office Building

2nd 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 7:08 p.m.

Commission Members Present:

Representatives Mary Murphy, Phyllis Kahn, Michael V. Nelson, Steve Smith, and Paul Thissen
Senators Don Betzold, Dan Larson, Ann Lynch, Mary A. Olson, and Betsy L. Wergin

Agenda Items

Consideration and Approval of Commission Rules for 2007-2008

Sen. Wergin moved adoption of the Commission rules. **MOTION PREVAILED.**

Approval of Prior Commission Meeting Minutes

Rep. Nelson moved adoption of the March 6, 2007, Commission meeting minutes. **MOTION PREVAILED.**

H.F. 1667 (Shimanski); S.F. 1299 (Dille): PERA; Hutchinson Area Health Care Privatization

Ms. Mary Ellen Wells, President and CEO, Hutchinson Area Health Care, testified in support of the bill.

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

Ms. Mary Vanek, Executive Director, PERA, testified that it is still reasonable to expect an actuarial gain.

Sen. Betzold moved H.F. 1667/S.F. 1299 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 876 (Swails); S.F. 2016 (Saltzman): PERA-General; Service Credit Purchase, St. Paul Department of Public Works Employee

Rep. Marsha Swails testified in support of her bill.

Mr. Pat Lowry, the person affected by the bill, testified in support of the bill.

Ms. Mary Vanek, Executive Director, PERA, testified that PERA received an e-mail from the payroll clerk verifying that Mr. Lowery's correct eligibility date should have been November 11, 1988.

Mr. Edward Burek, Deputy Director, LCPR, reviewed the proposed payment terms and discussed potential amendments to the bill.

Sen. Betzold moved H.F. 876/S.F. 2016 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 2130 (Peterson, A.); S.F. 1779 (Kubly): PERA; Late Disability Benefit Application; Former Benson School District Employee

Rep. Aaron Peterson and Sen. Gary Kubly testified in support of their bill.

Mr. Richard Lindstrom, the person affected by the bill, testified in support of the bill.

Ms. Mary Vanek, Executive Director, PERA, provided testimony on and responded to the Commission's questions regarding notification. Ms. Vanek testified in opposition to Amendment H2130-1A.

Sen. Betzold moved H.F. 2130/S.F. 1779 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 1100 (Hornstein); S.F. 1112 (Dibble): TRA; Refund Payment for Prior MTRFA Service Without Interest

Rep. Frank Hornstein testified in support of his bill.

Ms. Teresa M. Graham, the person affected by the bill, testified in support of the bill, provided handout materials, and responded to the Commission's questions regarding her situation.

Mr. Martin reviewed the staff memo and policy issues raised by the bill, and responded to members' questions regarding the history of proposed special legislation for this constituent.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified regarding the procedure for calculating benefit estimates and the disclaimer regarding breaks in service that was on the refund application forms. Mr. Thompson said that the TRA board did hear this case and that Ms. Graham has until April 14 to appeal the board's decision to the Court of Appeals.

The proposed legislation failed for lack of a motion with a quorum present.

H.F. 1328 (Peterson, S.); S.F. 1325 (Rest): TRA, SPTRFA; Service Credit Purchase, Uncredited St. Paul Prior Teaching Service

Rep. Sandra Peterson and Sen. Ann Rest testified in support of their bill.

Ms. Sherry Rutman, the person affected by the bill, testified in support of the bill.

Mr. Philip Kapler, Executive Director, SPTRFA, reviewed SPTRFA's requirements for membership and allowable service and provided a document showing Ms. Rutman first became a contract employee of the district on October 27, 1981, and was not considered an employee before that date.

Mr. Martin reviewed the staff memo and policy issues raised by the bill, and noted that the staff memo neglects to mention that the bill does not require the member to pay interest on the purchase.

Sen. Betzold indicated the difficulty of weighing evidence without testimony from the school district, and recommended that staff prepare an amendment to require the payment of interest.

The bill was laid over.

H.F. 1779 (Sailer); S.F. 1626 (Skoe): MSRS/PERA; Annuity Back Payments, Combined Service Annuity Annuitant

Rep. Brita Sailer presented and testified in support of her bill, informing members that her constituent, Mary C. Bauck, was unable to attend the meeting.

Ms. Mary Vanek, Executive Director, PERA, testified that there was an oversight and that PERA was in error. Ms. Vanek testified in opposition to the requirement to pay 8.5 interest, but that Ms. Bauck would be made whole with the retroactive payments and the payment of post-retirement adjustments she would have received on the difference on the benefit payments.

Mr. David Bergstrom, Executive Director, MSRS, agreed with Ms. Vanek's concern about paying interest.

Rep. Thissen moves to amend H.F. No. 1779; S.F. No. 1626, as follows: Page 2, line 3, delete "plus compound"; Page 2, delete line 4; Page 2, line 5, delete "of payment,"; Page 2, line 8, delete ", plus compound interest on the total amount at the" and insert " "; Page 2, delete line 9. **MOTION PREVAILED.**

Rep. Thissen moved H.F. 1779/S.F. 1626, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 2098 (Morrow); S.F. 1773 (Sheran): PERA; Lakeview Nursing Home in Gaylord Privatization

Rep. Terry Morrow testified in support of his bill, and that the city and the board have agreed to pay for the cost of the actuarial study.

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

Ms. Mary Vanek, Executive Director, PERA, testified that PERA has been in discussion with the nursing home and that the city council's date for transfer is July 1.

Rep. Kahn moved H.F. 2098/S.F. 1773 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 31 (Mullery); S.F. 31 (Metzen): Conform to Federal Tax Rules for Public Safety Pensions; Authorize Pension Funds to Withhold and Pay Insurance Premiums.

Rep. Joe Mullery presented and testified in support of his bill.

Mr. Larry Ward, Minneapolis Police Relief Association, testified in support of the bill.

Mr. David Bergstrom, Executive Director, MSRS, testified in support of the bill, indicating that MSRS is already administering the \$3,000 tax exclusion and that 531 out of 1,818 eligible public safety officers are using the feature. Mr. Bergstrom indicated preference for the language in PERA's administrative bill.

Ms. Mary Vanek, Executive Director, PERA, testified in support of the bill and that PERA has roughly 3,100 people who are eligible for this exclusion, with about 850 are already participating. Ms. Vanek indicated that the language in the PERA administrative bill is very similar to the language in Rep. Mullery's bill, but PERA language is somewhat cleaner.

Rep. Mullery stated that either language is acceptable

Mr. Burek reviewed the potential amendments to the bill.

Rep. Mullery testified in opposition to substantive amendments H0031-1A, -2A, -3A, and -4A.

Mr. Bergstrom, MSRS, and Ms. Vanek, PERA, testified in opposition to the substantive amendments.

Rep. Mullery indicated that Sections 1 and 2 of the bill should go into the Omnibus Tax Bill and the House Taxes Committee sent Section 3 to the Commission for consideration and possible inclusion in the Omnibus Retirement Bill.

Sen. Betzold moved amendment H0031-5A. **MOTION PREVAILED.**

Sen. Betzold moved Section 3 of H.F. 31/S.F. 31, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 1783 (Faust); S.F. 948 (Lourey): TRA; Purchase of Salary Credit for Reduced Salary Year after a Sabbatical Leave

Rep. Tim Faust presented and testified in support of his bill.

Mr. George Jaquith, the person affected by the bill, testified in support of the bill.

Mr. Norman Moen, Minneapolis Public Schools retiree, testified in support of the bill.

Mr. Luther Thompson, Assistant Executive Director, TRA, provided information on the cost of the purchase; Mr. Jaquith would pay \$910.20, the benefit would improve by \$45 per month, and the full actuarial cost would be \$19,481. Mr. Thompson indicated that TRA recently found an Attorney General's opinion that would likely allow TRA to authorize the purchase, but the proposed legislation would make the authority more clear.

Mr. Martin pointed out that if members view the legislation as putting Mr. Jaquith in the position he would have been in had the leave been done according to normal procedures, then the payment he wants to make is what we charge people who are on leave when they come back from a leave. The question is whether the Commission views the situation as a leave clarification or as a service credit purchase, where the payment of full actuarial value would be appropriate.

Rep. Thissen moved H.F. 1783/S.F. 948 be recommended to pass and be included in the omnibus pension bill.

Rep. Thissen renewed his motion that H.F. 1783/S.F. 948 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 1878 (Welti); S.F. 1853/1854 (Senjem): PERA; Service Credit Purchase for Community Education Employment

Rep. Andy Welti and Sen. David Senjem testified in support of their bill. Rep. Welti requested the Commission to consider amendments H1878-1A and H1878-4A.

Mr. James Miner, the person affected by the bill, testified in support of the bill.

Ms. Mary Vanek, Executive Director, PERA, testified that Mr. Miner should have been covered by PERA but was not reported, and when the error was discovered PERA could only go back three years to restore service. Ms. Vanek testified that amendments H1878-1A and H1878-4A would be appropriate.

Sen. Betzold moved amendment H1878-1A and amendment H1878-4A, amended on page 1, line 5, to delete "... percent" and insert "one-third". **MOTION PREVAILED.**

Sen. Betzold moved H.F. 1878/S.F. 1853, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 1010 (Hilstrom); S.F. 1042 (Neuville): State Patrol; Coverage for Gang and Drug Oversight Council Coordinator

Rep. Debra Hilstrom testified in support of her bill.

Ms. Jeri Boisvert, Department of Public Safety, testified in support of the bill.

Rep. Hilstrom testified that they would accept amendments H1010-4A and H1010-5A, which were brought forward by the fund.

Mr. Burek explained amendments H1010-4A, H1010-5A, and H1010-2A.

Mr. David Bergstrom, Executive Director, MSRS, testified in support of the amendments.

Rep. Nelson moved amendment H1010-2A, amended on page 1, line 5, to delete everything after "to" and insert "April 1, 2007.", and amendments H1010-4A and H1010-5A. **MOTION PREVAILED.**

Rep. Nelson moved H.F. 1010/S.F. 1042, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 2279 (Doty); S.F. 2027 (Koering): MSRS-C; Service Credit Purchase, MCF-St. Cloud Stores Clerk

Rep. Al Doty and Sen. Paul Koering testified in support of their bill.

Ms. Renee Trepanier, the person affected by the bill, testified in support of the bill.

Ms. Barbara Cox, Department of Corrections, testified in opposition to the bill because of the process to recommend positions for plan inclusion and requested that Ms. Trepanier go through the process.

Mr. David Bergstrom, Executive Director, MSRS, testified to his concerns about the bill; the bill would increase the benefit by \$201 per month, and neither the Stores Clerk position nor its successor title Central Services Administrative Specialist position are eligible for MSRS-Correctional coverage under law, and agreed that Ms. Trepanier should go through the Department of Corrections approval process.

Ms. Trepanier testified that she intends to retire in November.

In response to a request from Sen. Koering for the Department of Corrections to expedite the process, Ms. Cox said she would try to convene a meeting to review Ms. Trepanier's situation.

The bill was laid over.

H.F. 2363 (Murphy, M., by request); S.F. 2020 (Prettner Solon): MSRS-C, MSRS-G; Service Credit Transfer from General Plan to Correctional Plan.

Sen. Yvonne Prettner Solon presented and testified in support of her bill.

Mr. Dale A. Clausen, the person affected by the bill, testified in support of the bill.

Mr. David Bergstrom, Executive Director, MSRS, testified that the benefit increase would be \$148 per month, the present value cost of \$13,209. Mr. Bergstrom said that 63 people were added to the plan last year and many of them would also like to buy back service.

Mr. Martin noted that the Department of Human Services proposed coverage inclusion legislation does not address the issue of past service credit transfers, which would address Mr. Clausen's situation, but the Department of Corrections proposed legislation does address past service credit transfers.

Rep. Murphy indicated that this bill would be considered at a future meeting in conjunction with the Corrections and Human Services coverage inclusions bills. The bill was laid over.

H.F. xxxx; S.F. 1418 (Wergin): PERA-P&F; Authorizing a Joint Annuity for a Certain Surviving Spouse

Sen. Wergin presented her bill.

Mr. Terry Zerwas, son of Rosemarie and Jerome Zerwas, testified in support of the bill on behalf of Mrs. Zerwas, who was also present.

Ms. Mary Vanek, Executive Director, PERA, reviewed the history of spousal notification requirements and testified that Mrs. Zerwas was sent a copy of Mr. Zerwas' benefit estimates and a copy the completed retirement application. Ms. Vanek testified that the law at the time did not provide nor does it today provide that the spouse needs to affirmatively approve the selection.

Commission members indicated they needed more time to consider the issues raised by the bill.

There was no action on the bill.

H.F. 2078 (Murphy, M.); S.F. 1457 (Frederickson): MSRS-General: Coverage for a Middle Management Association Employee

Mr. Morgan Fleming, representing the Middle Management Association, presented and testified in support of the bill.

Mr. David Bergstrom, Executive Director, MSRS, testified that MSRS does not have a position on the bill.

Mr. Burek recommended consideration of delete-all amendment H2078-4A.

Mr. Bergstrom indicated MSRS would accept the amendment, but suggested a January effective date to make the legislation prospective only.

Mr. Fleming testified in support of the amendment and Mr. Bergstrom's recommendation.

Sen. Betzold moved H.F. 2078/S.F. 1457, amended to incorporate amendment H2078-4A, amended on page 2, line 21, to delete "January" and insert "July", be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. xxxx; S.F. 1762 (Betzold): Legislators Plan; Partial Benefit Option to Alternative Payees under Marriage Dissolution

Sen. Betzold presented his bill, indicating that the bill deals with former legislator Steve Novak's situation but that the bill is not person-specific.

Mr. David Bergstrom, Executive Director, MSRS, recommended striking the bounce-back language on page 2, lines 3-5.

Sen. Betzold moved to amend S.F. 1765 on page 2, lines 3 to 5, delete subdivision 3, and page 2, line 6, delete "4." and insert "3." **MOTION PREVAILED.**

Sen. Betzold moved S.F. 1762, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 1329 (Thissen); S.F. 929 (Betzold): PERA-P&F; Reemployed Annuitant Exemption for Former Midwest Pathology, Inc., Employees Hired as Field Investigators by Anoka County

Mr. Dave Johnson, attorney representing Anoka County, testified in support of the bill.

Ms. Mary Vanek, Executive Director, PERA, testified that the board heard from Mr. Johnson and the county Human Resources Director and chose not to take a position on the bill but recognized the special circumstance. Ms. Vanek also said the board asked her to convey their request that the Commission have a broader discussion on reemployed annuitant and phased retirement issues.

Mr. Burek reviewed the potential amendments H1329-1A, -2A, -3A, and -4A.

Mr. Johnson testified in opposition to the amendments.

Sen. Betzold moved H.F. 1329/S.F. 929 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

H.F. 228 (Paymar); S.F. 266 (Cohen): PERA; Service Credit Purchase, ISD No. 625 (St. Paul) School Board Member

The bill was withdrawn by author(s) and was not heard.

Non-Agenda Items

Betzold Amendment

Sen. Betzold distributed an amendment labeled "MS/HRD" relating to the death of Senator Dallas Sams.

Mr. David Bergstrom, Executive Director, MSRS, testified that had Sen. Sams lived to be age 55 he could have chosen a 100% joint and survivor option prior to his death, but he died three months short of his 55th birthday. Mr. Bergstrom said the proposal is consistent with treatment in other MSRS plans.

Mr. Martin observed that the Legislators Plan is closed and there were only 75 members on July 1, 2006.

Sen. Betzold moved amendment MS/HRD be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Adjournment

The meeting adjourned at 11:35 p.m.