



May 8, 2007  
Basement Hearing Room State Office Building

4<sup>th</sup> 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 8:05 a.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**

**H.F. 2128 (Murphy, M. by request); S.F. 1760 (Betzold): Adding PERA Staff to Post-Retirement Option Participation Provision**

Mr. Edward Burek, Deputy Director, LCPR, reviewed the staff memo and policy issues raised by the bill, and discussed potential amendments.

Ms. Mary Vanek, Executive Director, PERA, testified in support of the bill.

Mr. David Bergstrom, Executive Director, MSRS, testified in support of Amendment H2128-2A, and that Amendment H2128-4A is not needed.

Sen. Betzold moved Amendment H2128-2a. **MOTION PREVAILED.**

Sen. Betzold moved H.F. 2128/S.F. 1760, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 1941 (Kahn); S.F. 2036 (Larson): MPRA; Surviving Spouse Benefit Correction/Clarification**

Rep. Kahn presented her bill.

Mr. Brian Rice, General Counsel, Minneapolis Police Relief Association, testified in support of the bill, in opposition to Amendment H1941-1A, and that Amendment H1941-2A is not necessary.

Mr. Larry Ward, Minneapolis Police Relief Association, testified in support of the bill, and indicated that the issue addressed by the bill represents an MPRA oversight.

Ms. Betsy Hodges, Chair of the Inter-Governmental Relations Committee of the City of Minneapolis, testified that the city council requests local approval but does not oppose the legislation at this time.

Sen. Betzold moved Amendment H1941-2A. **MOTION FAILED.**

Rep. Kahn moved H.F. 1941/S.F. 2036 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 2079 (Murphy, M.); S.F. 1841 (Pogemiller): Extend 2006 Early Retirement Incentive**

Delete-all amendment H2079-18A was distributed for Commission consideration.

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo and policy issues raised by the bill and by the delete-all amendment. Mr. Martin informed members that MSRS has concerns relating to the Health Care Savings Account aspect of the proposal and the utilization of the MSRS-Unclassified as the source for translating the lump sum payment into an annuity and that the Minnesota School Boards Association has concerns about the language on page 2, lines 17-20 regarding whether the presiding officer of a local governing entity is the appropriate place to have the oversight.

Mr. Morgan Fleming, Middle Management Association, testified in support of the delete-all amendment.

Mr. Tom Deans, legal counsel for the Minnesota School Boards Association, testified that approval should be obtained from the applicable governing board rather than from the presiding officer of the applicable governing board.

Rep. Murphy moved delete-all amendment H2079-18A. **MOTION PREVAILED.**

Sen. Lynch moved to amend H.F. 2079/S.F. 1841, as amended, on page 2, line 19, to delete "presiding officer of the". **MOTION PREVAILED.**

Mr. J. Michael Stoffel, Executive Secretary, DTRFA, testified that there is an inconsistency in the proposal where DTRFA is included on page 1 as one of the employers eligible for the incentive, but page 2, lines 8-12, lists the authorizing statutes for MSRS, PERA, and TRA but excludes the first class city teacher funds. Mr. Stoffel suggested on page 2, lines 12 and 25, to insert "354.31, Subdivision 6, paragraph (b)". Mr. Stoffel testified that he is merely pointing out the inconsistency; the board does not have a position on the issue.

Mr. Fleming testified that this was merely an oversight.

Mr. David Bergstrom, Executive Director, MSRS, testified that in order to maintain the tax status of a Health Care Savings Account it must be mandatory, and the Internal Revenue Service (IRS) may interpret the language on page 2, lines 1-5 as members having a choice. Mr. Bergstrom also expressed concern about the language on page 2, lines 13-16, regarding the purchase of an annuity through MSRS-Unclassified, and suggested instead a purchase of service in an employee's own plan.

Mr. Martin distributed Amendment H2079-19A, which addresses Mr. Bergstrom's concern regarding the Health Care Savings Account.

Mr. Bergstrom testified in support of Amendment H2079-19A.

Sen. Betzold moved Amendment H2079-19A. **MOTION PREVAILED.**

Sen. Betzold moved to amend H.F. 2079/S.F. 1841, as amended, on page 2, lines 12 and 25, insert "354A.31, subdivision 6, paragraph (b)".

Mr. Philip Kapler, Executive Director, SPTRFA, testified that SPTRFA board does not have a position and is not seeking the change, but is not opposed to the proposed amendment.

Mr. Rene Lara, Education Minnesota, testified that all of the state's teachers should be included.

Sen. Betzold renewed his verbal amendment. **MOTION PREVAILED.**

Mr. Martin reviewed Amendment H2079-20A, which addresses the MSRS-Unclassified concern.

Sen. Wergin moved to amend Amendment H2079-20A on page 1, line 3, to delete "the". **MOTION PREVAILED.**

Mr. Bergstrom testified in support of the amendment.

Sen. Betzold moved Amendment H2079-20A, as amended. **MOTION PREVAILED.**

Rep. Thissen moved to amend Amendment H2079-19A, on page 1, line 9, delete "appoint" and insert "appointing". **MOTION PREVAILED.**

Mr. Martin reviewed which of the potential amendments listed on the staff material were included in delete-all amendment H2079-18A, which are H2079-1A (except with the date of 2010, not 2008), -2A, -4A, -6A, -8A, -10A, -11A, -13A, -14A, and -16A.

Mr. Bergstrom testified that MSRS does not support or oppose the bill, but he clarified that under Subdivision 3, the only way an employer could offer the incentive is if they were experiencing layoffs, reorganizing, or downsizing.

Mr. Martin reviewed Amendment H2079-12A, which would prohibit reemployment.

Rep. Kahn moved to amend H.F. 2079/S.F. 1841, as amended, as follows: page 1, line 15, delete "2010" and insert "2009"; page 3, line 12, delete "August 1, 2008" and insert "January 15, 2008" and delete "annually thereafter"; and page 3, line 28, delete "2010" and insert "2008".

Ms. Rose Hermodson, representing Minneapolis teachers, testified in support of the bill, testified in opposition to Amendment H2079-12A so districts could use retired teachers as substitute teachers, and recommended reinstating the August 1, 2008, date on page 3, line 12.

Rep. Kahn renewed her motion to amend H.F. 2079/S.F. 1841, as amended, on page 3, line 12, delete "August 1, 2008" and insert "January 15, 2008" and delete "annually thereafter". **MOTION PREVAILED.**

Having voted on the prevailing side, Sen. Betzold moved to reconsider the verbal amendment on page 3, line 12, deleting "August 1, 2008" and inserting "January 15, 2008" and deleting "annually thereafter". **MOTION PREVAILED.**

Rep. Thissen moved to amend H.F. 2079/S.F. 1841, as amended, as follows: page 1, line 15, delete "2010" and insert "2009" and page 3, line 28, delete "2010" and insert "2009". **MOTION PREVAILED.**

Rep. Thissen moved amendment H2079-12A, amended as follows: on page 1, line 3, delete "..." and insert "three", and on page 1, line 6, after "incentive." insert "This provision does not prohibit a school district from employing as a substitute teacher an individual who received an early retirement incentive under this section." **MOTION PREVAILED.**

Sen. Betzold moved H.F. 2079/S.F. 1841, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

#### **H.F. 2453 (Thissen); S.F. 2258 (Larson): MFRA; Doubling Amount of Future Thirteenth Checks**

Rep. Thissen moved H.F. 2453/S.F. 2258 be recommended to pass and be included in the omnibus pension bill.

Mr. Walter Schirmer, Executive Secretary, Minneapolis Firefighters Relief Association, testified in support of the bill and provided handout materials.

Mr. Brian Rice, General Counsel, Minneapolis Firefighters Relief Association, testified in support of the bill, reviewed the handout materials, and indicated that local approval is appropriate.

Rep. Thissen moved Amendment H2453-1A. **MOTION PREVAILED.**

Ms. Betsy Hodges, Chair of the Inter-Governmental Relations Committee of the City of Minneapolis, joined by Council Member Sandy Colvin Roy and Ways and Means Chair Paul Ostrow, testified in opposition to the bill as written.

Rep. Thissen renewed his motion that H.F. 2453/S.F. 2258, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

#### **Non-Agenda Item**

#### **Amendment H1978-4A (Olin); Thief River Falls Police Survivor Benefits**

Rep. Olin distributed, explained and testified in support of Amendment H1978-4A.

Rep. Nelson moved Amendment H1978-4A be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

#### **Agenda Items, Continued**

#### **H.F. 2341 (Thissen, by request); S.F. 1892 (Pappas/Larson): SPTRFA; Contribution and Aid Payments Modified, New Amortization Target Date Provided, and Money Appropriated**

Rep. Thissen recommended moving forward with Sections 5, 6, and 7 of the bill, which would extend the amortization date to 2038 and implement the cost of living adjustment changes.

Mr. Philip Kapler, Executive Director, SPTRFA, testified in support of the bill and the following amendments: delete sections 1-4, Amendments H2341-1A, -2A, 7A and -18A.

Rep. Thissen moved to amend H.F. 2341/S.F. 1892, by deleting sections 1-4 and 8. **MOTION PREVAILED.**

Rep. Thissen moved to amend H.F. 2341/S.F. 1892, on page 5, line 25, delete "rounded" and insert "calculated" and delete "nearest", and on page 5, delete line 26 and insert "... ." **MOTION PREVAILED.**

Rep. Thissen moved H.F. 2341/S.F. 1892, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 2451 (Nelson); S.F. 2266 (Wergin): Public Plans; Mandating Joint-and-Survivor Annuity Unless Waived by Spouse**

Rep. Nelson explained the bill, and indicated that this would be a good topic for interim discussion.

The bill was laid over for interim study.

**Legislative Auditor Communication Regarding the Post Retirement Fund Valuation of Assets**

Ms. Mary Vanek, Executive Director, PERA, testified that she spoke with Mr. Nobles and he shares the position of the fund directors, requesting that the Commission meet after the Legislative Session to address the requested change in the Commission's Standards for Actuarial Work, and that there be continued discussion of the issues contained in H.F. 2361; SF1978. Ms. Vanek requested that the actuarial standards be revised by mid-August before the actuaries begin work on the 2007 valuations.

Rep. Murphy requested that the Legislative Auditor get any specific language needing to be changed in law to her before Thursday's House Governmental Operations Committee hearing.

There was no action on this item.

**Non-Agenda Items**

**H.F. 1978 (Murphy, M.); S.F. 430 (Betzold): 2007 Omnibus Retirement Bill**

Mr. Martin reviewed technical Amendment H1978-3A, concerning MSRS-Correctional.

Rep. Kahn moved Amendment H1978-3A. **MOTION PREVAILED.**

Sen. Betzold moved the 2007 Omnibus Retirement Bill, H.F. 1978/S.F. 430, as amended, with the instructions that staff make any necessary technical changes, be approved. **MOTION PREVAILED.**

**Adjournment**

The meeting adjourned at 10:20 a.m.

