



April 8, 2008  
Room 5 State Office Building

2<sup>nd</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 9:10 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. 3421 (Murphy, M., by request); S.F. 2969 (Betzold): Minnesota Post Retirement Investment Fund; Revisions and Dissolution Procedure**

Mr. David Bergstrom, Executive Director, MSRS, Ms. Laurie Hacking, Executive Director, TRA, and Ms. Mary Vanek, Executive Director, PERA, presented and testified in support of the proposal.

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed technical amendments H3421-1A and -2A.

Ms. Hacking testified that they have reviewed the amendments and they are in support.

Ms. Judith Johnson, Executive Director, MERF, testified that MERF is not opposed to the changes.

Mr. Martin noted that the language in amendment H3421-1A would have the State Board of Investment determining the value and recommended deleting "state" on page 3, line 1.

Senator Betzold moved amendment H3421-1A, amended on page 3, line 1, to delete "state". **MOTION PREVAILED.**

Senator Betzold moved amendment H3421-2A. **MOTION PREVAILED.**

Mr. Martin reviewed amendment H3421-7A.

Ms. Vanek testified that they would accept the amendment.

Senator Betzold moved amendment H3421-7A. **MOTION PREVAILED.**

Ms. Vanek testified that the June 30 date on page 7, line 20, is no longer necessary due to the fixed 2.5% adjustment, and recommended replacing that date with January 1.

Senator Betzold moved to amend H.F. 3421/S.F. 2969, on page 7, line 20, delete "June 30" and insert "January 1". **MOTION PREVAILED.**

Mr. Curt Levang, a retired elementary school principal and liaison for the Minnesota Elementary School Principals' Association, testified in opposition to the bill.

Mr. Gene Gere, Minnesota Retired State Employees Association (MSREA), testified in support of the bill.

Mr. Ed Rapp, Education Minnesota Retired, testified in opposition to the bill.

Ms. Jan Alswager, Government Relations Manager, Education Minnesota, testified in opposition to the bill as a stand-alone, but indicated they would support the bill in conjunction with Rule of 90 legislation.

Mr. Howard Bicker, Executive Director, State Board of Investment, testified in support of the bill.

Mr. Keith Carlson, Executive Director, Minnesota Inter-County Association, testified in support of the bill.

Mr. Mark Shepard, House Research, provided testimony on Minnesota case law regarding pension reductions or freezes, that there are arguments that 1) the proposal insures the solvency and stability of the fund and 2) there is no reasonable expectation of post-retirement increases greater than 2.5% because it is unlikely that a larger adjustment would occur for some time.

Ms. Jody Hauer, Office of the Legislative Auditor, testified in support of the bill and provided a handout.

Ms. Joyce Sukola, President, Retired Educators of Minnesota (REAM), testified in support of the bill.

Senator Betzold moved H.F. 3421/S.F. 2969, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

### **H.F. 3415 (Pelowski); S.F. 3531 (Larson): Providing for Phased Retirement from Teaching**

Representative Gene Pelowski testified in support of his bill.

Senator Larson moved amendment H3415-A1, requested by DTRFA. **MOTION PREVAILED.**

Senator Larson moved amendment H3415-1A. **MOTION PREVAILED.**

Representative Pelowski distributed an unnumbered amendment.

Mr. Luther Thompson, Assistant Executive Director, TRA, reviewed the amendment.

Staff was directed to redraft the amendment.

Mr. J. Michael Stoffel, Executive Secretary, DTRFA, testified in support of the bill.

Mr. Philip Kapler, Executive Director, SPTRFA, testified in support of the bill.

Senator Betzold moved amendment H3415-50, staff's redraft of the unnumbered amendment.

Mr. Edward Burek, Deputy Director, Legislative Commission on Pensions and Retirement, indicated that the amendment addresses some of the issues identified by staff.

Senator Betzold renewed his motion on amendment H3415-50. **MOTION PREVAILED.**

Ms. Jan Alswager, Government Relations Manager, Education Minnesota, testified in support of the bill.

Ms. Grace Schwab, Director of Governmental Relations, Minnesota School Boards Association, testified that MSBA has not taken a formal position on the proposal.

Senator Larson moved H.F. 3415/S.F. 3531, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

### **H.F. 3436 (Nelson); S.F. 3136 (Betzold): MSRS; Modification of State Employee Postretirement Options Program**

Representative Nelson presented the bill.

Mr. David Bergstrom, Executive Director, MSRS, reviewed the program and its history.

Representative Nelson moved delete-all amendment A08-1290. **MOTION PREVAILED.**

Mr. Jared Jordal, Department of Employee Relations, testified in support of the bill.

Mr. Burek reviewed the staff amendments.

Ms. Mary Vanek, Executive Director, PERA, testified in support of amendment H3436-2A.

Mr. Jordal testified in support of amendment H3426-2A and in opposition to amendment H3426-3A.

Representative Kahn moved amendment H3436-2A. **MOTION PREVAILED.**

Representative Nelson moved H.F. 3436/S.F. 3136, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3798 (Murphy, M., by request); S.F. 3324 (Betzold): MSRS, PERA, TRA; Benefit-Related and Administrative Provisions**

Ms. Mary Vanek, Executive Director, PERA, Mr. David Bergstrom, Executive Director, MSRS, and Mr. Luther Thompson, Assistant Executive Director, TRA, testified in support of the bill.

Ms. Vanek testified in support of amendments H3798-34A, -35A, -36A, -1A and -8A.

Representative Nelson moved amendment H3798-1A. **MOTION PREVAILED.**

Representative Nelson moved amendment H3798-8A. **MOTION PREVAILED.**

Representative Nelson moved to delete Article 8, Section 1. **MOTION PREVAILED.**

Ms. Vanek reviewed the PERA portion of the bill.

Representative Nelson moved amendment H3798-35A. **MOTION PREVAILED.**

Representative Nelson moved amendment H3798-38A. **MOTION PREVAILED.**

Representative Nelson moved amendment H3798-34A. **MOTION PREVAILED.**

Representative Nelson moved amendment H3798-36A. **MOTION PREVAILED.**

Mr. Bergstrom reviewed the MSRS provisions of the bill in Article 7.

Mr. Thompson reviewed the TRA provisions of the bill in Article 8.

Mr. Burek reviewed the repealed provisions in Article 9.

Mr. J. Michael Stoffel, Executive Secretary, DTRFA, testified in support of the repealer.

Representative Nelson moved H.F. 3798/S.F. 3324, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3938 (Murphy, M., by request); S.F. xxxx: State Auditor's Volunteer Fire Working Group Recommendations**

State Auditor Rebecca Otto testified in support of the bill.

Ms. Rose Hennessy Allen, Pension Director, Office of the State Auditor, reviewed the bill and testified that they are not opposed to amendments H3938-1A and -2A.

Senator Betzold moved amendments H3938-1A and H3938-2A. **MOTION PREVAILED.**

Mr. Martin reviewed amendments H3938-4A and -5A.

Representative Kahn moved amendment H3938-4A. **MOTION PREVAILED.**

Mr. Dave Ganfield, working group representative from the Minnesota State Fire Department Association, testified in support of the bill.

Representative Kahn moved amendment H3938-7A. **MOTION PREVAILED.**

Mr. Martin reviewed amendment H3938-8A.

Ms. Allen testified in opposition to amendment H3938-8A.

Mr. Martin reviewed amendments H3938-9A and -10A.

Representative Kahn moved amendment H3938-10A with a June 30, 2009, effective date. **MOTION PREVAILED.**

Representative Kahn moved H.F. 3938/S.F. xxxx, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.** Representative Thissen abstained from voting.

**H.F. 4117 (Holberg); S.F. 3803 (Pariseau): PERA-P&F; Increasing Total and Permanent Duty Disability Benefits in Short Service Situations.**

Representative Mary Liz Holberg and Senator Pat Pariseau testified in support of their bill.

Ms. Wendy Wulff, spouse of disabled Minneapolis Bomb Squad Commander Dan Wulff, a person affected by the bill, testified in support of the bill.

Mr. Brian Rice, representing the Police Officers Federation of Minneapolis, testified in support of the bill and provided handout materials.

Ms. Mary Vanek, Executive Director, PERA, testified to PERA’s concern regarding the retroactive effective date and her preference for legislative that would apply only to those individual identified. Ms. Vanek indicated that PERA would need to notify approximately 120 duty disabilitants of the change, if enacted, that they have the right to appeal their case under the revised provisions, which would cause considerable administrative burden and potential attorney general costs if those disabilitants choose to appeal, at the cost of an estimated \$2,000 per case.

Mr. Keith Carlson, Executive Director, Minnesota Inter-County Association and also representing the Association of Minnesota Counties, testified to their concerns regarding the financial impact on a fund that is in poor condition, testified in opposition to amendments H4117-3A and -4A, and testified that single individual special legislation would lessen their concerns.

Staff was directed to draft an amendment to address Mr. Wulff’s situation.

The meeting recessed at 1:40 p.m.

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Representative Murphy called the meeting back to order at 6:25 p.m.

Representative Holberg continued her testimony.

Mr. Burek distributed and reviewed amendment H4117-7A.

Ms. Vanek testified that she reviewed the amendment and it appears to be what was discussed.

Representative Kahn moved amendment H4117-7A. **MOTION PREVAILED.**

Representative Kahn moved H.F. 4117/S.F. 3803, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

Senator Larson asked Ms. Vanek to review PERA files and to report back to the Commission.

**H.F. 3895 (Murphy, M.); S.F. 3630 (Saxhaug): Statewide Lump Sum Volunteer Firefighter Retirement Plan**

Mr. Nyle Zikmund, representing a coalition of volunteer firefighters, reviewed and testified in support of the bill.

Representative Kahn expressed concern about the appropriation and asked about the possibility of using funds from fire state aid.

Mr. Martin reviewed the fire state aid programs.

Mr. Zikmund testified that his association would be opposed to using fire state aid funds.

Ms. Mary Vanek, Executive Director, PERA, testified that she would bring the possibility of charging back start-up costs to the new plan, if created, to the PERA board at its upcoming meeting, and requested that Mr. Zikmund appear before the board. Ms. Vanek indicated that if the board supports the charge-back, an appropriation would not be necessary.

Mr. Zikmund testified that amendment A08-1599 would create a voluntary statewide volunteer firefighter retirement plan advisory board with PERA.

Senator Betzold moved amendment A08-1599, amended on page 2, line 35, delete “352.03” and insert “353.03” and delete “4” and insert “3a”; and to delete Article 2 of the bill.

Mr. Michael Branvold, representing the Minnetonka Firefighter Relief Association, testified in support of the bill as long as the proposed plan remains a voluntary plan.

Ms. Colleen Hartmon Bollom, President, Minnesota Firefighter Pension Consultants, testified in opposition to the bill and distributed a handout.

Senator Betzold renewed his motion to amend. **MOTION PREVAILED.**

Senator Betzold moved H.F. 3895/S.F. 3630 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3715 (Nelson); S.F. 3325 (Betzold): Volunteer Firefighters; Increase Maximum Service Pension Amounts**

Mr. Nyle Zikmund, representing Spring Lake Park-Blaine-Moundsview firefighters and Eden Prairie, Northfield, and Brainerd firefighters, testified in support of the bill.

Mr. Brian Rice, representing Spring Lake Park-Blaine-Moundsview firefighters, testified in support of the bill.

Senator Lynch moved amendment H3715-1A. **MOTION PREVAILED.**

Representative Nelson moved H.F. 3715/S.F. 3325, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3713 (Nelson); S.F. 3405 (Betzold): PERA-P&F; Injured Police Officers/Firefighters Duty Disability Pension Amount and Less Hazardous Duty Requirements**

Representative Nelson presented the bill.

Mr. Lyle Delaney, Police Officers Federation of Minneapolis, testified in support of the bill.

Mr. Brian Rice, representing the Police Officers Federation of Minneapolis and the Minneapolis Professional Fire Fighters, testified in support of the bill.

Ms. Mary Vanek, Executive Director, PERA, testified that PERA does not support Section 1, and that Section 2 as drafted would have minimal impact.

Mr. Keith Carlson, Executive Director, Minnesota Inter-County Association, urged the Commission to be judicious as PERA-P&F is a plan with a substantial funding deficiency.

Ms. Anne Finn, League of Minnesota Cities, testified in opposition to the bill.

Mr. Jim Franklin, Minnesota Sheriffs Association, testified in opposition to the bill.

Senator Olson moved amendment H3713-1A. **MOTION FAILED.**

H.F. 3713/S.F. 3405 was laid over for interim study.

**H.F. 3799 (Murphy, M., by request); S.F. 2998 (Betzold): MSRS, PERA, MERF; Retirement Annuity Voluntary Membership Dues Deduction**

Ms. Julie Blehyl, Legislative Director, AFSCME Council 6, reviewed and testified in support of the bill.

Mr. David Bergstrom, Executive Director, MSRS, testified that MSRS staff estimates start-up costs for the proposal would be roughly \$15,000, with an ongoing cost of approximately \$1,000-3,000 per year, and that they would expect additional groups to come forward with similar requests.

Ms. Judith Johnson, Executive Director, MERF, testified that their start-up costs would be approximately \$1,500 and that MERF would prefer to make quarterly rather than monthly deductions.

Ms. Mary Vanek, Executive Director, PERA, testified that PERA staff estimates start-up costs to be \$40,000-50,000, with an ongoing cost of \$1,000-3,000 per year.

Mr. Morgan Fleming, Middle Management Association, testified interest in receiving similar treatment.

Senator Betzold moved amendment SCS2998A-1. **MOTION PREVAILED.**

Senator Lynch moved amendment H3799-1A. **MOTION PREVAILED.**

Senator Wergin moved amendment H3799-2A. **MOTION PREVAILED.**

Senator Wergin moved amendment H3799-3A, inserting "twice" in the blank on line 3, and deleting everything after "year" on line 4 and inserting a period. **MOTION PREVAILED.**

Senator Betzold moved to amend H.F. 3799/S.F. 2998 on page 1, lines 10 and 13, delete "shall" and insert "may". **MOTION PREVAILED.**

Senator Betzold moved to amend H.F. 3799/S.F. 2998 on page 1, after line 17, insert "(d) Any labor organization specified in paragraph (a) shall reimburse the public pension fund for the administrative expense of withholding premium amounts." **MOTION PREVAILED.**

Senator Betzold moved H.F. 3799/S.F. 2998, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3764 (Thissen); S.F. 3506 (Larson): MFRA; Additional Cost-of-Living Unit Upon 110% Funding; Modify Investment-Related Postretirement Adjustment; and  
H.F. 3385 (Thissen); S.F. 2982 (Larson): MFRA; Additional Cost-of-Living Unit Upon 110% Funding**

Representative Thissen presented the bill.

Representative Kahn moved delete-all amendment H3764-13A to H.F. 3764/S.F. 3506. **MOTION PREVAILED.**

Representative Kahn reviewed the delete-all amendment.

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

Mr. Patrick Born, City Finance Officer, City of Minneapolis, testified in opposition to the bill.

Senator Larson moved H.F. 3764/S.F. 3506, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3744 (Thissen); S.F. 3532 (Larson): Local P&F; Reallocation of Additional Amortization Aid for Consolidated Local Police and Fire Relief Associations**

Representative Thissen presented the bill.

Ms. Mary Vanek, Executive Director, PERA, testified that before 1989 all excess aid came to PERA and if there is any excess aid it is the board's standing position to request consideration of receiving help.

Mr. Brian Rice, representing SPTRFA, testified in support of the bill.

Mr. Philip Kapler, Executive Director, SPTRFA, testified that they have a significant unfunded actuarial accrued liability and contribution deficiency, and that although it would make only a marginal impact they would not turn away any additional funding.

Mr. J. Michael Stoffel, Executive Secretary, DTRFA, clarified that the City of Duluth is included in the provisions of the bill, not the Duluth Teachers Retirement Fund Association; but that DTRFA could benefit from the redistribution and would appreciate consideration.

Mr. Rice testified in opposition to amendment H3744-10A.

Senator Wergin moved to amend H.F. 3744/S.F. 3532 on page 3, line 1, delete "25" and insert "10" and page 3, line 2, delete "25" and insert "40".

Representative Thissen recommended the following percentages: 40% Duluth, 20% Minneapolis, 20% SPTRFA, and 20% volunteer firefighter relief associations. Senator Wergin indicated that she would accept Rep. Thissen's recommendation.

H.F. 3744/S.F. 3532 was held over for second consideration.

**H.F. 4131 (Smith); S.F. xxxx: PERA-P&F; Providing a One-Year Exemption from Reemployed Annuitant Exempt Earnings Limits for Metropolitan Airports Commission Police Officers**

Mr. Rick Meyers, Metropolitan Airports Commission, testified in support of the bill.

Representative Smith moved amendment H4131-3A. **MOTION PREVAILED.**

Ms. Mary Vanek, Executive Director, PERA, testified that the board has not taken a position on this exemption request, but since the board supported the previous request she would expect its support.

Representative Smith moved amendment H4131-1A. **MOTION PREVAILED.**

Representative Smith moved H.F. 4131/S.F. xxxx, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3041 (Murphy, M. by request); S.F. 2715 (Betzold): Retirement Provisions Modified Relating to Actuarial and Financial Reporting** *Note: the bill was amended on March 5, 2008*

Ms. Laurie Hacking, Executive Director, TRA, and Mr. David Bergstrom, Executive Director, MSRS, testified in support of the bill.

Senator Betzold moved H.F. 3041/S.F. 2715, as previously amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3320 (Nelson); S.F. 2423 (Betzold): TRA; Clarification of Special Direct State Aid Allocation**

Representative Nelson presented the bill.

Mr. Luther Thompson, Assistant Executive Director, TRA, testified that TRA does not oppose amendments H3220-2A and -3A.

Representative Nelson moved amendments H3220-2A and H3220-3A. **MOTION PREVAILED.**

Representative Nelson moved H.F. 3041/S.F. 2715, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3221 (Murphy, M., by request); S.F. 2655 (Betzold): MSRS; Deferred Compensation Plan Recodification and Offering Roth Plans**

Mr. David Bergstrom, Executive Director, MSRS, testified in support of the bill, in support of amendments H3221-3A, -4A, -5A, and -6A, and in opposition to amendments H3221-1A, -2A, and -7A.

Senator Betzold moved amendments H3221-3A, -4A, -5A, and -6A. **MOTION PREVAILED.**

Senator Betzold moved H.F. 3221/S.F. 2655, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 2514 (Rukavina); S.F. xxxx: Alternative Employer-Funded Deferred Compensation Plans**  
**H.F. 3874 (Anzelc); S.F. 3548 (Tomassoni): Alternative Employer-Funded Deferred Compensation Plans and Matching Contributions Increase**

Representative Tom Rukavina testified in support of his bill.

Ms. Sarah Lewerenz, AFSCME Council 96, testified in support of the bills.

Representative Tom Anzelc and Senator David Tomassoni testified in support of their bill.

Representatives Anzelc and Rukavina and Senator Tomassoni indicated support of H.F. 3029/S.F. 2759.

**H.F. 3029 (Hilstrom); S.F. 2759 (Betzold): Alternative Employer-Funded Deferred Compensation Plans**

Mr. Gary Carlson, League of Minnesota Cities, testified in support of the bill.

Mr. David Bergstrom, Executive Director, MSRS, testified that MSRS is not opposed to the bill, but recommended requiring the disclosure of investment and administrative fees and rates of return for one-year, five-year, and ten-year periods.

Senator Betzold moved amendment H3029-11A, amended on line 2, before "fees" insert "investment and administrative" and lines 3 to 4, delete "or life of the investment vehicle, whichever is less" and insert "or since inception". **MOTION PREVAILED.**

Senator Betzold moved H.F. 3029/S.F. 2759, as amended, be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3840 (Gunther); S.F. 3554 (Rosen): Supplemental Retirement Plans; Exemption to Restriction for Blue Earth United Hospital District**

Representative Bob Gunther and Senator Julie Rosen testified in support of their bill.

Ms. Sarah Lewerenz, AFSCME Council 96, testified in support of the bill.

Representative Nelson moved H.F. 3840/S.F. 3554 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**H.F. 3743 (Nelson); S.F. 3375 (Dahle): School District Tax-Sheltered Annuity Vendors Collective Bargaining Requirement**

Representative Nelson and Senator Dahle testified in support of their bill.

Ms. Jan Alswager, Government Relations Manager, Education Minnesota, testified in support of the bill.

Mr. Tom Deans, legal counsel, Minnesota School Boards Association, testified in opposition to the bill.

Mr. Charlie Kyte, Executive Director, Minnesota Association of School Administrators, testified in opposition to the bill.

Mr. Lee Johansen, Negotiations Specialist, Education Minnesota, testified in support of the bill.

Representative Nelson moved H.F. 3743/S.F. 3375 be recommended to pass and be included in the omnibus pension bill. **MOTION PREVAILED.**

**Adjournment**

The meeting adjourned at 11:35 p.m.