



November 18, 2008
Room 200 State Office Building

9th 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, Michael V. Nelson, Steve Smith, and Paul Thissen
Senators Don Betzold, Ann Lynch, and Mary A. Olson (there are two vacant Senate positions)

Agenda Items

Approval of Prior Commission Meeting Minutes

Rep. Smith moved approval of the September 17, 2008, meeting minutes. **MOTION PREVAILED.**

Review of the Commission's Principles of Pension Policy

- Principle II.C.14. Benefit Increase Retroactivity

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

Ms. Mary Vanek, Executive Director, PERA, testified in support of retaining the current principle.

There was no action on the principle.

- Principle II.C.17. Reemployed Annuitant Earnings Limitations

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

Ms. Vanek testified that PERA has received inquiries about reemployed annuitant earnings limitations, and that the board is taking a close look at the issue but PERA does not plan to bring forward a proposal on the issue during the upcoming legislative session.

Mr. David Bergstrom, Executive Director, MSRS, testified that the MSRS board has also looked at this issue, and they also do not plan to bring forward a proposal in the upcoming legislative session. Mr. Bergstrom also indicated that the board is uncomfortable with the \$46,000 amount and also with the current policy of deferral, and that he would like to leave the issue of forfeiture open for discussion.

There was no action on the principle.

- Principle II.C.18. Disability Definitions

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

Ms. Vanek responded to a question from Rep. Kahn that it is difficult to craft state statute to address the issue of occupational disability definitions and alternate/light duty assignments because of varying circumstances and differences between large and small departments.

Mr. Bergstrom testified regarding the MSRS-Correctional 75% inmate contact definition, and that MSRS will have a proposal providing incentives to stay in the department in light duty positions.

Rep. Kahn moved to amend Policy Principle II.C.18. to reflect the proposed language on page 36, lines 1-7, of staff memo LM071708-1, amended on lines 3-4 to reinstate "the extent possible", delete the new language, and insert a period after "possible".

Rep. Kahn withdrew her motion.

Ms. Vanek testified that leaving the principle unchanged agrees with the PERA changes.

There was no action on the principle.

- II.C.20. Future Pension Coverage for Privatized Public Employees

Mr. Martin reviewed the principle and the potential alternatives A and B for amending the principle.

Ms. Vanek testified that the privatization statute is strictly an enhanced termination provision, which does not jeopardize a plan's public status. Ms. Vanek also noted that PERA requested federal clarification in July 2004 regarding the Anoka-Achieve employees, and received a reply in September 2008 indicating that they (the feds) are discussing the issue and would not give any guidance.

Mr. Bergstrom responded to a question from Sen. Olson that if the federal government makes a ruling that would jeopardize a plan's status, the plan would generally be given time to fix the issue.

Mr. Bergstrom and Ms. Vanek indicated their preference for Alternative B rather than Alternative A.

Mr. Bergstrom responded to a question from Rep. Kahn that the Fairview merger employees would have been over the de minimis number had they been allowed to continue in the plan, but they were not allowed to continue in the plan and instead received increased augmentation.

Ms. Vanek reminded members that 2008 legislation made the process for privatization enhanced benefits was made automatic so the Commission will no longer see proposed privatization legislation, and that the privatization model does not violate governmental status. Ms. Vanek indicated that only requests for privatized employees to actively contribute to a plan would come to the Commission.

Mr. Bergstrom testified that he is as comfortable with the current language as with Alternative B.

There was no action on the principle.

- Principle II.D.2. Actuarial Funding of Pension Benefits

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

Mr. Bergstrom testified that he is comfortable with either the current or the proposed language, but that the Governmental Accounting Standards Board requires that amortization not exceed 30 years.

Rep. Thissen moved to amend Policy Principle II.D.2. to reflect the proposed language on page 47, lines 1-22, of staff memo LM071708-1, amended on line 18 to delete "forty" and insert "thirty".

MOTION PREVAILED.

- Principle II.D.3. Allocation of Funding Burden Between Members and Employers

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

Mr. Bergstrom testified that he is comfortable with either the current or the proposed language, but recommended that "be structured to" on line 22 be deleted.

Sen. Lynch moved to amend Policy Principle II.D.3. to reflect the proposed language on page 50, lines 1-21, of staff memo LM071708-1. **MOTION PREVAILED.**

- Principle II.C.8. Post-Retirement Benefit Adequacy

Mr. Martin reviewed II.C.3. Alternative #3 (Thissen), which was drafted by staff as directed during the September 17, 2008, Commission meeting, for amending the principle.

Mr. Bergstrom testified that he is comfortable with proposed Alternative #3.

Rep. Thissen moved to amend Policy Principle II.C.8. to reflect the proposed language of II.C.3. Alternative #3 (Thissen). **MOTION PREVAILED.**

Rep. Murphy directed staff to engross the principles to reflect the Commission's amendments and to publish that document on the Commission's website for review, and indicated that a final vote on the revised Principles would occur at the next Commission meeting, in December.

Mr. Bergstrom recommended having Mr. Bicker, State Board of Investment, come to the next meeting.

Adjournment

The meeting adjourned at 12:27 p.m.