

Done  
5-13



# STATE OF MINNESOTA

OFFICE OF THE GOVERNOR  
130 STATE CAPITOL  
SAINT PAUL 55155

ARNE H. CARLSON  
GOVERNOR

May 13, 1997

The Honorable Allan Spear  
President of the Senate  
120 Capitol  
Saint Paul, Minnesota 55155

Dear President Spear:

I have vetoed and am returning Chapter 139, Senate File 995, a bill relating to public employee retirement. This bill has several objectionable provisions.

First, by providing certain public employee groups special status to opt out of the Minnesota State Retirement System (MSRS) and develop individual retirement account plans (IRAP), this legislation will destabilize the funding of defined benefit plans through adverse selection. Allowing employees of the Minnesota Zoo, Perpich School for the Arts, the Academy for the Deaf and the Academy for the Blind to choose their own retirement plan and define the employer's liabilities will lead to a higher overall cost to the state. This practice should be avoided for the same reasons as apply in health insurance programs.

Other concerns with this legislation include:

- By extending the MSRS general plan eligibility to seasonal employees of the Department of Revenue, it creates an annual \$91,000 cost without any source of funding.
- It unwisely moves open appropriation authority for about \$70 million in State Police and Fire Aid from the Department of Revenue to the Department of Finance. The Department of Revenue is the agency that administers both of these programs, and appropriation authority should remain with the Commissioner of Revenue.
- It allows retroactive service credit for one Minneapolis Teachers' Retirement Association member who made no contributions during a long period of employment. Even though this provision would hold the fund harmless by requiring payment for full actuarial value of the benefit purchased, this is highly selective language that could apply to many members and should be thoroughly examined before this policy is created.

May 13, 1997

Page Two

Most of the remaining provisions in this bill appear to address genuine needs and resolve serious problems in the pension and retirement policy area.

Warmest regards,



**ARNE H. CARLSON**

Governor

- c: Senator Roger Moe, Majority Leader
- Senator Dean Johnson, Minority Leader
- Representative Phil Carruthers, Speaker of the House
- Representative Steve Sviggum, Minority Leader
- Chief Senate Author(s)
- Chief House Author(s)
- Mr. Patrick E. Flahaven, Secretary of the Senate
- Mr. Edward A. Burdick, Chief Clerk of the House
- Ms. Joan Anderson Growe, Secretary of State