



ARNE H. CARLSON  
GOVERNOR

# STATE OF MINNESOTA

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MAY 19 1995

May 18, 1995

SECRETARY OF STATE

The Honorable Irv Anderson  
Speaker of the House of Representatives  
463 State Office Building  
Saint Paul, Minnesota 55155

Dear Speaker Anderson:

I have vetoed and I am returning Chapter 172, House File 493/Senate File 803, a bill relating to local retirement plans for police, fire, educators and other public employees. There is one provision of this bill that I find to be contrary to sound pension policy and funding principles.

Article 3 of this bill provides a benefit improvement for members of the St. Paul Teachers Retirement Fund Association (StPTRFA). It modifies the post-retirement benefit increase, eliminating the 6 percent yield threshold on assets before a 13th check may be distributed to retirees, and creates an additional benefit on top of the 13th check.

In a previous session I vetoed a bill that included a similar provision because the St. Paul plan is not well funded. The status of the plan has improved, but not enough to change my position on this matter. The funding ratio of 68 percent is poor, with a significant, ongoing contribution deficiency. Any investment returns in excess of the actuarially assumed rate should remain in fund to help reduce the \$190 million unfunded liability of the plan, rather than be paid out for retiree benefit improvements.

Furthermore, the state currently provides \$500,000 annually in amortization aid to help improve the funding status of this plan. It was not my expectation that the StPTRFA would then give this state aid away in post-retirement benefit increases. This proposal would represent a short-sighted and irresponsible use of fund assets and therefore exemplifies inadequate pension policy.

I am deeply troubled by the judgment of the Legislative Commission on Pensions and Retirement by what appears to be a lack of scrutiny or logic in passing such a proposal.

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I am also perplexed by the process whereby all proposals relating to benefit adjustments are packaged together. The unwillingness to let each provision stand on its own merit unfairly tarnishes all of the commendable proposals contained within the bill. It is truly unfortunate that one poorly crafted section of this bill will compel me to reject an otherwise satisfactory piece of legislation.

Warmest regards,



**ARNE H. CARLSON**  
Governor

- c:     Senator Allan Spear, President of the Senate  
       Senator Roger Moe, Majority Leader  
       Senator Dean Johnson, Minority Leader  
       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