

Background Information on the History of the Legislative Commission on Pensions and Retirement

1. Predecessor Commission. The initial special legislative body to review public pension issues was the Interim Commission to Study Minneapolis Pension Systems, created by Laws 1943, Chapter 449. The 1943 Interim Commission was comprised of three members of the Senate and three members of the House of Representatives. All members of this interim commission were from Minneapolis. The 1943 Interim Commission issued a report to the 1945 Legislature, which dealt with the soundness of the various Minneapolis public pension plans, the fairness of the benefits and cost, their comparative position relative to pension plans of other similarly sized cities, and the possibility for consolidating the various plans. From the concurrent resolution of the Legislature reprinted in the report of the 1943 Interim Commission, the commission was created as a means to handle persistent demands for retirement benefit increases in a time other than a busy legislative session and as a means to assemble sufficient actuarial or other experts to investigate the costs of proposed benefit increases. No significant legislation enacted by the 1945 Legislature appears to have resulted from the work of the 1943 Interim Commission.
2. Interim Pension Commissions. Until 1955, there was no special legislative body with specific jurisdiction over Minnesota public pension plans. In 1955 (Laws 1955, Ch. 829), the Legislature created a legislative commission to report on retirement benefit plans available to government employees. In addition to the Legislative Research Committee, established in 1947, which dealt with various studies and topics, the 1955 Legislature created 24 interim commissions, including the 1955 Public Retirement Interim Commission. According to O. M. Ousdigian, the late retired executive director of the Public Employees Retirement Association (PERA), the motivation for the creation of the 1955 Public Retirement Interim Commission was the likelihood of a near term default on benefit payments by PERA and the need to provide PERA and the other major public pension plans with a regularized source of employer funding. The Legislature reportedly modeled the 1955 Public Retirement Interim Commission on the Wisconsin Retirement Laws Commission.

The Public Retirement Interim Commission was reestablished four times over the next five bienniums, in 1957 (Ex. Sess. Laws 1957, Ch. 13), in 1959 (Ex. Sess. Laws 1959, Ch. 82), in 1963 (Laws 1963, Ch. 888, Sec. 9), and in 1965 (Laws 1965, Ch. 888, Sec. 5). The various public retirement interim commissions functioned during the interims between the biennial legislative sessions primarily to study pending pension problems, to formulate recommendations on those problems, and to produce a biennial report that contained the recommendations of the Commission as to future legislative enactments relating to the state's various public pension plans. No public retirement interim commission was established by the 1961 Legislature.

3. Permanent Pension Commission. The 1965 Public Retirement Systems Interim Commission recommended to the Legislature the creation of a permanent Legislative Commission on Pensions, and the 1967 Legislature created the Legislative Retirement Study Commission as a permanent legislative commission (Laws 1967, Ch. 549, coded as Minn. Stat. Sec. 3.85). That Pension Commission was scheduled to terminate its duties on June 30, 1973, under terms of the 1967 legislation. In 1971 (Laws 1971, Ch. 818), the 1973 expiration date for the Pension Commission was eliminated. In 1975, the name of the Pension Commission was changed from the Legislative Retirement Study Commission to the Legislative Commission on Pensions and Retirement (Laws 1975, Ch. 271, Sec. 3). In 1984, the duties of the Pension Commission were expanded with the addition of authority to issue standards for public pension actuarial work, the addition of the requirement of hiring a major actuarial consulting firm to prepare the regular actuarial valuations of the largest Minnesota public pension plans, and an increase in the Commission budget (Laws 1984, Ch. 564, Sec. 1, 2).
4. Mid-1990s Reviews of the Pension Commission Role and Function and Their Aftermath.
 - In 1994, largely in response to complaints from former Representative Wayne Simoneau and from a former PERA executive director, James Hacking, the Legislative Audit Commission undertook a review of the adequacy of the oversight of local public employee pension plans. The Office of the Legislative Auditor retained an independent consultant, Allan Baumgarten, to conduct the review and prepare a report for the Legislative Audit Commission.
 - In 1995 (Laws 1995, Ch. 248, Art. 2, Sec. 6) virtually every legislative commission, including the Legislative Commission on Pensions and Retirement, were scheduled to sunset on July 1, 1996, unless the Legislative Coordinating Commission affirmatively elected to continue the operation of the particular commission by January 1, 1996. The Legislative Coordinating Commission elected to continue the operation of the Legislative Commission on Pensions and Retirement in December 1995, after conducting review hearings.
 - In 1997 (Laws 1997, Ch. 202, Art. 2, Sec. 5) the membership of the Commission was increased from ten (five House members and five Senate members) to 12 (six members from each body).

- In 1999 (Laws 1999, Ch. 222, Art. 20), the Commission membership was reduced back to ten.
- In 2004 (Laws 2004, Ch. 223, Sec. 6), the duty previously assigned to the Commission to select and retain the consulting actuary to prepare the regular actuarial work for the statewide and major local Minnesota public pension plans was reassigned to the various pension plan administrators acting collectively. The reassignment of the consulting actuary retention duty was accompanied by a reduction in the Commission budget.
- In 2011 (1st Spec. Sess. Laws 2011, Ch. 10, Art. 3, Sec. 1), the membership of the Commission was again increased, beginning with the 2013 Legislative Session, from ten to 14 (seven House members and seven Senate members), and no more than five members from each chamber may be from the majority caucus in that chamber.

5. Institutional Position within the Legislature and Nationally. Within Minnesota, the Legislative Commission on Pensions and Retirement is the second oldest joint legislative agency created by the Minnesota Legislature that is still in operation. The oldest operating Minnesota joint legislative agency is the Office of the Revisor of Statutes, which was established as a temporary entity in 1851, was established as a permanent entity in 1939, initially in the judicial branch, and was transferred to the legislative branch in 1973 (Laws 1973, Ch. 598, Sec. 2, Subd. 6).

Nationally, the Minnesota Pension Commission is the second oldest public employee retirement commission. The predecessor to the current Wisconsin Joint Survey Committee on Retirement Systems was created in 1945 and is the oldest pension commission of general jurisdiction. The Massachusetts Commission, established in 1958, and the Nebraska Commission, established in 1959, are the third and fourth oldest public employee retirement commissions.

6. Changes in Pension Commission Emphasis. During the early period of the operation of the Pension Commission as a permanent legislative entity, largely 1967 through 1971, the Pension Commission slowly made the transition from an interim commission, with its primary work product focus being the production of a biennial report with policy recommendations, to a legislative policy making body, with its primary work product focus being the processing of proposed pension legislation. The Commission continued to issue a biennial report, prepared during the interim until the early 1980s, but the report evolved to become less of a collection of Commission recommendations about pension law changes, with a supporting policy argument, and to become more of a summary of the actuarial and financial information routinely collected by the Commission. During the period after 1967, proposed pension legislation also began to be handled by the respective legislative bodies on a less fragmented basis, with the jurisdiction over proposed pension legislation assigned typically to a single standing committee rather than the previous practice, where proposed legislation was assigned based on the nature of the employee group (i.e., judicial pensions assigned to the Judiciary Committee, teachers pensions assigned to the Education Committee, or municipal employee pensions assigned to the Local Government Committee). After 1971, during the legislative session, the Commission began to function as a joint meeting of the pension committees or pension subcommittees of the respective legislative bodies. Since the 1980s, the appointment of specific pension subcommittees has become more episodic.

Over the last two decades, the Pension Commission has evolved into its current manner of operation, processing proposed pension legislation during the legislative session in advance of the applicable standing committee bill hearing deadline and undertaking a schedule of study topics during the interim between legislative sessions. By longstanding agreement, the standing committees with jurisdiction over pensions, currently the House Committee on Governmental Operations, Reform, Technology and Elections and the Senate Committee on State and Local Government Operations, do not typically schedule proposed pension legislation for a hearing until it has been reviewed and recommended by the Pension Commission. The Pension Commission regularly schedules hearings on proposed pension legislation prior to the established initial bill hearing deadline and processes a considerable portion of the proposed pension legislation that is introduced annually. The Pension Commission generally reviews about 85% of the proposed pension legislation introduced during a legislative session and recommends for forwarding to the relevant standing committees about one-half of proposed pension legislation introduced. During the interim between legislative sessions, the Commission selects an agenda of public pension topics for study and considers those topics at regular or periodic Commission meetings during the interim. The public pension topics for interim study largely arise out of proposed pension legislation from the prior legislative session, where the proposed legislation did not receive final Commission action because it required additional technical work, required additional actuarial work, or required more extensive debate and consideration than would be possible during the legislative session. Pension Commission consideration of proposed legislation typically includes the preparation of a Commission staff policy issue memorandum based significantly on the Commission's Principles of Pension Policy.