

Background Information on the Role and Function of the Legislative Commission on Pensions and Retirement

1. In General. The Legislature has dealt with the topic of public employee retirement coverage by utilizing a joint legislative commission from time to time since 1943. A predecessor to the current Legislative Commission on Pensions and Retirement to study the Minneapolis public retirement systems was created in 1943. Interim commissions to study public retirement issues in Minnesota generally were initially created in 1955 and were renewed in four out of the next five bienniums (1957-1958, 1959-1960, 1963-1964, and 1965-1966). The Legislative Commission on Pensions and Retirement was created as an ongoing commission in 1967, with a scheduled sunset in 1973. The sunset date for the Commission was eliminated in 1971.

2. Commission Approach and Accomplishments 1955-1967. The Legislative Commission on Pensions and Retirement was created in 1955 initially and principally to resolve the problem of underfunded Minnesota public pension plans, especially the Public Employees Retirement Association (PERA), which was expected to default on benefit payments before 1960. During the period 1955-1967, the Pension Commission functioned to develop recommendations to the Legislature during the 18 month interim between legislative sessions, for translation into proposed legislation and disposition by the Legislature during the subsequent legislative session. The Pension Commission did not function to review proposed pension legislation during the legislative session during this period. During the period 1955-1967, the Pension Commission contributed to the following pension policy accomplishments:
 - Increased employer funding for major statewide pension plans, especially PERA.
 - Shifted PERA from a voluntary membership pension plan to a mandatory membership pension plan. Eliminated exemptions from membership in the Teachers Retirement Association (TRA).
 - Coordinated PERA, TRA, the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) and the Duluth Teachers Retirement Fund Association (DTRFA) with Social Security.
 - Restructured the PERA, TRA, and MSRS-General benefit plans to reduce actuarial accrued liabilities and contribution requirements.
 - Developed actuarial and financial reporting standards for the public retirement plans. Required regular actuarial and financial reporting by the major statewide pension plans.
 - Developed the statewide Public Employees Police and Fire Pension Plan (PERA-P&F) for county sheriffs' departments and for municipalities without local police or fire relief associations.
 - Expanded authorized investments for the State Board of Investment, leading to the development of a professional investment staff.
 - Resolved disputes over appropriate pension coverage for local public hospital employees.
 - Created separate pension plans for legislators and constitutional officers.

3. Commission Approach and Accomplishments 1969-2011. The Legislative Commission on Pensions and Retirement has shifted from a purely legislative interim study panel to its current structure and function since 1968. The Pension Commission now functions both during the legislative session and during the interim. During the legislative session, the Pension Commission functions as a joint meeting of the House and Senate subcommittee on pensions, processing an average of 50 pension bills during each legislative session and forwarding its recommendations and suggested amendments to the House and Senate standing committees with jurisdiction over public pensions. The Commission staff assists with the staffing of those standing committees when pension legislation is considered and with pension legislation conference committees. The Pension Commission also assembles actuarial cost estimates for proposed pension legislation. During the annual interims between legislative sessions, the Pension Commission continues to study broader public pension topics and to develop options for further legislative action. Interim topics tend to arise from pending pension legislation from the prior legislative session, for which the Commission lacked sufficient time to reach a resolution or which required additional testimony, development and research. In addition to interim studies, the Pension Commission manages the preparation of the actuarial reporting for the various statewide and major local public pension plans, collects investment performance information from the major public pension plans, and provides general oversight of the operation of the various public pension plans.

During the period 1969 to date, the Pension Commission contributed to the following pension policy accomplishments:

- Shift to defined benefit plan pension coverage in TRA.
- Developed an automatic post-retirement adjustment mechanism and revised the mechanism twice.

- Consolidated the State Police Pension Plan into the State Patrol Retirement Plan and transferred the administrative functions of the State Patrol Retirement Plan to MSRS.
- Mandated full actuarial funding of local police, local paid firefighter, and volunteer firefighter relief associations.
- Revised the fire state aid allocation formula.
- Created the police state aid and revised its allocation formula.
- Shifted to final average salary formula retirement plans for statewide public pension plans.
- Created the MSRS Correctional Employees Retirement Plan, the Uniform Judicial Retirement Plan, the MSRS Unclassified Employees Retirement Program, the Individual Retirement Account Plan, the Public Employees Defined Contribution Plan, the Ambulance Personnel Longevity Award Plan, and the Local Government Correctional Retirement Plan.
- Shifted administration of the Judges, Legislators, and Constitutional Officers Retirement Plans to MSRS and closed the Legislators and Constitutional Officers Retirement Plans to new members.
- Extended regular actuarial and financial reporting requirements to local public pension plans.
- Established intrastate retirement annuity, disability, and survivor benefit portability.
- Mandated the phase-out of local police and salaried firefighter relief associations into PERA-P&F, authorized the consolidation of residual relief associations with PERA-P&F, and merged the consolidation accounts into PERA-P&F.
- Mandated the phase-out of the Minneapolis Employees Retirement Fund (MERF) into PERA, consolidated the Metropolitan Transit Operations pension plan into MSRS-General, and consolidated the University of Minnesota Police Pension Plan into PERA-P&F.
- Created local police and salaried firefighter relief association amortization aid, supplemental amortization aid, and additional amortization aid.
- Revised general volunteer fire benefit regulation laws.
- Reduced vesting for retirement annuities to three years.
- Introduced permanent Rule of 90 and temporary Rule of 85 early normal retirement ages and utilized various early retirement incentives.
- Increased teacher retirement funding levels.
- Codified public employee pension plan fiduciary responsibility regulation.
- Codified full actuarial value service credit purchase methodology and applied methodology to all leaves.
- Conformed military leave service credit provisions to federal law requirements.
- Revised the PERA-P&F disability application and review procedures.
- Replaced ad hoc MSRS-Correctional membership inclusion process with departmental membership inclusion determinations and Commission review procedure.
- Codified a list of the disparate volunteer fire relief association noncompliance events triggering State Auditor disqualification from fire state aid.
- Reviewed various retirement plan contribution rates to match actuarial requirements.
- Recodified Legislators Retirement Plan and Judges Retirement Plan.
- Consolidation of the Minneapolis Teachers Retirement Fund Association into the TRA.
- Capped post-retirement adjustments from the Minnesota Post Retirement Investment Fund (MPRIF).
- Revised PERA-P&F disability definitions and qualifications.
- Created appeal process for the statewide retirement plans and extended it to all statewide retirement plans.
- Credited a voluntary statewide volunteer firefighter retirement plan within PERA.
- Dissolved the MPRIF in favor of annual automatic post-retirement adjustment rate.
- Revised MSRS-Correctional and State Patrol Retirement Plan disability definitions and qualifications.
- Combined benefit reductions and modifications with contribution increases to regain financial solvency.
- Consolidated MERF administratively into PERA.
- Authorized consolidations of the Minneapolis Firefighters Retirement Association (MFRA) and the Minneapolis Police Retirement Association (MPRA) into PERA-P&F.