



S.F. 620

(Betzold, by req.)

H.F. 1758

(Smith)

Executive Summary of Commission Staff Materials

<i>Affected Pension Plan(s):</i>	Public Employees Retirement Association (PERA)
<i>Relevant Provisions of Law:</i>	Minnesota Statutes, Section 353.71, Subdivision 2
<i>General Nature of Proposal:</i>	Modifying Augmentation Rates for Covered Members
<i>Date of Summary:</i>	May 11, 2005

Specific Proposed Change(s)

- Reduces the deferred annuities augmentation rates applicable to General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) and Public Employees Police and Fire Plan (PERA-P&F) to 2.5 percent per year until age 55 with no augmentation thereafter, rather than the current rates of three percent per year until the first of the year after the individual attains age 55 and five percent per year thereafter, and is applicable for members who terminate service after December 31, 2005.

Policy Issues Raised by the Proposed Legislation

1. Policy for PERA deferred annuitants.
2. Inconsistency between terminated employee treatment and privatization treatment.
3. PERA and PERA-P&F current actuarial condition.
4. Interaction with other bills.
5. Cost savings provided by proposal.
6. Implications of eliminating augmentation after age 55.
7. Benefit reduction, possible court challenge.
8. Effective date issue.
9. Inflation concern.
10. Conflict with Commission policy, creating inconsistencies among comparable plans.
11. Scope.

Potential Amendments

Amendment LCPR05-076 is a technical amendment, specifying that augmentation rates compound annually, lettering paragraphs, and clarifying the treatment of those who terminated service on May 16, 1989.

Amendment LCPR05-077 is a substantive amendment, and could be used to revise the augmentation rate for the post-December 2005 terminated employees up to age 55 from 2.5 percent to a percent to be specified.

Amendment LCPR05-078 is an alternative to LCPR05-077. The amendment deletes the 2.5 augmentation rate to age 55 and allows the Commission to insert a different rate to be specified and permits augmentation after age 55 at a rate to be specified.

Amendment LCPR05-079 allows the Commission to set a different effective date for revised benefits provided by the bill, from January 1, 2006 to a date to be specified.

Amendment LCPR05-080 can be used to revise the deferred annuity augmentation rates in the MSRS and PERA privatization chapters, Chapters 352F and 353F respectively, from 5.5 percent per year to the year in which the individual turns age 55, and by 7.5 percent thereafter, to rates to be specified. If the Commission wishes to provide no augmentation after age 55 under a privatization, the Commission could use a verbal amendment to LCPR05-080 to strike the sentence in the MSRS privatization provision and in the PERA privatization provision containing the current 7.5 percent augmentation rate.

Amendment LCPR05-081 will apply the treatment specified in the bill (2.5 percent annual augmentation to age 55, and no augmentation thereafter, rather than three percent annual augmentation to age 55 and five percent annual augmentation thereafter) to the MSRS Legislators Plan, MSRS-General, MSRS State Patrol, TRA, and the first class city teacher fund associations. This amendment creates uniformity between comparable plans. If the Commission revises the PERA and PERA augmentation provision differently than is stated in the bill or uses a different effective date for the change, by using one or more of the prior amendments, then the Commission can give staff direction to revise LCPR05-081 accordingly to be consistent.