



H.F. 3421
(Murphy, M., by request)

S.F. 2969
(Betzold)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): Various Statewide Retirement Plans
Relevant Provisions of Law: Minnesota Statutes, Chapter 11A
General Nature of Proposal: Revision or dissolution of the Minnesota Post Retirement Investment Fund
Date of Summary: March 27, 2008

Specific Proposed Changes

- If the Minnesota Post Retirement Investment Fund remains sufficiently funded on a market value basis, the bill continues the Consumer Price Index adjustment component, unnames and modifies the investment performance adjustment component, adds a lost purchasing power adjustment component, and provides for additional benefit and funding recommendations in the event of significant future excess funding.
- If the Minnesota Post Retirement Investment Fund becomes insufficiently funded, the current post-retirement adjustment mechanism and fund arrangement is dissolved, retiree assets would be re-deposited in each retirement fund, and a flat 2.5 percent annual benefit increase would replace the current mechanism.

Policy Issues Raised by the Proposed Legislation

1. Unclear conformity with Commission's Principles of Pension Policy.
2. Appropriateness given unclear policy goal for MPRIF modifications.
3. Appropriateness given the proponents' bias in favor of dissolving the MPRIF.
4. Appropriateness of instituting a dissolution trigger and the selection of the particular trigger.
5. Appropriateness of the complexity of the proposed changes in a retained MPRIF.
6. Unlikely prospect for any meaningful increases from proposed "lost purchasing power" component.
7. Appropriateness of the proposed benefit reductions.
8. Unclear application of MPRIF changes to Minnesota Statutes, Section 356.41.
9. Federal tax code compliance issues arising from the proposal.

Potential Amendments

H3421-1A moves MERF-related provisions from the MPRIF law to the MERF law (technical amendment).
H3421-2A makes language and style revisions under current drafting conventions (technical amendment).
H3421-3A eliminates MPRIF dissolution article, requiring legislative determination before any MPRIF dissolution.
H3421-4A, upon MPRIF funding decline, requires fund administrator report rather than MPRIF dissolution.
H3421-5A resets MPRIF dissolution trigger to a lower funding ratio.
H3421-6A adds actuarial gain pool to the "lost purchasing power" adjustment determination procedure.
H3421-7A makes conforming changes to Minnesota Statutes, Section 356.41, the MPRIF adjustment indexation provision.

