State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

TO:	Members of the Legislative Commission on Pensions and Retirement
FROM:	Susan Lenczewski, Executive Director Rachel Barth, Deputy Director
SUBJECT:	Benefit Change Proposals for MSRS General, PERA General and TRA (Part I)
DATE:	February 6, 2017
ATTACHMENT:	"Statewide General Pension Plans" Chart

Commission staff was asked to review the benefit provisions in the Minnesota Statutes governing, initially, the State's three largest public pension plans and compile information that describes the benefits, allows for easy comparisons among similar plans and suggests changes to benefit features that might result in cost savings. As are most projects of this significance prepared for the Commission, this compilation of the benefits and suggested changes was a collaborative effort by both the executive director and the deputy director.

In summary, it is probable that significant cost savings would be achieved by MSRS and TRA *if the same changes were made to their benefits as were made to PERA benefits several years ago.* As the chart indicates, there is a lack of uniformity among the plans, chiefly with respect to the benefit changes made by PERA in 2012 that were not also made by MSRS and TRA. These changes include reduction of the post-retirement increase ("COLA") to 1% and elimination of augmentation entirely, prospectively. Savings would be maximized if the prospective elimination of augmentation were applied plan-wide, including to former public employees who are working in the private sector due to a privatization transaction (e.g., Fairview).

Other significant changes noted in the chart include:

- adding maximums or caps to pension amounts or factors in calculating pensions
- increasing normal and early retirement ages
- fixing an oversight in the statutes that actuaries for the plans and the Commission have recommended be fixed (see item VI)
- aligning TRA with MSRS and PERA with regard to several aspects, including benefit multiplier and vesting
- eliminating the use of the highest high five salary in computing benefits under all plans when a member is entitled to combined service annuities (see item VII)

In most cases, benefit changes should be applied prospectively, either to future employment terminations and retirements or to new hires, depending on the particular benefit. Also, the proposed changes in the chart are not all-inclusive; there are many alternatives and the chart suggests a few. Finally, all changes could be phased in over several years, as appropriate, to allow for ample time to communicate the changes to members and give members time to plan for the changes.

Please note that we do not know whether any of the proposed changes will result in cost savings. With guidance as to which benefit changes are of most interest to the Pension Commission, the plans could be asked to prepare cost savings estimates, which the Pension Commission's actuary could review.

Please let us know if you need additional information on any of the attached or if we can meet with you to go through the chart and answer any questions or address any concerns.

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