



# COLA Study Report

## Overview, Timelines, Feedback

October 20, 2020

Legislative Commission on Pensions and Retirement

# Agenda

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Background

Scope of the Study and Report

Study Process

Public Comment

LCPR Staff Email Addresses

Questions / Comments

# Background – 2018 Omnibus Retirement Bill

- **2018 Legislative session made changes to postretirement adjustments (COLAs) for most statewide pensions plans**
  - For MSRS General, PERA General, TRA, and St. Paul Teachers (SPTRFA), effective after 2023, members retiring early will not begin to receive COLAs until normal retirement age (65 or 66 depending on date of hire or covered employment)

Plan	Changed From	Changed To
MSRS – General Plan	2% subject to funding triggers*	1% for 5 years (through 2023); 1.5% thereafter
MSRS – Correctional Plan	2% subject to funding triggers*	1.5%
PERA – General	1% subject to funding triggers*	½ SSA COLA, but not less than 1% or more than 1.5%
PERA – Correctional	2.5% subject to funding triggers*	SSA COLA but not less than 1% or more than 2.5%
TRA	2% subject to funding triggers*	1% for 5 years (through 2023) 2024 – 1.1%; 2025 – 1.2%; 2026 – 1.3%; 2027 – 1.4%; 2028 and thereafter – 1.5%
SPTRFA	1% subject to funding triggers*	0% through 2020; 1% thereafter

*\* Funding trigger: COLA rate increases or decreases automatically when specified funding thresholds are met  
Funding triggers eliminated for all plans except the Judges Plan*

# Legislative Mandate

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- **Mandate for LCPR to study postretirement adjustments**
  - Minn. Laws 2018, Ch. 211, Art. 5, Sec. 14
- **Study must:**
  - “take into account the purpose of postretirement adjustments and whether governing statutes are consistent with the purpose of postretirement adjustments”;
  - “consider alternative methodologies for determining postretirement adjustments”; and
  - evaluate PERA’s new method for determining the postretirement adjustment rate
- **Study must be completed by December 31, 2020**

# Scope of the Report

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- **Provide background information, including history, of Minnesota's postretirement adjustment (*aka COLA*)**
  - Statewide plans and SPTRFA – not volunteer firefighter plans
- **Summarize research conducted by the group on COLAs, generally**
  - Common types, structures, and features
  - Case studies of other states' approaches
- **Consider the purpose of Minnesota's COLAs post-2018**
- **Analyze whether Minnesota's COLAs satisfy the purpose**
  - Value of the COLA benefits
  - Compare to inflation, under PERA's method and the fixed rate method
  - Compare the various Minnesota approaches
- **Consider alternatives for changing Minnesota's COLA policy, but no recommendations**

# Study Process to Date

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- **Led by LCPR staff, the work group included the executive directors and legislative staff from MSRS, PERA, TRA, and SPTRFA**
  - Work group began meeting in 2019 and into 2020
- **Group members conducted Research and created a document library**
- **Work group interviewed representatives from the state pension plans of Colorado, South Dakota, and Wisconsin**
- **Work group members prepared summaries of published articles and reports resulting from the research**
- **Compilation of summaries, analysis, and drafting of the report underway**

# Study Process from Today to Completion

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- **First draft of the report to be completed and shared with the work group and the public for review and comment**
- **First draft revised by LCPR staff to incorporate work group and public comments**
- **Final draft of the report completed by December 31, 2020**
- **Report considered and adopted, with or without amendments, by the LCPR during the 2021 session**
- **Final report published on the LCPR website and filed with the Legislative Reference Library**

# Public Comment

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- **Notify LCPR staff (see slide 10) if you want to receive a copy of the first draft via email**
- **First draft will be available by approximately **November 13** and emailed to any member of the public who requests it**
- **Members of the public will be asked to submit written comments on the first draft to LCPR staff by **December 1****
- **Written comments will be included in the final draft of the report**



# Public Comment, continued

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- LCPR staff will host a Zoom meeting to accept oral comments from the public in early December (*tentatively December 3*)
- LCPR staff will consider public comments when finalizing the report
- LCPR likely to consider the final report at a meeting sometime during the 2021 legislative session
  - may be opportunity for public testimony

# To Contact LCPR Staff

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- **Direct all emails to the Commission Assistant:**
  - [lisa.diesslin@lcpr.leg.mn](mailto:lisa.diesslin@lcpr.leg.mn)
- **You are encouraged to also copy Chad Burkitt, Analyst, and Susan Lenczewski, Executive Director:**
  - [chad.burkitt@lcpr.leg.mn](mailto:chad.burkitt@lcpr.leg.mn)
  - [susan.lenczewski@lcpr.leg.mn](mailto:susan.lenczewski@lcpr.leg.mn)

# Questions or Comments from Attendees