

COLA Study Report
Amendment COLA-2A

_____ moves to amend the "Report on the LCPR Study of Postretirement Adjustments (COLAs)" as prepared by Commission staff, as follows:

Page 16, in the fourth line of the last paragraph, delete "first" and delete "and then to relevant legislative records"

Page 17, in the fifth line, delete "we conclude" and insert "it appears" and delete the first full paragraph and the second, third, and fourth paragraphs:

"The question then becomes how much protection is the postretirement adjustment intended to provide? The current structure of the postretirement benefit suggests that the purpose is to protect against some, but not all, erosion of the value of pension over time. The amount of protection is limited to the fixed rate, in most plans, or the caps on the variable rates, in two of the PERA plans.

Looking to the legislative records, in 2009 the LCPR amended and adopted "Legislative Commission on Pensions and Retirement Principles of Pension Policy" (the "Principles"). Section II(B)(8)(a) of the Principles states the following:

Retirement benefits should be increased during the period of retirement to offset the impact of economic inflation over time in order to maintain a retirement benefit that was adequate at the time of retirement.

"We note that as with other statements found in the Principles, this statement's precise meaning is ambiguous. Should the postretirement-increase partially or completely "offset the impact of economic inflation over time"? How much value can a benefit lose and still be one that "was adequate at the time of retirement"? Ultimately, the question of precisely how much protection should be provided is a political one and beyond the scope of this report. Therefore, ***we conclude that the purpose of Minnesota's postretirement adjustments is to mitigate the loss of purchasing power of retirement benefits due to inflation.***"

Page 26, in the first paragraph under Section IV, delete the first sentence:

"The primary purpose of Minnesota's postretirement adjustments is to mitigate the loss of purchasing power of retirement benefits due to inflation."

Page 57, in the first paragraph under Section VII, delete:

"We conclude that the purpose of Minnesota's postretirement adjustments is to mitigate the loss of purchasing power of retirement benefits due to inflation. With regard to whether postretirement adjustments are consistent with the purpose"

and insert:

"We considered how well the postretirement adjustment mitigates the effects of inflation and concluded the following"