

An Overview:

The Legislative Commission on Pensions and Retirement (LCPR)

**Presentation to the Commission
January 23, 2023**

Presenters:
Susan Lenczewski, Executive Director
Chad Burkitt, Deputy Director

Legislative Commission on Pensions and Retirement

- Established by Minnesota Statutes, [Section 3.85](#), in 1967
- Duties include:
 - Take testimony and recommend bills for passage
 - Provide oversight of the State's pension and defined contribution plans for public employees
 - Study pension and retirement topics

Legislative Commission on Pensions and Retirement

- 14 legislators appointed at the start of each biennium ([3.85, subd. 3](#)):
 - 7 Representatives (limited to 5 from the majority)
 - 7 Senators (limited to 5 from the majority)
 - Two-year term
- Meets regularly during the session and occasionally during the interim
- Bills typically heard by the LCPR after introduction and informal referral from the House or Senate committees with jurisdiction (typically state government).

LCPR Rules

- The Commission has adopted rules for its operation (*available from Lisa (lisa.diesslin@lcpr.mn.gov) or on the Commission website www.lcpr.leg.mn*).
- Majority vote of Commission members needed to elect the executive committee: chair, vice chair, and secretary. ([Rule 3.0 and 4.0](#))
- Chair alternates every biennium between House and Senate. ([Rule 3.0](#))
- Quorum: 8 members ([Rule 5.0](#))
- To approve legislation: 4 Representatives + 4 Senators ([Rule 5.0](#))
- To approve anything else: Simple majority, 8 members ([Rule 5.0](#))

LCPR Staff



Susan Lenczewski, Executive Director

- 7 Years as Commission staff
- Previously, employee benefits and pension attorney and partner with Minneapolis law firm



Chad Burkitt, Deputy Director

- 4 years as Commission staff
- Previously, legislative liaison for MSRS



Lisa Diesslin, Commission Assistant

- 23 years as Commission staff

The Role of the LCPR Staff

- **Serves as a resource for legislators and legislative staff**
 - Answers questions on the state's pension and defined contributions plans for public employees and retirement topics
 - Provides non-partisan and confidential guidance on technical and legal issues related to pension or retirement legislation, state statutes, and applicable federal law
 - Obtains information from the pension funds and other agencies
- **Conducts work groups and studies on retirement and pension topics**
- **Drafts bills on retirement and pension topics, upon request**
- **Prepares memos summarizing pension and retirement bills, along with policy and legal analysis**
- **Assists the chair with meeting agendas, scheduling, topics, testifiers**

LCPR Actuary

- **VIA Actuarial Solutions, Minneapolis-based consulting actuarial firm**
 - Mark Schulte, FSA, EA, MAAA, President and Consulting Actuary
 - Emily Knutson, FSA, EA, MAAA, Consulting Actuary
- **Three-year contract expires January 21, 2023; contract was extended for another two-year term by the Commission's executive committee in June 2022.**
- **Reviews the pension plans' actuarial valuations and experience studies; on a rotating schedule, performs full actuarial valuations of the plans**
 - Full valuation of the MSRS General Plan completed in July 2022
 - In 2023, full valuations scheduled for St. Paul Teachers, PERA Correctional, and MSRS Correctional
- **Other projects, upon request**

Staff Memos – Bill Summaries

- Introduction
- Background
- Section-by-section summary
- Discussion of policy and legal considerations
- Amendments (if any)

Legislative Commission on Pensions and Retirement

Staff Bill Summary

**HF 3870 (Nelson, M.); SF 3547 (Rosen):
Volunteer Firefighters; Allocation of Fire State Aid between
Fire Relief Associations and Municipalities**

Prepared by: Chad Burkitt, Analyst

Date: March 12, 2020

Introduction

Affected Plan: Volunteer Fire Relief Associations

Laws Amended: Minnesota Statutes, Section 477B.04; establishes New Section 477B.042

Brief Description: The bill authorizes municipalities¹ with both career and volunteer firefighters to enter into an agreement with its fire relief association, which permits the municipality to use fire state aid to pay employer contributions. This is an updated version of the Fire State Aid Work Group's recommendation that was reviewed by the Commission during the 2019 session. The bill does not apply to municipalities with firefighters covered by the Statewide Volunteer Firefighter Plan (SVF Plan).

Attachments: [Amendment H3870-1A](#), related to the City of Austin
[Amendment H3870-2A](#), related to the City of Hibbing
[Fire State Aid Work Group Report](#)

Background and Overview

LCPR Website (www.lcpr.mn.gov)

Legislative Commission on Pensions and Retirement

Home Meetings ▾ Pension Legislation ▾ Actuarial & Financial Reporting ▾ Plans & Other Links ▾ Information & Documents ▾



Legislative Commission on Pensions and Retirement

NEW Next meeting: Monday, January 23, 2023, at 8:30 AM ([Agenda](#))

NOTE: Webcast/Livestreaming information will be posted on the Friday afternoon before the meeting.

LCPR News and Developments

NEW [Supplemental State Aid Work Group Report](#) submitted to the LCPR.

The State Auditor convened a work group to discuss and articulate to the LCPR options for changing the method of allocating police and firefighter retirement supplemental state aid. The work group and report were mandated under Minnesota [Laws 2021, Chapter 22, Article 9, Section 2](#).

[2022 Session Summary](#) of pension and retirement legislation is now available.

The [summary](#), prepared by Commission staff, covers the actions relating to pensions and retirement by the Legislature and the Legislative Commission on Pensions and Retirement that occurred during the 2022 legislative session. Most of the pension legislation enacted during the 2022 legislative session was enacted as part of the 2022 omnibus pension and retirement bill, which was passed as [Laws 2022, Chapter 65](#), but other enacted legislation indirectly related to pensions and retirement topics and non-legislative actions taken by the Commission are also included in the summary.

Van Iwaarden Associates to continue as Commission Actuary for two more years

The Commission, acting through its Executive Committee, has approved the extension of the Commission's contract with local

Legislative Meetings

January 2023						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

Upcoming LCPR meetings

January 23, 8:30 AM
[Previous meetings](#)

Quick Links

[MN Public Pension Plan Statistics](#)

[LCPR YouTube Channel](#)

LCPR – Other Business

- Receive and review actuarial reports for the pension plans from the plans' actuaries and the Commission's actuary
- Approve changes to actuarial assumptions proposed by the pension plans
- Approve updates, as necessary, to the Standards on Actuarial Work, Commission Rules, and Principles of Pension Policy
- Hear presentations on reports from work groups, including, for this session:
 - State Auditor's "Supplemental State Aid Work Group Report"
 - Department of Labor and Industry's "Adequacy of Disability Benefits for Minnesota Police Officers"

LCPR – Other Business

- **By law, the Commission receives the following annual reports:**
 - From each volunteer firefighter relief association, “Investment Business Recipient Disclosure”
 - From each vendor of 403(b) and 457(b) plan investments, for each investment fund, all fees and investment rates of return for 1, 3, 5, 10-year periods
 - From St. Paul and St. Paul Public Schools, lists of construction trades employees for whom contributions are made to Taft-Hartley multiemployer plans and PERA

Retirement Benefits for Public Employees

Statewide Pension Funds

- **Minnesota State Retirement System (MSRS) – Chapters [352](#), [352B](#), [352D](#)**
 - Covers employees of state agencies and the legislature
 - Administers these retirement plans:
 - General State Employees Retirement Plan
 - Correctional State Employees Retirement Plan
 - State Patrol Retirement Plan
 - Judges Retirement Plan
 - Legislators Plan
 - Unclassified Retirement Plan
 - Minnesota Deferred Compensation Plan

Retirement Benefits for Public Employees

- **Public Employees Retirement Association (PERA) – Chapters [353](#), [353D](#), [353E](#)**
 - Covers employees of cities, towns, and counties
 - Administers these retirement plans:
 - General Employees Retirement Plan
 - Police and Fire Retirement Plan
 - Local Government Correctional Plan
 - Public Employees Defined Contribution Plan
 - Statewide Volunteer Firefighter Plan (SVF)
- **Teachers Retirement Association (TRA) – Chapter [354A](#)**
 - Covers teachers, other than St. Paul

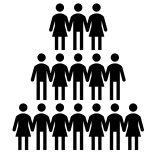
Retirement Benefits for Public Employees

- **St. Paul Teachers Retirement Fund Association (SPTRFA) – Chapter [354A](#)**
 - Covers teachers in the St. Paul School District
- **Minnesota State (universities, technical and community colleges) – Chapters [354B](#) and [354C](#)**
 - Covers faculty and staff
 - Administers these retirement plans:
 - Individual Retirement Account Plan (IRAP)
 - Supplemental Retirement Plan
 - 403(b) Plan

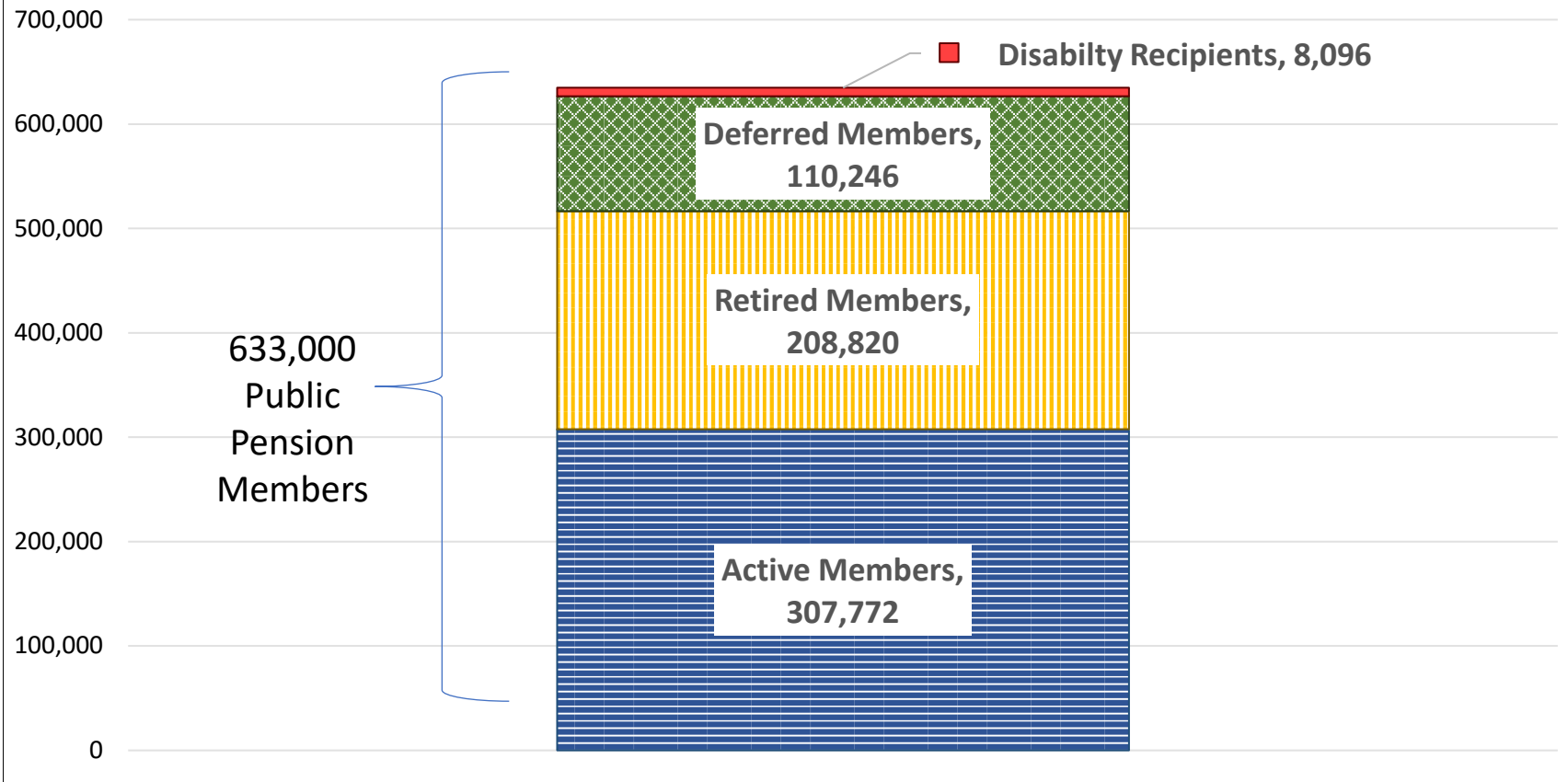
Retirement Benefits for Public Employees

- **State Board of Investment (SBI)**
 - Invests all contributions to all the foregoing pension and retirement plans, except for MN State's plans
 - \$118 Billion, as of September 30, 2022
- **Office of the State Auditor (OSA)**
 - Audit responsibilities for volunteer firefighter relief associations and St. Paul Teachers
 - Annually convenes a working group to recommend legislation to make changes to the statutes governing relief associations

Public Pension Plan Members



1 in 10 Minnesotans Has a Public Pension Benefit

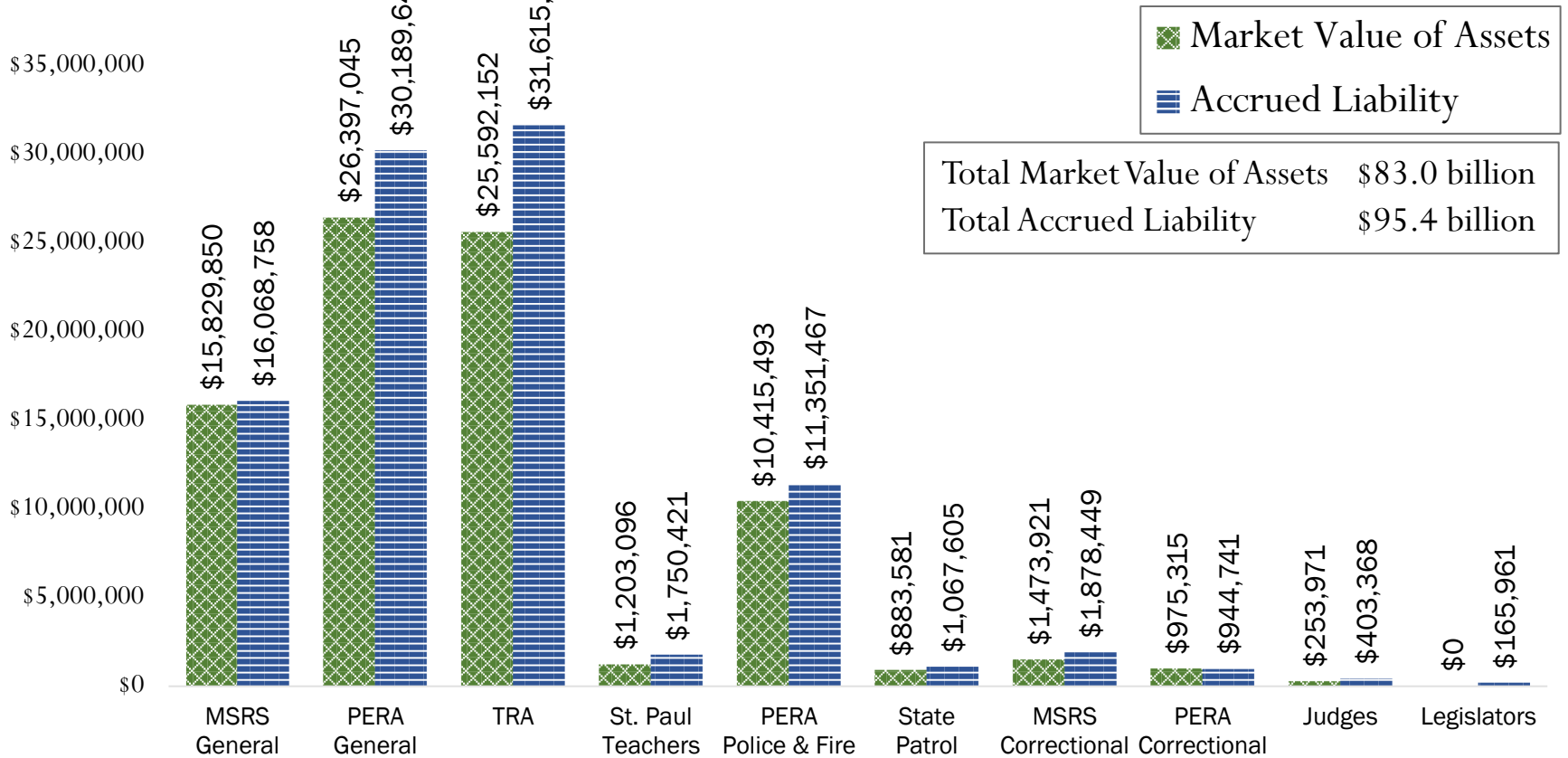


* Figures are based on 2021 valuations and are approximate and shouldn't be relied on for calculations.
Does not include MN State plans or relief association members.

Defined Benefit Pension Funding

Combined Defined Benefit Pension Funds are 87% Funded

(000's of \$)



* Figures based on 2022 actuarial valuations

Fun(d) Facts

- **Public pension plan features:**
 - Employees are required to participate
 - Both employees and employers are required to contribute, as a percentage of salary
 - Pension plans distribute benefits as monthly lifetime annuities; no lump sum option available, except as a refund of employee contributions
 - Eligibility, vesting, benefit formulas, and contribution rates are defined in statute.

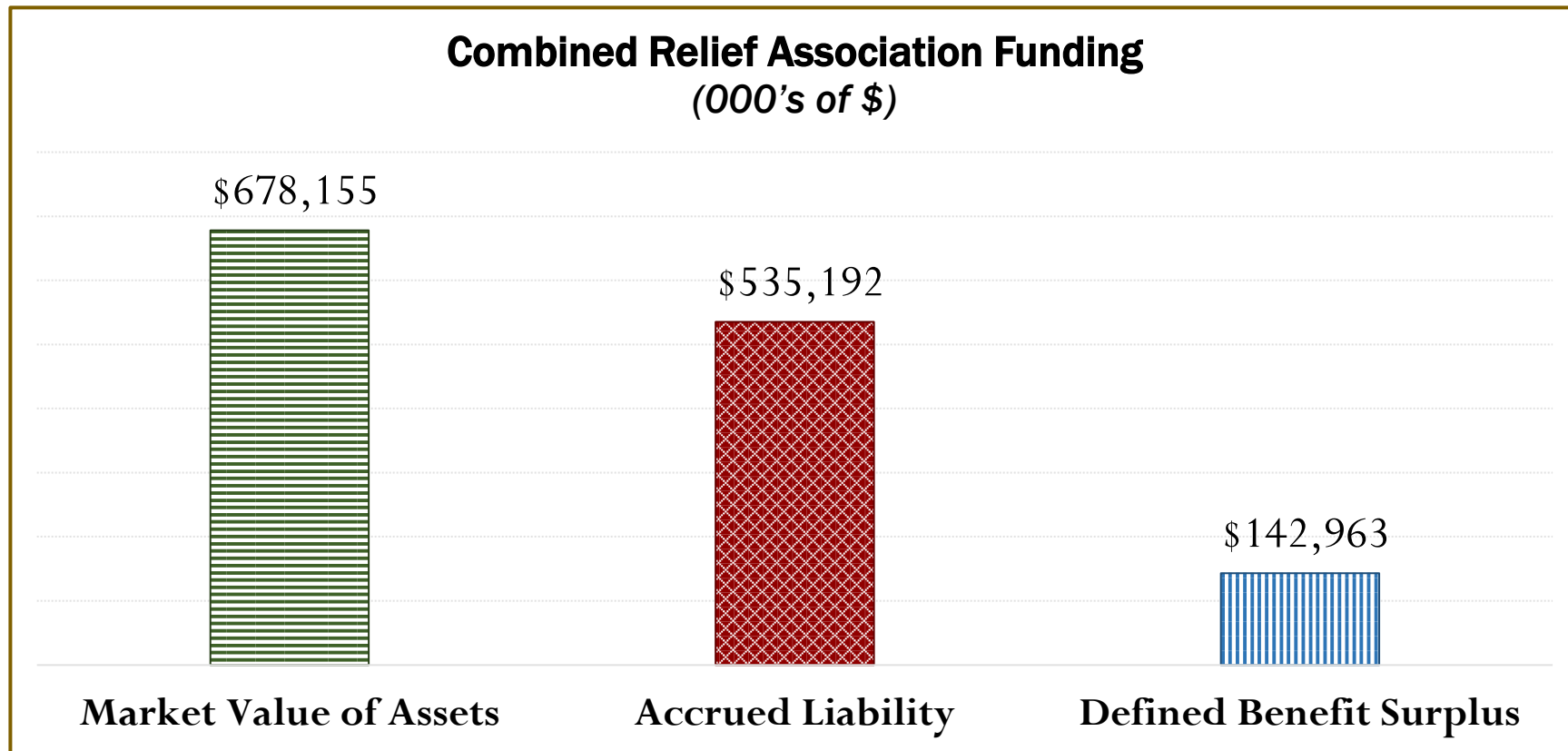
Volunteer Firefighters



- **527 relief associations provide retirement benefits for fire departments***
 - Covering 12,694 active firefighters
 - 433 defined benefit lump-sum plans
 - 75 defined contribution plans
- **PERA Statewide Volunteer Firefighter Plan**
 - 203 fire departments; covering 4,115 members
- **Funding – entirely state-funded**
 - Fire state aid
 - Supplemental police and fire state aid

* Data from the Office of the State Auditor

Firefighter Relief Associations



* Figures based on State Auditor Financial and Investment Report of Volunteer Fire Relief Associations for the year ended December 31, 2020

Defined Contribution Plans for Public Employees

- **MSRS Unclassified Plan**
- **Minnesota Deferred Compensation Plan**
- **PERA Defined Contribution Plan**
- **Minnesota State Individual Retirement Account Plan (IRAP)**

Supplemental Plans

- MN law restricts public funds paid to “supplemental plans” (i.e., not the primary pension plan)
 - Multiemployer plans
 - Caps on contributions to multiemployer plans when the employee is a public employee and also contributes to a state public pension plan
 - 403(b) and 457(b)
 - Limits on the amount of employer match
 - Requirement for disclosing fees and rates of return

Fiduciaries

- **Who are they?** [Section 356A.02:](#)
 - Members of each pension fund's governing board and the executive director of each fund
 - Members of the State Board of Investment, Investment Advisory Council, and the SBI executive director
- **What is their duty?** [Section 356A.04:](#)
 - To act in good faith and exercise the judgment and care of a person of prudence, discretion, and intelligence

Fiduciaries

- **To whom is the duty owed?**
 - Plan members
 - Taxpayers
 - State of Minnesota
- **Are legislators fiduciaries?**
 - No, so fiduciary duty does not limit legislative action

Limits on Legislative Action – MN Constitution

- **Compensation, including pensions, for judges ([Article VI](#))**
 - “The compensation of all judges shall be prescribed by the legislature and shall not be diminished during their term of office.”
- **Special legislation ([Article XII](#))**
 - Legislation for one person or a small group of persons
 - Unconstitutional if the problem could be resolved by a general law

Limits on Legislative Action – Federal Law

- Many provisions in the Internal Revenue Code apply to governmental pension and DC plans
- If a state statute is amended so as to violate an applicable section of the IRC, the affected plan would no longer be considered “tax-qualified”
 - Retaining qualified status is the only way to defer having to pay federal income tax on retirement benefits
 - If a plan is no longer “qualified,” members are liable for federal income tax on the value of their vested benefit

Limits on Legislative Action – Federal Law

- **Examples of federal “qualification” requirements:**
 - Exclusive benefit rule: plan must be maintained and plan assets must be used only for the exclusive benefit of employees and beneficiaries
 - Required minimum distributions: plan must begin distribution of benefits by the later of age 72 (soon to be age 75) and employment termination
 - Annual pension pay-outs and salary used to calculate the pension are subject to dollar limits

Contact Us

Any questions or concerns? Contact Commission staff:

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