

March 2, 2021

Susan Lenczewski
Executive Director, LCPR
100 Rev. Dr. Martin Luther King Jr. Blvd.
State Office Building Room 55
St. Paul, MN 55155

RE: PEPC Comments on LCPR COLA Study

Dear Members of the Pension Commission:

The undersigned are members of the Public Employees Pension Coalition, a collection of retiree, member advocate, and labor organizations who monitor public employee pensions in Minnesota.

The matter of COLAs for public employees is of the utmost concern to our members. The recently completed COLA study shows the current COLA's are simply not keeping up with inflation. The study demonstrates how retired public employees will see a reduction of their purchasing power of anywhere from 10% to 25% over their lifetimes. This is wrong. The legislature is not living up to its principle that public employees are entitled to benefit increases during the period of their retirement to offset the impact of economic inflation.

History clearly demonstrates that the so-called "shared sacrifice" approach to preserve public pensions over the last decade has been a burden disproportionately borne by current retired public employees. We know contribution rates for Minnesota public employees equal or exceed those of public employees from around the country. We also know the State Board of Investment has earned superb rates of return on investing our members' pension contributions. The missing leg of the stool to protect retiree benefits from eroding over time is adequate governmental support.

We recognize the pandemic has taken a toll on many workers, and that it is the job of legislators to respond to both short-term and long-term economic considerations. One of the long-term economic considerations must be the failure of current COLA adjustments to meet future inflation; this failure is sowing seeds of severe economic distress. The cost of correcting past neglect is more painful than maintaining consistent, realistic adjustments in the present. Now is the time for the state and local governments to step up to ensure the retirement income security of over 10% of retired Minnesotans is not imperiled.

A core principle of the Legislative Commission on Pensions and Retirement is to ensure that the purchasing power of the retirement benefit is maintained throughout the period of retirement. To remain true to this principle, the LCPR should not adopt a report which may suggest support for scenarios where benefit purchasing power will diminish 10-25%.

We encourage the Pension Commission to study this matter of COLA's in more depth and not take any action that would undermine the LCPR's commitment to ensuring Minnesota public employees have decent pensions to meet changing economic circumstances. This includes fully protecting retirees against the ravages of inflation.

In Solidarity,

AFSCME Council 5
AFSCME Council 65
AFSCME Minnesota Chapter 5 Retirees United
Education Minnesota
Education Minnesota Retired
Inter Faculty Organization (IFO)
Middle Management Association
Minneapolis Retired Teachers Chapter 59
Minneapolis Regional Retiree Council, AFL-CIO
Minneapolis Committee of Thirteen
Minnesota AFL-CIO
Minnesota Alliance for Retired Americans Education Fund
Minnesota Association of Professional Employees
Minnesota Government Engineers Council
Minnesota Nurses Association
Minnesota Retired State Employee Association
Minnesota Professional Fire Fighters
Minnesota Police Fraternal Association
Minnesota State Retiree Council, AFL-CIO
Public Employee Pension Service Association
Retired Educators Association of Minnesota
Teamsters Local 320