

March 28, 2024

Members of the Legislative Commission on Pensions and Retirement (LCPR):

On behalf of the Association of Minnesota Counties (AMC) and Minnesota Inter-County Association (MICA), we write to offer comments on:

- [HF 5137 \(Wolgamott\)](#); SF xxxx: permitting payment of a normal retirement annuity for PERA Police and Fire members without reduction or suspension upon employment or reemployment on or after age 55, and
- [HF 4666 \(Wolgamott\)](#); [SF 4878 \(Frentz\)](#): increasing the post-retirement adjustment and decreasing the waiting period for a post-retirement adjustment for PERA Police and Fire members.

Our organizations respectfully request that any pension proposal supporting enhanced benefits be considered with the following principles in mind:

- 1) Plan enhancements should not compromise the funding status of the existing plan. Public employers believe it is of utmost importance that no proposal increase unfunded liability or diminish the projected date of achieving full funding status. If anything, proposals should be neutral or improve pension fund stability.
- 2) Increases to employee-requested retirement benefits should be equitable across all generations of employees and pension members. While pension benefits are an important component of compensation for public employees, we urge that the contribution levels of current and future employees align with the benefits they will receive, and similarly so for current retirees. Increasing unfunded liability increases the likelihood that current and future employees, or taxpayers, or both, will have to pay higher contribution rates to maintain fund stability for higher post-retirement adjustments.
- 3) There is employer and employee consensus on significant pension changes with a fair allocation of contributions between employee and employer.

Specific to HF5137 (SFXXXX) and HF4666 (SF4878), county governments greatly appreciate the essential service that public safety staff provide to communities across Minnesota, and the challenge local employers face to recruit and retain public safety employees. In recent years, county employers have invested significant resources in our employees through historic collective bargaining agreements including public safety staff. Additionally, many counties have used one-time Public Safety Aid to pay recruitment and retention bonuses for public safety staff.

While pension benefits are an important part of compensation, and post-retirement employment continuation policies may provide short-term help to retain critical public safety staff, we urge consideration of the cost and impact of those changes to the financial stability of PERA-P&F. For example, we are concerned that HF5137 (SFXXXX) will increase PERA-P&F unfunded liability by an estimated \$17 million annually in the absence of state appropriations to offset

those costs. Further, we note that the cost is attributable, in part, to an expectation that more public safety employees, who may otherwise be considering working past 55, will instead retire at age 55. As reported to LCPR in February, PERA-P&F has an unfunded liability of \$1.8 billion and is not projected to be fully funded until 2061.

We also appreciate the aim of HF4666 (SF4878) to increase annual post-retirement adjustments (COLA) for PERA Police and Fire retirees. A reasonable post-retirement adjustment is important to ensuring the benefits maintain value over time. However, in the absence of state funding to offset the cost of the higher post-retirement adjustments, we anticipate the legislation would have significant costs and increase the likelihood that future employees and taxpayers may have to increase contributions to maintain fund stability.

***At this time, our organizations are not supportive of the proposed PERA Police and Fire plan enhancements without further dialogue on how the proposed changes will be funded and how these and other proposed changes under consideration reflect the three principles and impact taxpayer-funded budgets.***

Thank you for your consideration.

Sincerely,



Matt Hilgart  
Association of Minnesota Counties



Matthew Massman  
Minnesota Inter-County Association