



March 21, 2024

LCPR Chair Her, Senator Frentz, Representative Wolgamott, and Commission Members
658 Cedar Street
St. Paul, MN 55155

Subject: HF4666 (Wolgamott) / SF4878 (Frentz) related to PERA Police & Fire Plan Postretirement Increases

Chair Her and Commission Members,

The purpose of this letter is to inform you of the PERA Board of Trustees support for HF4666/SF4878. The Board's support is predicated upon full funding of the increases described in the bill.

The bill contains two initiatives that would improve postretirement increases (cost-of-living adjustments) for Police & Fire Plan retirees. The first initiative eliminates a two-year waiting period for commencement of increases. The second initiative modifies the current fixed 1.0% cost-of-living adjustment to match the cost-of-living adjustments provided in the PERA General Plan. The General Plan provides 50% of inflation, with a minimum of 1.0% and a maximum of 1.5%. The two changes combined would align Police & Fire Plan member increases with General Plan member increases.

Combined the two initiatives have an annual cost starting at \$40 million. Full funding of these benefits means continuation of the annual funding for a 30-year period with amounts increasing as a percentage of payroll. The initial annual amount of \$40 million would increase to an expected amount of \$94 million in the final year of the amortization period.

PERA's Board has identified better inflation protection for retirees as a priority for both the Police & Fire Plan and the General Employees Plan. However, the Plans are not in position at this time to absorb increased costs. These increases, if fully funded, would be a meaningful step towards better inflation protection for retirees without having an adverse impact on the plans.

Sincerely,

Doug Anderson

Doug Anderson, Executive Director

Cc: Nick Stumo-Langer
Susan Lenczewski
Sean Kelly
Amy Streng