March 16, 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 H.F. 4081 and S.F. 4092, increasing the PERA-Correctional annuity multiplier from 1.9 to 2.2 percent, and funding the increased pension liability through a 2.5% of salary increase in the employer/employee contribution rate.

County governments understand that employees are our greatest asset when it comes to administering critical public services to our communities and on behalf of the state. The pension benefit structure is one component of total compensation, along with salaries and other benefits.

We appreciate that H.F. 4081 and S.F. 4092 align the annuity multiplier for the PERA-Correctional Plan with that of the MSRS-Correctional Plan, and that doing so may support efforts to attract and retain corrections workforce. In recent years, county employers have invested significant resources in our employees including through historic collective bargaining agreements; increasing a variety of hourly and overtime rates; and implementing creative approaches to performance, recruitment, and retention bonuses. Costs to implement legislatively determined changes like the pension benefit enhancements in H.F. 4081/S.F. 4092, as well as state initiatives enacted last session and other pension benefit enhancements under consideration this session, further strain limited local and taxpayer resources.

Our concerns with H.F. 4081 and S.F. 4092 pertain less to the merits of the adjustment proposed than to the potential cumulative effect of multiple changes under consideration. For example, while the local budget impact of the PERA-Correctional annuity multiplier may seem modest, the required increase in employer contributions still amounts to 5 percent of the historic County Program Aid increases enacted last session, on average, and more for some counties. Within that context, we urge that H.F. 4091/S.F. 4092 and other pension benefits being consider this session meet the following principles:

1) Any plan enhancements should not compromise the funding status of the existing plan. Since 2010, county employers have been paying a 1% higher contribution rate to reduce unfunded liability for PERA-General. That objective has not yet been met, and employers (taxpayers) are still paying the 1% higher rate.

2) Increases to employee-requested retirement benefits should be equitable across all generations of employees and pension members.

3) There is employer and employee consensus on significant pension changes with a fair allocation of contributions between employee and employer. For example, just because there are statutory funding ratios for plans does not limit the Legislature from also adopting different standards for employee-requested supplemental retirement benefits, or that the Legislature should pay the costs of such benefit enhancements.

At this time, our organizations are not supportive of the proposed plan enhancements without further dialogue on how these proposed and other proposed changes under consideration reflect those three principles, as well as a more robust analysis on potential impacts to taxpayer-funded budgets.

Thank you for your consideration.

Sincerely,

Matt Hilgart
Association of Minnesota Counties

Matthew Massman
Minnesota Inter-County Association