



Date: April 7, 2026  
To: Chair Frentz and Members of the Legislative Commission on Pensions and Retirement  
Cc: Susan Lenczewski, LCPR Executive Director  
From: Doug Anderson, Executive Director  
Amy Streng, Policy Coordinator  
Subject: SF4721/HF4514 PERA Correctional Contribution Reductions and Postretirement Benefit Adjustment Formula Increase

The PERA Board of Trustees supports SF4721/HF4514 which improves the post-retirement benefit increase formula and decreases the employer and member contribution rates for the PERA Correctional Plan. The bill reflects a PERA Board led initiative that has member and employer stakeholder support.

The PERA Board relies on a Scorecard (see Exhibit) to help set and communicate plan related priorities. A recently completed experience study and positive investment returns helped identify opportunities to further align the plan with the Board's criteria for success. Specifically:

1. The experience study significantly reduced the normal cost. This allows for the member and employer contribution rate to be reduced accordingly. Matching the contribution rates with the normal cost means current members and taxpayers are appropriately paying for the cost of benefits earned by current workers.
2. Positive investment returns have improved the funding ratio to over 105%. The positive funded status allows for an increase in prior service costs. Increasing the postretirement benefit formula allows for both current and future retirees to have future increases better tied to inflation.

The proposed changes allow for three scorecard improvements: (1) Contributions better tied to normal cost, (2) a funding ratio closer to 100%, and (3) better postretirement inflation protection.

PERA acknowledges concerns relating to not maintaining the current surplus. As shown below, even after these proposed changes, the Plan remains fully funded at 102 percent and maintains a 1.44 percent sufficiency. The assumptions for the Plan are considered reasonable by our actuary, and if all assumptions are met, the Plan will continue to improve from its current status. Additionally, the Plan does have a provision that would lower the cap on the post-retirement adjustment formula if the Plan's funding status declines below a threshold.

The impact of the recommended changes:

	<b>Baseline results</b>	<b>After SF4721/HF4514</b>
<b>Funding Ratio (MVA)</b>	<b>105.2%</b>	<b>102.2%</b>
<b>Statutory Contributions</b>		
Member	6.83%	6.00%
Employer	<u>10.25%</u>	<u>9.00%</u>
<b>Total</b>	17.08%	15.00%
<b>Required Contribution</b>		
Normal Cost + Expenses	14.33%	14.72%
UAAL Amortization	<u>(2.05%)</u>	<u>(1.16%)</u>
<b>Total</b>	12.28%	13.56%
<b>Contribution Sufficiency</b>	<b>4.80%</b>	<b>1.44%</b>
<b>Contributions/Normal Cost</b>	<b>119%</b>	<b>102%</b>
<b>Full Funding Date</b>	<b>2025</b>	<b>2025</b>

Stakeholder support included both member groups (MNCORA and MNPEA) and an employer group (MICA). PERA is not aware of any group opposing the legislation.

The PERA Board appreciates the LCPR's consideration of this bill and asks for inclusion in the 2026 Pension Omnibus bill.