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April 20, 2026

Sen. Nick Frentz
Chair, Legislative Commission on Pensions and Retirement
3109 Minnesota Senate Building
75 Reverend Dr, Martin Luther King Jr. Boulevard
St Paul, Minnesota 55155

Dear Sen. Frentz:

Please accept this letter and related attachments from me on behalf of the Minnesota Retired Police Pension Association (MRPPA) in support of SF 1122/HF 139.

The MRPPA is an organization that consists of 1,300 retired police officers and surviving spouses who are members of the PERA Police and Fire pension plan (PERA P&F). Their members are located throughout the state.

Over the last three years and particularly last year, the legislature has taken steps to help members of the PERA P&F Plan to improve their pensions. Last year the Legislature did this by eliminating one of the extra two years new retirees had to wait for an initial cost of living adjustment (COLA) and by making a 2% permanent base adjustment to all members in pension status before December 31, 2024. These benefit improvements were funded when the state appropriated \$17 annually to PERA for the P&F Plan. The 1,300 members of the MRPPA and all 28,000 members covered by the PERA P&F Plan appreciate that 2025 effort and the efforts made in 2023 and 2024.

However, more work remains to be done. Members of PERA P&F are "basic plan" members. This means that their employment through local governments is not covered by Social Security. Hence, this major safety net feature that is available to 95% of employees in this country is not available to police and fire members and their families. This means that their primary retirement income security comes from the State of Minnesota and what the Legislature provides.

In 2020 the LCPR completed its "Study on Postretirement Adjustments (COLA's)." Exhibit A contains excerpts from pages 32-33 of the Study as it relates to the judicial and public safety cohort of public employees and how their projected purchasing power would perform over two 20-year periods of time when inflation is assumed to be 2.5% annually.

With an annual 1% COLA, PERA P&F members faced the largest diminution in the value of their pensions. Under either of the 20-year periods studied, these retirees will receive only

70% to 75% of their original purchasing power from their pension. Frankly, these 2020 projections only got worse due to the extremely high inflation from 2021-2024 that ran at closer to 5% annually—a rate more than twice the projected inflation rate of the LCPR COLA Study. And while inflation was returning to a more normal rate inflation projects in 2025, more recent projections of inflation are now set at higher than 4% in the coming months and year.

The MRPPA understands that the resources needed to address this problem are limited. Newly retired police and firefighters who retire at the “normal age” under the plan design still face a waiting period that is one year longer than any other Minnesota public employee. Eliminating the additional one-year waiting period would significantly help these new retired members. (No other public employee who retires at prescribed “normal age” of retirement faces this penalty). Our understanding is the cost of this annually would be approximately \$7.7 million and would require continuing annual funding.

The last two years have seen pension funding ratios and contribution sufficiency rates improve as investment earnings have significantly exceeded the assumed 7% investment return. This has led the LCPR to be able to look at inverting COLA's and even reduce employee and employer contributions. Unfortunately, even though the PERA P&F Plan has the same investment rate of return as the other public pension plans in the state, the PERA P&F funding ratio has not increased. And, according to PERA P&F's most recent actuarial report, the Plan has a deficiency in its contributions. (See Exhibit 2 which contains excerpts from July 1, 2018 completed after the major pension reform legislation of 2018, and the most recent July 1, 2025, actuarial valuations.)

To bring members of the PERA P&F Plan up to the current maximum 1.75% COLA available to members of the PERA General Plan would require contributions of about \$60 million annually or approximately 5% of covered payroll. This obviously is a huge resource commitment.

The MRRPA hopes that the 2026 Legislature can find a way to continue to improve the COLA plan design of the PERA P&F Plan and continue the excellent work done over the last three years.

Very truly yours,



Brian F. Rice

On behalf of the Minnesota Retired Police Pension Association

Cc. Reps. Tim O'Driscoll and Leon Lillie
Members of the Legislative Commission on Pensions and Retirement
Susan Lenczewski, LCPR Executive Director
Doug Anderson, PERA Executive Director

Figure 16: Projected Purchasing Power Over 20 Years for 2011 Retirees and Assuming 2.5% Inflation

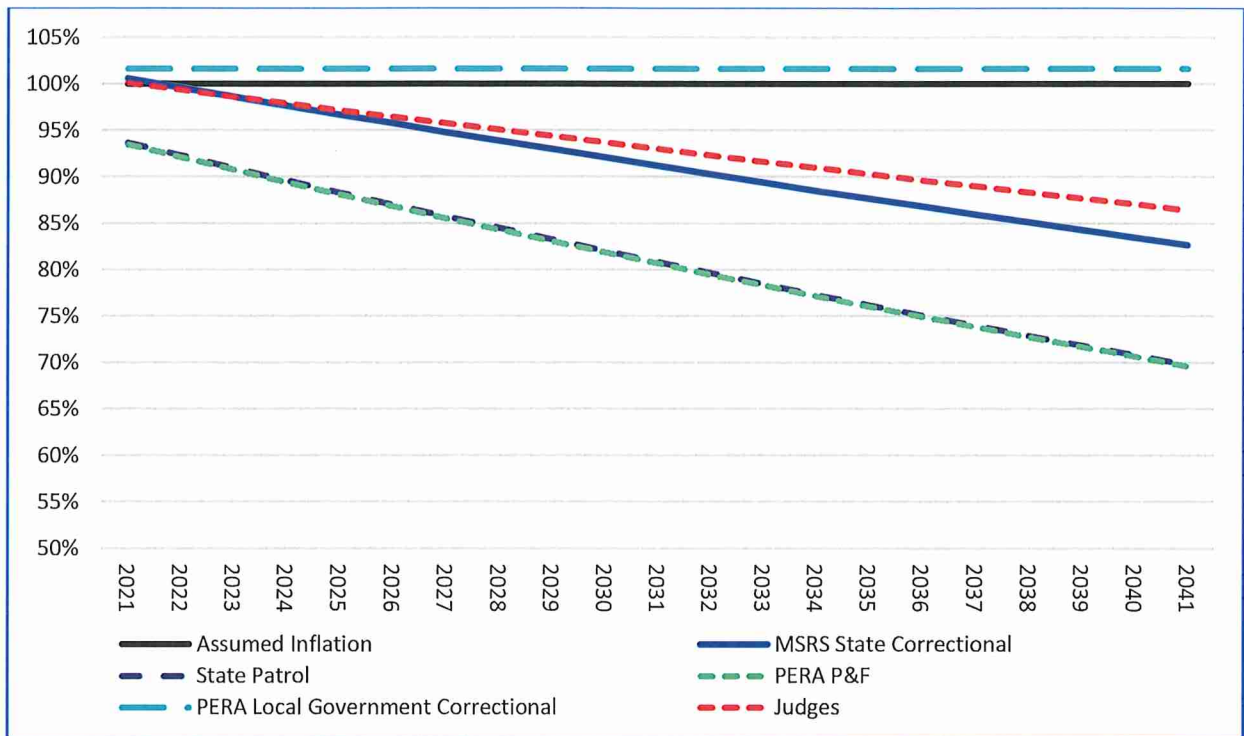


Figure 17: Projected Purchasing Power Over 20 Years for 2021 Retirees and Assuming 2.5% Inflation

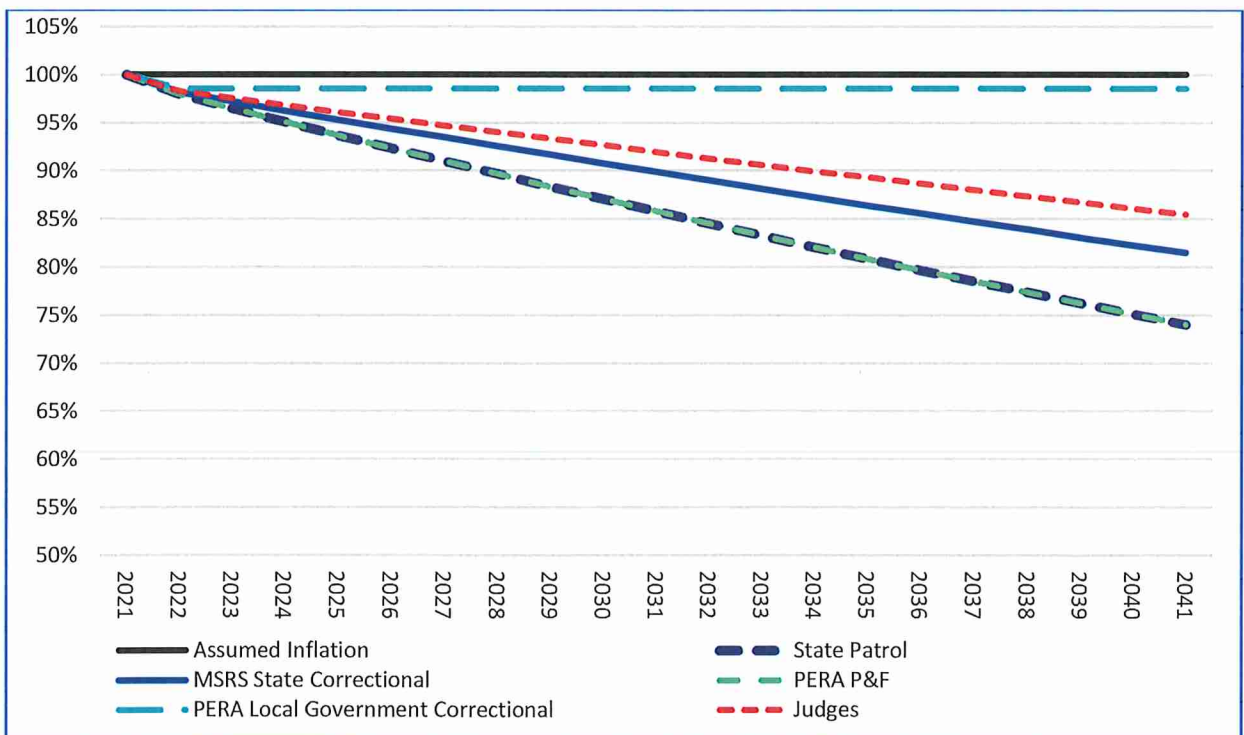
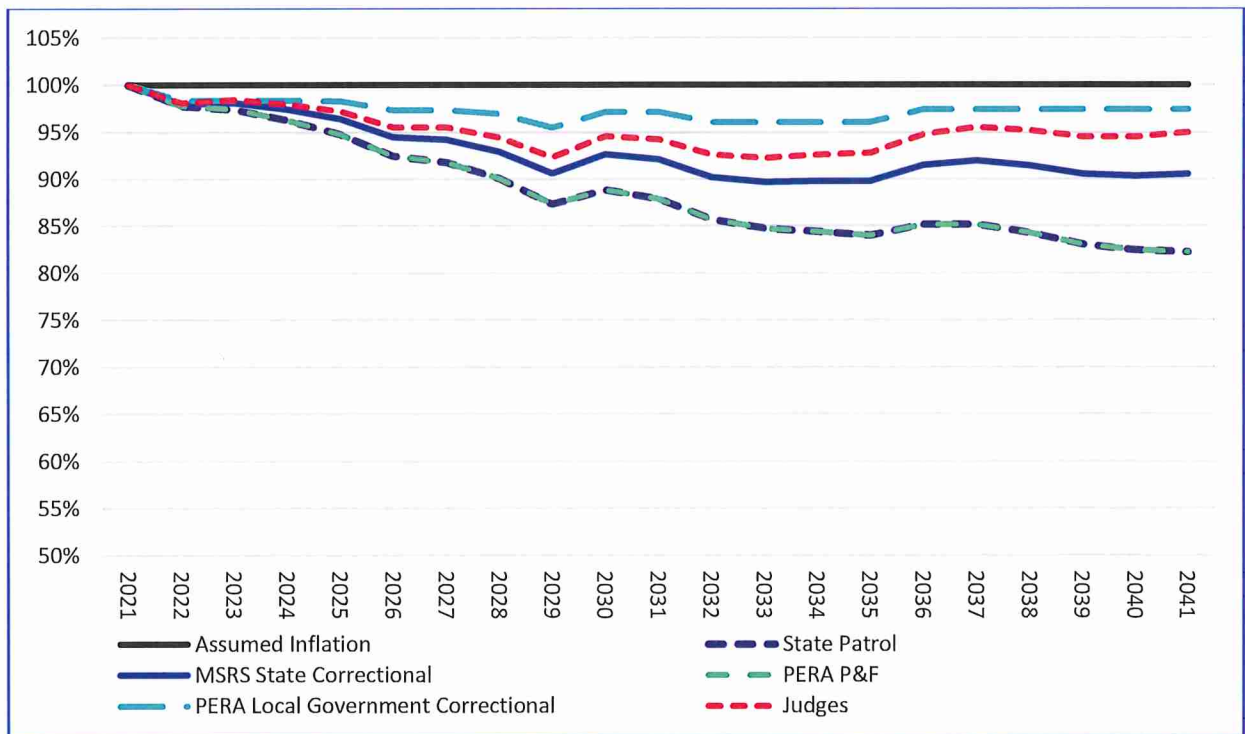


Figure 18: Projected Purchasing Power Over 20 Years for 2021 Retirees and Assuming Last 20 Years Inflation Experience



Figures 16 through 18 show similar results as for the MSRS and PERA General Plans, TRA, and SPTRFA. One difference is that, unlike any of the other plans, the PERA Local Government Correctional Plan maintains rough parity with inflation. This is true as long as inflation remains at or below 2.5%. The graphs also show that the State Patrol and Police and Fire Plans are likely to lag the furthest behind inflation. Since those plans are not coordinated with Social Security, members of the State Patrol and Police and Fire Plans may be particularly vulnerable to the effects of inflation. This issue is addressed in greater depth in the next section.

C. Comparing inflation protection for coordinated and basic members

A "basic" plan is a plan in which the members (referred to as "basic members") do not contribute to Social Security from their covered salary and their covered salary is not counted when determining any Social Security benefit to which they may be entitled due to other employment. The State Patrol Plan, Police and Fire Plan, and Legislators Plan are the only public pension plans in Minnesota with only basic members. The vast majority of active basic members in Minnesota are in one of these plans.

The remaining basic members are in the PERA General Plan, TRA, SPTRFA, and the former Minneapolis Employees Retirement Fund ("MERF"), now part of the PERA General Plan. As of June 30, 2019, these plans had a total of 42 active and deferred basic members and 9,721 recipients of a basic retirement or disability pension. Basic members in these plans were first

Development of Costs

Determination of Contribution Sufficiency/(Deficiency) (Dollars in Thousands)

The required contribution is defined in Minnesota statutes as the sum of normal cost, a supplemental contribution to amortize the UAAL, and an allowance for expenses. The dollar amounts shown are for illustration purposes and equal percent of pay multiplied by projected annual payroll.

	Percent of Payroll	Dollar Amount
A. Statutory contributions - Chapter 353		
1. Employee contributions	11.05%	\$ 110,552
2. Employer contributions	16.58%	\$ 165,829
3. Minneapolis Police contributions****	0.99%	\$ 9,892
4. Minneapolis Fire contributions***	0.54%	\$ 5,416
5. Virginia Fire contributions	0.00%	\$ 30
6. State contributions****	1.35%	\$ 13,500
7. Total	30.51%	\$ 305,219
B. Required contributions - Chapter 356		
1. Normal cost		
a. Retirement benefits	15.17%	\$ 151,771
b. Disability benefits	3.45%	\$ 34,516
c. Survivors	0.67%	\$ 6,703
d. Deferred retirement benefits	1.50%	\$ 15,007
e. Refunds*	0.11%	\$ 1,101
f. Total	20.90%	\$ 209,098
2. Supplemental contribution amortization of Unfunded Actuarial Accrued Liability by June 30, 2048		
	7.21%	\$ 72,134
3. Allowance for expenses		
	0.09%	\$ 900
4. Total	28.20% **	\$ 282,132
C. Contribution Sufficiency/(Deficiency) (A.7. - B.4.)		
	2.31%	\$ 23,087

Note: Projected annual payroll for fiscal year beginning on the valuation date: \$1,000,474 (determined according to requirements of the LCPR Standards for Actuarial Work).

* Includes non-vested refunds and non-married survivor benefits only.

** The required contribution on a market value of assets basis is 27.23% of payroll.

*** Contributions (estimated, assumes recalculation) due July 15, 2019; 2018 contributions are included in assets as receivable contributions.

**** \$9.0 million contributions paid until both PERA P&F and MSRS State Patrol reach 90% funding (on a Market Value of Assets basis), or July 1, 2048, if earlier. In addition, \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, paid until the plan reaches 100% funding, or July 1, 2048, if earlier.

Development of Costs

Determination of Contribution Sufficiency/(Deficiency) (*Dollars in Thousands*)

The required contribution is defined in Minnesota statutes as the sum of normal cost, a supplemental contribution to amortize the UAAL, and an allowance for expenses. The dollar amounts shown are for illustration purposes and equal percent of pay multiplied by projected annual payroll.

	Percent of Payroll	Dollar Amount
A. Statutory contributions - Chapter 353		
1. Employee contributions	11.80%	\$ 169,523
2. Employer contributions	17.70%	254,285
3. Minneapolis Police contributions	0.31%	4,490
4. Minneapolis Fire contributions	0.22%	3,189
5. State contributions***	2.48%	35,700
6. Total	32.51%	\$ 467,187
B. Required contributions - Chapter 356		
1. Normal cost		
a. Retirement benefits	14.03%	\$ 201,560
b. Disability benefits	9.93%	142,658
c. Survivors	0.58%	8,333
d. Deferred retirement benefits	1.87%	26,865
e. Refunds*	0.22%	3,161
f. Total	26.63%	\$ 382,577
2. Supplemental contribution amortization of Unfunded Actuarial Accrued Liability		
	7.24%	\$ 104,013
3. Allowance for expenses		
	0.12%	\$ 1,724
4. Total		
	33.99% **	\$ 488,314
C. Contribution Sufficiency/(Deficiency) (A.6. - B.4.)		
	(1.48)%	\$ (21,127)

Note: Projected annual payroll for fiscal year beginning on the valuation date: \$1,436,638 (determined by increasing reported pay for each member by one full year's assumed pay increase according to the actuarial salary scale, as prescribed by the LCPR Standards for Actuarial Work).

* Includes non-vested refunds and non-married survivor benefits only.

** The required contribution on a market value of assets basis is 31.14% of payroll.

*** \$9.0 million contributions paid until both PERA P&F and MSRS State Patrol reach 100% funding for three consecutive years (on an Actuarial Value of Assets basis). In addition, \$9.0 million starting in fiscal year 2021, paid each year until the plan reaches 1.10% funding for three consecutive years (on an Actuarial Value of Assets basis). In addition, \$17.7 million paid annually by October 1, beginning in 2025, through June 30, 2048.

