

Legislative Commission on Pensions and Retirement

55 State Office Building

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St. Paul, MN 55155-1201

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May 23, 2019

Governor Tim Walz
130 State Capitol, St. Paul, MN 55155

Senator Jeremy R. Miller, President of the Senate
3107 Minnesota Senate Building, St. Paul, MN 55155

Representative Melissa Hortman, Speaker of the House
463 State Office Building, St. Paul, MN 55155

Senator Paul E. Gazelka, Majority Leader
3113 Minnesota Senate Building, St. Paul, MN 55155

Representative Ryan Winkler, House Majority Leader
459 State Office Building, St. Paul, MN 55155

Re: State aid to local governments to fund employer contributions to the PERA General Plan

Dear Governor Walz, Representatives Hortman and Winkler, and Senators Gazelka and Miller:

The Legislative Commission on Pensions and Retirement met this morning to consider a draft pension bill. The bill was approved for introduction during the 2019 special session.

In addition, the Commission approved the following motion:

"That the Legislative Commission on Pensions and Retirement recommends to the legislature, House and Senate leadership, and Governor Walz that, during the 2019 special session, the state aid to local governments for increased contributions to the general employees retirement plan of the Public Employee Retirement Association (PERA General) under Minnesota Statutes, section 273.1385, not sunset on June 30, 2020, as provided in subdivision 4, but be extended until the earlier of (1) the last day of the fiscal year immediately following the fiscal year in which the actuarial value of assets of PERA General first equals or exceeds the actuarial accrued liabilities of the plan as reported in the annual actuarial valuation prepared under section 356.215, or (2) June 30, 2048; and, further, that this law change shall take effect immediately upon enactment."

This motion relates to state aid paid to approximately 1,500 local taxing authorities that is due to sunset under current law on June 30, 2020. This state aid has helped counties, cities, townships, libraries, nursing homes, utility companies, and other public entities pay required employer contributions to PERA since 1997. The state aid was intended to extend until PERA General reached full funding, predicted to occur in 2020. At approximately 82% funded, PERA General has not reached full funding and the increased level of employer contributions will continue.

The impact to the general fund was estimated by the Department of Revenue to be \$13,210,000 for FY2021, \$13,150,000 for FY2022, and \$13,100,000 for FY2023.

Without the extension of this state aid, Minnesota residents across the state will be asked to pay more in property taxes to replace this aid or public employers will have to reduce other services to fund PERA contributions.

We encourage you to reconsider your decision not to extend the state aid. This provision is not currently in the draft pension bill, but with a target for pensions, the Commission would meet again to amend the bill for this provision.

Sincerely,

Representative Mary Murphy, Chair
Legislative Commission on Pensions and Retirement

cc: Commissioner Myron Frans, Minnesota Management and Budget
Commissioner Cynthia Bauerly, Department of Revenue
Members of the Legislative Commission on Pensions and Retirement