EDITORIAL

Minnesota House should act on clean pension bill

Keep partisan poison pills away from a needed funding boost.

By Editorial Board Star Tribune | MARCH 30, 2018 — 6:39PM

State employees finally got their due (http://www.startribune.com/senate-oks-pension-boost-ratifies-public-worker-contracts/477951413/) from the Legislature last week. Two-year contracts negotiated last summer were ratified Monday, giving a green light to 2 percent wage increases retroactive to July 1, 2017, and another 2.25 percent boost beginning this July 1.

Better still, a robust bill to prop up Minnesota's listing pension funds for public employees — including teachers and state and local government workers — won 66-0 approval in the state Senate. That bill now heads to the House, which ought to give it prompt no-nonsense attention.

Why such enthusiasm for a pension bill? Reasons abound:

• This bill would reverse Minnesota's slide into a pension funding danger zone (https://www.bloomberg.com/news/articles/2017-08-31/new-math-deals-minnesota-s-pensions-the-biggest-hit-in-the-u-s) by cutting the total forecast unfunded liability for eight state-managed funds roughly in half, from $16.2 billion to about $8 billion. That would ensure financial stability and peace of mind to some 175,000 retirees today and many more in future years.


(http://stmedia.startribune.com/images/ows_1522453167473
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The Minnesota State Capitol.

• That in turn would be good for Minnesota's economy: 89 percent of Minnesota's public pensioners live in the state (http://www.mnpera.org/vertical/Sites/%7BCB6D4845-437C-4F52-969E-51305385F40B%7D/uploads/MSRS_PERA_TRA_RETIRED_County_Map_No_Lables_FINAL_(2)(1).pdf) after retirement, more than half of them in greater Minnesota. In 2015, they received average annual pensions (https://www.commissions.leg.state.mn.us/lcpr/documents/backgrounddocs/MN_Public_Pension_Plan_Basics_as_of_6-30-2016.pdf) ranging from $12,230 for local government retirees to $22,262 for teachers — money that is spent in local economies.

• Shoring up pension funding would also improve the fiscal health of state and local governments, which saves taxpayers money. Minnesota Management and Budget Commissioner Myron Frans attests that the negative trend in state pension fund liabilities is holding down Minnesota's bond rating, which in turn is adding millions of dollars to the debt-service costs of schools, cities and counties as well as state government.

• The bill boosts pension funding in a manner favorable to taxpayers. Every dollar in new taxpayer contributions to pension funds would be matched by $3 in either higher employee contributions, early retirement benefit reductions or smaller cost-of-living adjustments.

• This package has won uncommonly wide support. Associations of city, county and school governments and some two dozen public employees' unions and retiree associations back the bill. It received a unanimous vote from the Legislature's own bipartisan pension commission. (https://www.lcpr.leg.mn/)

• Combined with the contract ratification, the pension bill would signal that Minnesota's public sector is a reliable employer. That's a timely and needed message as labor markets tighten in the coming decade. Minimizing turnover in public-worker ranks saves taxpayers money and helps keep the quality of service high.

For those good reasons, the House should act affirmatively on the Senate's pension bill soon after returning from the Legislature's spring break. It should resist the temptation the Legislature's Republican majorities succumbed to a year ago, when they attached a DFL-opposed measure pre-empting cities from setting their own labor standards to a pension bill that DFL Gov. Mark Dayton otherwise supported. Dayton vetoed (https://www.leg.state.mn.us/archive/vetoes/2017_sp1veto_ch2.pdf) the bill for that reason. That recent history should quash the idea that the governor will swallow political poison pills if they are attached to a pension bill — or that the pension bill should be held until the end of session for use as trade bait.

Attempting to tilt this bill more in favor of taxpayers at employees' or retirees' expense is another temptation to avoid. Dayton vetoed (https://www.leg.state.mn.us/archive/vetoes/2016veto_ch177.pdf) a more modest pension bill in 2016 on that basis. According to the National Association of Retirement Administrators, Minnesota directed 2.3 percent of state and local government budgets in 2015 to employee pensions, compared with a national average of 4.6 percent. Minnesota taxpayers are already getting a pension bargain.

Both parties have been guilty at various times of treating state workers as pawns in a larger political game. But through many decades, both parties also have understood that they share a duty to compensate public employees fairly and finance their pensions adequately. The pension bill that awaits House action offers a fine opportunity for today's legislators to demonstrate that they, too, know what sound governance requires and possess the political will to do it.