

Metropolitan Inter-County Associations Comments on SF 810 and HF 855.



Metropolitan Inter-County
Association

The Employer and Employee Contribution Changes in These Bills Are Significant Increases & Will Put PERA Further Out of Line with the Other Major Plans

Percentage Increase In Contribution		
	With State Aid	Without State Aid if Plan Is To Be Fully Funded
PERA Employer	12.1%	19.3%
PERA Employee	13.2%	21.1%

- No Benefit Increase Will Accompany These Increases in Contributions



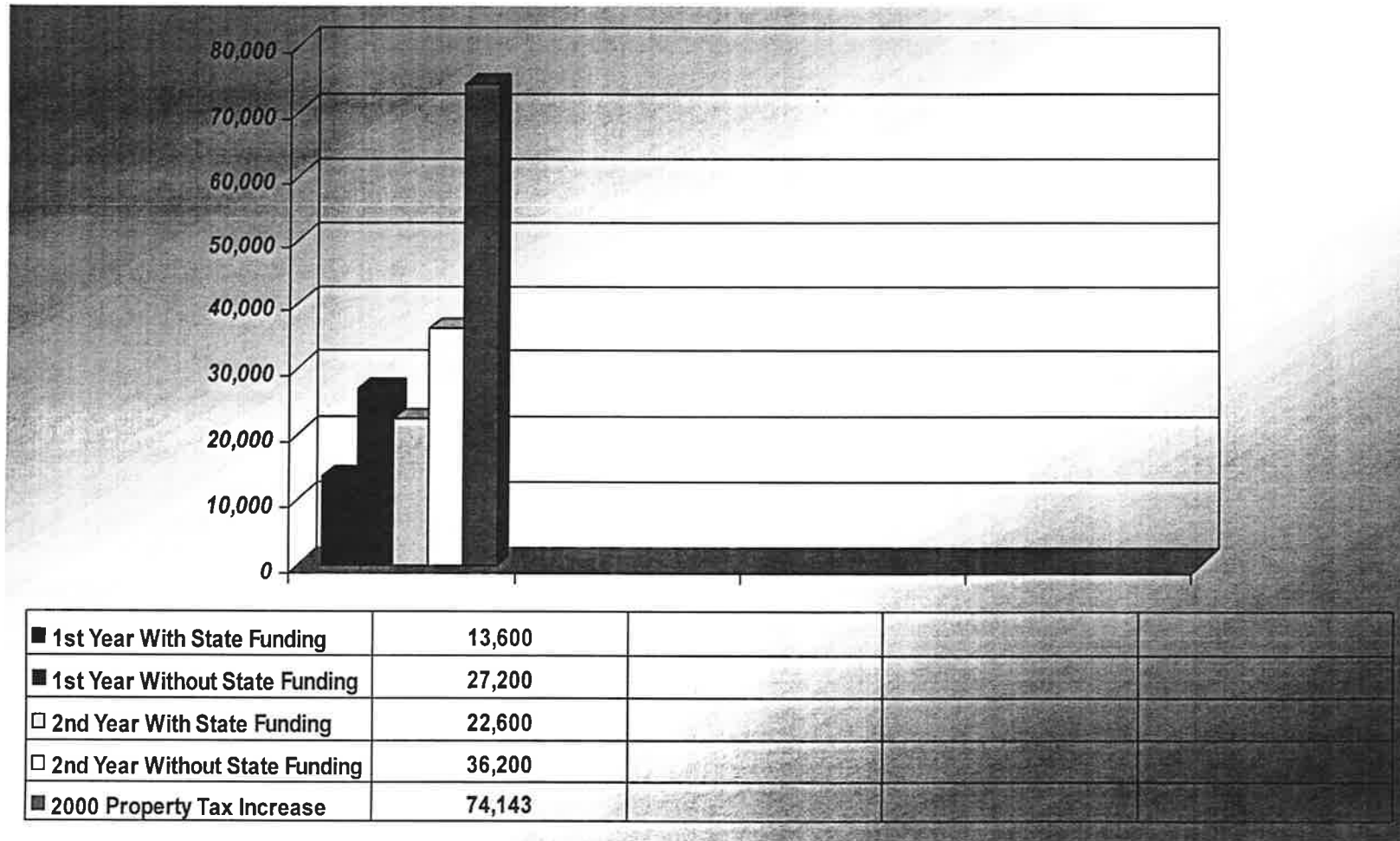
Pension Contribution Rates - Before & After PERA's Proposed Cumulative Increases

	Current	Proposed
MSRS Employer	4.00%	4.00%
MSRS Employee	4.00%	4.00%
TRA Employer	5.00%	5.00%
TRA Employee	5.00%	5.00%
PERA - Employer	5.18%	5.805%
PERA - Employee	4.75%	5.375%



Levy Effect of Funding of PERA Pension Shortfall With & Without State Aid

In \$million



* assumes employee share equivalent to employer

Why Should the State Participate in Solving the PERA Shortfall?



School District Employees Are Responsible for a Relatively Greater Share Of Shortfall

- Due in part to higher entry age, PERA actuary has preliminarily estimated that normal cost for school district employees is 9.8% while normal cost for all other PERA employees only 9.4%
- Since contributions rates are level across all employee groups, nonschool employees and employers are being asked to, in effect, subsidize the higher costs attributable to school district employees
- Since state is largely responsible for school district funding, it would seem appropriate that the state financially address this issue



State Will Pay Some of the Costs Regardless of Legislative Action

- Individual Income Tax Collections Will Be Reduced Because All PERA Employees' Taxable Income Excludes Pension Contributions
 - Rough Estimate of Loss - \$1 Million
 - Both Corporate and Individual Income Tax Collections Will Be Reduced Due to Increased Property Tax Deductions
 - Rough Estimate - \$450,000
 - Homeowner Property Tax Refunds Will Increase
 - Rough Estimate - \$200,000
- * Assumes .375% Employee Contribution Rate Increase



State Already Gives Substantial Assistance to Other Retirement Plans (FY 2001)

- \$5.1 million for MERF
- \$18.8 million for Mpls., Duluth & St. Paul Teachers
- \$5.1 million for Local Police & Fire Funds
- PERA Employers Do Receive \$14.8 million of Aid
But That's Only \$68 Per Member
 - Mpls., Duluth & St. Paul Teachers Combined Receive
\$872 per Member



If State Aid Is Not Provided, the
Legislature Must Look to Other
Alternatives Besides Further
Contribution Increases to Fund
Shortfall



PERA Sufficiency Used to Fund TRA Bailout in 1984. Now with Tables Turned, Shouldn't TRA Return the Favor

- PERA Additional Employer Contribution Was Reduced from 1.5% to .25% (Similar Reductions for MSRS)
 - PERA savings recaptured by reducing aid to school districts by approximately \$700,000 and
 - By reducing other local governments levy limits. (State Agency Appropriations Reduced to Recover MSRS Savings)
- TRA Additional Employer Contribution Was Increased from 3.05% to 4.48%
- TRA Rate Increase Offset by Increased Teachers Retirement Aid of \$12.3 million

- Retirees Participating in the Post Retirement Investment Fund Will Receive a \$1.6 billion Pension Benefit Increase this Year Alone

- That compares to the approximately \$1.5 billion that's the present value of what's needed over the next 23 years to fix PERA

<u>Year</u>	<u>Benefit Increase</u>	<u>Cumulative Increase</u>
-------------	-------------------------	----------------------------

1997	8.04%	8.04%
------	-------	-------

1998	10.09%	18.94%
------	--------	--------

1999	9.83%	30.63%
------	-------	--------

2000	11.14%	45.18%
------	--------	--------

2001	9.95%	59.62%
------	-------	--------