



S.F. 286
(Betzold, by request)

H.F. 1755
(Smith)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): PERA-General
Relevant Provisions of Law: Minnesota Statutes, Section 353.27, Subd. 2, 3, 3a; adds a subd.
General Nature of Proposal: Contribution Rate Increase
Date of Summary: April 20, 2005

Specific Proposed Changes

- Increases the employee and employer contribution rates from 5.1 percent of pay to 6.0 percent of pay in steps by January 1, 2008.
- Increases the employer additional contribution rate from 0.43 percent of pay to 0.5 percent of pay, and if actuarial work indicates further increases are needed, the rate will increase in stages to reach 1.0 percent by January 1, 2010.
- Proposes a system to provide contribution adjustments thereafter without legislative action.

Policy Issues Raised by the Proposed Legislation

1. Extent of additional employer contributions; an additional \$113.2 million per year by 2010, and escalation thereafter by the percentage growth in payroll.
2. Pressure to provide additional aid to employers to cover increased contributions.
3. Requested increase may be excessive.
4. Consideration of alternative phase-in schedules.
5. Extent of employee contributions to cover the unfunded liability.
6. Implications of proposed automatic adjustment issues.
7. The extent of employee and employer support for the proposal.
8. Consideration of delaying any action on until after the next experience study.

Potential Amendments

Amendment LCPR05-092 removes proposed automatic contribution resetting provision.

Amendment LCPR05-093 revises the trigger amount used to initiate the contribution decrease or increase in automatic contribution resetting provision.

Amendment LCPR05-094 removes discretion of the PERA executive director to set the amount of the contribution increases or decreases.

Amendment LCPR05-095 eliminates the proposed 2008 contribution increases.

Amendment LCPR05-096 eliminates both the 2007 and 2008 contribution increases.

Amendment LCPR05-097 eliminates the employer additional contribution increases proposed to take effect on January 1, 2009 and 2010.

Amendment LCPR05-098 is comparable to LCPR05-097, but it also revises the employer additional contribution rate effective January 1, 2006, from the proposed 0.5 percent of payroll to an amount to be determined.

Amendment LCPR05-099 would reset the effective date of proposed contribution resetting provision.

Amendment LCPR05-100 corrects operation of automatic adjustment provision.