



**S.F. 621**  
(Betzold, by request)

**H.F. 1756**  
(Smith)

### **Executive Summary of Commission Staff Materials**

Affected Pension Plan(s): PERA Police and Fire Retirement Plan (PERA-P&F)  
Relevant Provisions of Law: Minnesota Statutes, Section 353.65, Subdivisions 2 and 3  
General Nature of Proposal: Employee and Employer Contribution Rate Increases  
Date of Summary: April 20, 2005

### **Specific Proposed Changes**

- Increases the employee contribution rate from 6.2 percent of pay to 9.0 percent, and increases the employer contribution rate from 9.3 percent to 13.6 percent of pay, effective on January 1, 2006, with no phase-in.

### **Policy Issues Raised by the Proposed Legislation**

- Sufficient Need for Increase. The actuarial reports do support the need for an increase.
- Appropriate Increase Amount. The requested increase is consistent with the likely contribution deficiency next year.
- Controlling Cost/Plan Design. The issue is whether to consider steps to control the cost of this plan, rather than just increasing rates to match whatever costs are produced. One area for consideration is further efforts to control PERA P&F disability costs.
- Aid Issues. The employer increase will be mostly funded by police state aid, but not in all cases. Some of the burden will be felt locally in Minneapolis, St. Paul, and various other communities that have above average salaries. Also, using more police aid for PERA-P&F contributions will lower the amount of excess police state aid, which will impact the additional amortization aid program which is funded by excess police state aid. Various communities will be negatively impacted by that change.
- Phase-In Issue. The bill provides no phase-in. The Commission may choose to add a phase-in.
- Position of Employee/Employer Groups. The issue is the extent of employee and employer group support.

### **Potential Amendments**

Amendment LCPR05-192 delays the effective date from January 1, 2006, to a date to be set.

Amendment LCPR05-193 provides an increase of half the amount requested. LCPR05-193 could be used to delay fully addressing the current situation, with an expectation that Legislative action at a future date to control or reduce plan costs and improved investment markets will assist in closing the remaining contribution shortfall.

Amendment LCPR05-194 phases-in the increases as specified in the bill over three years.

The following two amendments were requested by the League of Minnesota Cities. Both implement a phase-in, but with a longer phase-in than proposed in LCPR05-194, and with a higher final contribution rate.

Amendment LCPR05-203 phases in the increases over four years, and with a final combined employee and employer contribution of 23.5 percent, rather than the combined total 22.5 percent contribution proposed under the bill.

Amendment LCPR05-204 phases in the increases over five years, and with a final combined employee and employer contribution of 24 percent, rather than the combined total 22.5 percent contribution proposed in the bill.