



April 21, 2025

Re: HF 1779 (Rep. Wolgamott) | SF 1986 (Sen. Kupec), *Probation Employee Pension Enhancement Proposal*

Chair Frentz, Leads O'Driscoll and Lillie, and Members of the Legislative Commission on Pensions and Retirement (LCPR):

On behalf of the Association of Minnesota Counties (AMC), thank you for your continued work this session on important pension policy issues. The early retirement decisions before this commission and legislature are significant, not only for their potential impact on current plans, but also for the precedents they may set for other employee groups seeking to return to this commission in pursuit of early retirement enhancements. AMC is grateful for the work of probation officers/agents across Minnesota and respects the difficulty of their profession. We appreciate SF 1986 and HF 1779 will be self-funded by employee contributions. Nonetheless, we feel the need to underscore key considerations as the proposal continues to be discussed among pension commission members.

1) **PLAN INTEGRITY AND FUNDING STATUS**

The highest consideration of any plan enhancement proposal should be to make sure that underlying contribution increase assumptions fully accommodate benefit costs, amortization plans, and will positively impact full funding status. This is of critical importance, given the proposal's beneficiaries will be *within* the larger PERA General plan group and should not negatively impact the General plan's ability to sustain benefits for hundreds of thousands of current and future general plan members. AMC is grateful for the Commission's work this past decade to solidify pension funding trajectories that put our plans on a path towards full-funding and the PERA Board's proactive work to seek actuarial assessments of the true cost to proposed enhancements. We appreciate this proposal identifying a clear, pay-for mechanism and are confident that plan security and funding considerations are shared by all Commission members and proponents.

2) **PLAN EQUITY AMONG PARTICIPANTS**

The current proposal allows qualified members who are either aged 60 or have 35 years of service an unreduced retirement benefit effective January 1, 2028. This enhancement is not prospective, does not differentiate between various probation roles, and does not apportion out true cost of the pension benefit according to the total timeline of service, contributions, or actual benefit costs. Instead, it has younger and future probation employees set up to pay the lion's share of this proposal's costs. **To AMC, this is a fundamental unfairness that should be addressed as the session continues.**

SF 1986/HF 1779 would necessitate employee pay of nearly 11% of salary (6.5% base contribution PLUS an additional 4.21% contribution to account for the projected actuarial costs of the proposed early retirement enhancements). The nearly 11% payroll contribution grows even more once adding in Social Security deductions. A person planning to early retire in 3 years under this proposal would only pay the enhanced 4.21% contribution rate for 3 years, even though their benefit would be secured disproportionately by the career payments of a younger generation of employees. **A newly hired probation officer would be paying 4.21% more of their salary for a benefit that should only cost them 1.4%.**

While proponents have argued that these benefits are vital to retention and recruitment, county HR representatives often hear of equal, or greater, desire for higher take home pay, bonuses, flexible schedules, and additional HSA investment, particularly from younger employees feeling the stress of housing and childcare costs. **In summary, if a plan enhancement moves forward, it should be prospective or require payment of credits necessary to account for the full, (apportioned) cost of the benefit to ensure intergenerational fairness and be most cost effective for the participants themselves.**

3) **PUBLIC EMPLOYEE EQUITY**

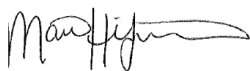
The legislature has seen multiple groups come forward requesting pension enhancements and early retirement proposals in recent years. Counties are proud employers of a long list of dedicated public servants that often take on stressful and sometimes dangerous professions for the general benefit of the public. Whether those public servants are probation officers, child protection workers, local public health nurses, election administrators, public works and highway engineers, telecommunicators/dispatchers, field assessors, or more, it's important to recognize that many public employee groups have difficult jobs and occasionally risky public interactions. **We ask that the Legislature weigh early retirement enhancement proposals with reverence to other public employee groups and in respect to how its decision would undoubtedly impact future benefit expansions and encourage other employee groups to rightfully ask, "why not us?"**

How might the Legislature consider and provide a pathway for similar groups or difficult-to-hire public professions? If they choose so, how large will this scope grow and how might it juxtapose to non-public sector retirement age trends? AMC asks these questions not with a preconceived answer, but to posit serious and reasonable policy questions.

Accordingly, if a proposal moves forward, AMC suggests making clear *via legislative intent* the policy reasons for an enhanced probation retirement benefit (similar to intent language structured for Correctional Plan employees covered in MS 352.90), and/or a transparent standard for how other employee groups might qualify or be deemed eligible for pension enhancements.

In closing, we appreciate your consideration of our input. At the core, AMC believes that any probation early retirement proposal that is forwarded needs to be 1) financially viable and positive on the current plan 2) self-funded by those seeking the enhanced benefit, 3) fair and equitable among plan participants (age and tenure), and 4) include legislative intent with consideration of public policy decisions to manage scope of future expansion proposals while providing the public and future stakeholders with clear and transparent guidelines for enhancements.

Sincerely,



Matt Hilgart

Association of Minnesota Counties (AMC)