



Amendment S2884-1A: Amending the Postretirement Adjustment for the Legislators Retirement Plan

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Introduction

Article 1 of S2884-DE1, the delete-everything amendment to SF 2884/HF 1889 (2025 Omnibus Pension and Retirement Bill), makes changes to the statutes governing the pension plans administered by the Minnesota State Retirement System (MSRS), including an increase in the postretirement adjustment (COLA) from 1.5% to 1.75% for the General State Employees Retirement Plan (General Plan), Legislators Retirement Plan (Legislators Plan), and Unclassified Employees Retirement Program (Unclassified Plan).

Article 1, Section 4, of the DE1 amends section 356.415, subdivision 1, which provides the COLA for the General Plan, Legislators Plan, and Unclassified Plan and increases the COLA for the three plans from 1.5% to 1.75%, beginning January 1, 2026.

Amendment S2884-1A excludes the Legislators Plan from receiving the COLA increase.

Line- by- Line Summary

Line 1.3 strikes “the legislators retirement plan” from subdivision 1, paragraph (a), which replaces the 1.5% COLA with a 1.75% COLA for retirees in the three plans.

Lines 1.4 to 1.17 adds a new paragraph (b), which applies just to the Legislators Plan and retains the 1.5% COLA.

Lines 1.18 to 1.20 renumbers a paragraph and makes changes to the bill introduction to conform with the changes above.

Background and Considerations

The Legislators Retirement Plan has been closed to new members since July 1, 1997. According to the [Actuarial Valuation Report as of July 1, 2024](#), the Legislators Plan has seven active members, 249 retired members, 16 deferred vested members, and 85 survivors. As noted by the Plan’s actuary, Gabriel, Roeder, Smith & Company (GRS), the Plan “is currently funded on a pay-as-you-go basis by annual appropriations from the State’s General Fund.” All other pension plans for public employees in the State

are pre-funded, which means assets, consisting of contributions, earnings, and state aid, are held in trust and are used to fund pension benefits and COLA payments.

Unlike the COLA increase for retirees in the General and Unclassified Plans, the cost of an increase in the COLA for retirees in the Legislators Plan is paid for by the General Fund. This means that the cost of the increase will increase the cost to the General Fund beginning with the 2026 fiscal year. Thomas Carr, Executive Budget Officer at Minnesota Management and Budget, provided the following table, which shows the estimated cost of increasing the COLA for the Legislators Plan for FY2026–FY2029.

Legislators Plan (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
MMB State Forecast (Feb. 2025)*	9,064	9,154	9,246	9,338
<i>Compounded COLA Increase</i>	<i>0.250%</i>	<i>0.501%</i>	<i>0.752%</i>	<i>1.004%</i>
<i>Implemented January</i>	<i>0.125%</i>	<i>0.375%</i>	<i>0.626%</i>	<i>0.878%</i>
As Proposed	9,087	9,200	9,316	9,432
General Fund Cost	11	34	58	82

**General Fund Balance Analysis: February 2025 Forecast, by Minnesota Management and Budget (March 6, 2025)*