



SF 3192 (Frentz); HF 2821 (O’Driscoll): PERA General Employees Retirement Plan; Increasing the COLA maximum

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Introduction

- Affected Plan:** Public Employees Retirement Association, General Employees Retirement Plan
- Laws Amended:** Minnesota Statutes, sections [353.27](#) and [356.415](#)
- Brief Description:** The bill advances the expiration of the 1% additional employer contribution from requiring the Plan to be 100% funded to 98% funded, modifies the postretirement adjustment (COLA) formula, increases the maximum COLA, and decreases the maximum when the Plan’s funded percentage hits specified funding thresholds.

Background

The Public Employees Retirement Association (PERA) General Employees Retirement Plan (General Plan) is a defined benefit retirement plan that provides retirement, survivor, and disability benefits to public employees who work for the counties, cities, and in non-teaching positions in school districts and who are not public safety employees. PERA’s [presentation to the Commission on March 11, 2025](#), provided the following information about the PERA General Plan:

- **Active members**.....164,224
- **Retirees and survivors**..... 118,685
- **Disability retirements**..... 3,195
- **Actuarial accrued liability**..... \$33.9 billion
- **Market value of assets** \$30.2 billion
- **Funded ratio** 89.1%
- **Projected full funding date** .. 2034

Contributions to the PERA General Plan

Currently, the employee contribution rate to the PERA General Plan for a coordinated member is 6.5% of pay ([Minn. Stat. § 353.27, subd. 2](#)). The employer contribution rate to the PERA General Plan for a coordinated member is 7.5% of pay ([Minn. Stat. § 353.27, subd. 3](#)). Employers pay an “additional employer contribution” of 1% for coordinated members, which ceases when the PERA General Plan achieves a 100% funding ratio ([Minn. Stat. § 353.27, subd. 3a](#)).

Postretirement Adjustments for PERA General Plan Members

Minnesota's public pension plans provide annual postretirement adjustments, often referred to as cost-of-living adjustments or COLAs, to retirees, which are intended to provide some protection from the decrease in the value of the pension due to inflation. The PERA General Plan currently uses a formula to determine the COLA (See [Minn. Stat. § 356.415, subd. 1b](#)). The formula is 50% of the Social Security COLA, but not less than 1% or more than 1.5%. For 2025, the Social Security COLA is 2.5% (See [Cost-of-Living Adjustment \(COLA\) Information for 2025, Social Security Administration](#)). Therefore, the current COLA for the PERA General Plan is 1.25%.

Section- by- Section Summary

Section 1: Advancing When the Additional Employer Contribution is Repealed

Section 1 amends [section 353.27, subdivision 3a](#), which requires additional employer contributions to the PERA General Plan until the PERA General Plan is 100% funded. Currently, under subdivision 3a, an employer must contribute an additional 1% of salary for each coordinated member. Section 1 requires the repeal of subdivision 3a (i.e., eliminating the 1% additional employer contribution) when the PERA General Plan is 98% funded instead of 100% funded.

Section 1 also deletes paragraph (b) of subdivision 3a, an obsolete paragraph that prohibits the implementation of the 2010 increase in the additional employer contribution if the actuarially required contribution is equal to or less than the employer contribution rates in effect in 2008.

Section 2: Increasing the COLA and Adding Provisions Requiring Automatic Decreases to the COLA

Section 2 amends [section 356.415, subdivision 1b](#), which provides the COLA for the PERA General Plan. Section 2 increases the maximum COLA for the PERA General Plan. Under current law, the COLA for the PERA General Plan is 1% effective each January 1, unless the Social Security COLA is greater than 2%, in which case the COLA is 50% of the Social Security COLA, not to exceed 1.5%. Under the bill, the COLA for the PERA General Plan is 1% unless the Social Security COLA is greater than 1%, in which case the COLA is the same as the Social Security COLA, not to exceed 1.75%.

Section 2 also adds a new paragraph (c), which requires an automatic decrease to the COLA maximum in effect each January 1, from 1.75% to 1.5% if the funded status for the PERA General Plan reaches either of the following:

- 85% or less in the most recent two consecutive annual actuarial valuations; or
- 80% or less in the most recent annual actuarial valuation.

Effective Dates

Section 1 is effective the day following final enactment.

Section 2 is effective for postretirement adjustments beginning on or after January 1, 2026.

Considerations

Cost

According to PERA, the cost to the Plan of the change in the COLA formula has a present value of \$878 million, which is equal to 0.76% of payroll or \$64 million annually, increasing annually by the assumed 3% for payroll increases. (See [Letter regarding 2025 PERA Legislative Agenda \(March 13, 2025\)](#)). The bill does not include any increase in contributions or any new state aid. Therefore, the cost of this benefit increase will be absorbed by the plan. The [March 13, 2025 Letter](#) indicates that the COLA formula changes will decrease the funded ratio from 89.1% to 87.1% and the projected full funding date will change from 2034 to 2036.

Comparing COLAs

Similar to the PERA Correctional Plan, the PERA General Plan uses a formula that is linked to the Social Security COLA to determine the percentage of increase each year; therefore, the COLAs for the Plan may fluctuate from year to year. With a minimum COLA of 1% and a maximum COLA of 1.5%, the PERA General Plan is on par with a majority of Minnesota’s public plans. The table below compares the current COLA for the general employee, teacher, and public safety plans. As the table shows, while it is common for plans with a similar membership to have the same COLA, it is not always the case.

	MSRS General	PERA General	TRA	St. Paul Teachers	MSRS State Patrol	PERA Police and Fire	MSRS Correctional	PERA Correctional
COLA as of 1/1/2025	1.5%	1.25%	1.2%	1%	1%	1%	1.5%	2.5%

Impact on Annuity Amount for a PERA General Plan Retiree Starting to Receive Payments in March 2026

Under the bill, the increased COLA will increase a PERA General Plan member’s annuity benefit. The chart below compares the annual benefit increases under the current minimum and maximum COLA and the maximum COLA under the bill. The minimum COLA remains the same under the bill. The chart assumes that a member covered by the PERA General Plan will retire and start to receive a hypothetical monthly annuity benefit of \$1,000 beginning March 1, 2026. While the chart illustrates the minimum and maximum COLA, the COLA is likely to fluctuate from year to year.

Period	Current COLA, if 1%	Monthly Benefit (1% COLA)	Current COLA, if 1.5%	Monthly Benefit (1.5% COLA)	New COLA, if 1.75%	Monthly Benefit (1.75% COLA)
March-December 2026	0%	\$1,000	0%	\$1,000	0%	\$1,000
January-December 2027	0.33%	\$1,003.33	0.5%	\$1,005.00	0.58%	\$1,005.80
January-December 2028	1%	\$1,013.37	1.5%	\$1,020.08	1.75%	\$1,023.40
January-December 2029	1%	\$1,023.50	1.5%	\$1,035.38	1.75%	\$1,041.31
January-December 2030	1%	\$1,033.74	1.5%	\$1,050.91	1.75%	\$1,059.53

Result of Having a Variable COLA

As previously noted, the variable COLA for the PERA General Plan is likely to fluctuate from year to year, because the COLA is linked to the COLA for Social Security benefits. To demonstrate this fluctuation and the impact on members, the chart below compares (1) the PERA General Plan COLA under the current formula; (2) the Social Security COLA; and (3) what the PERA General Plan COLA would have been had SF3192; HF2821 applied since 2019.

Year	PERA General COLA (current formula)	Social Security COLA (CPI-W)	PERA General COLA (proposed formula)
2019	1.4%	2.8%	1.75%
2020	1%	1.6%	1.6%
2021	1%	1.3%	1.3%
2022	1.5%	5.9%	1.75%
2023	1.5%	8.7%	1.75%
2024	1.5%	3.2%	1.75%
2025	1.25%	2.5%	1.75%