



Date: February 13, 2025  
To: PERA Board of Trustees  
From: Doug Anderson, Executive Director  
Amy Streng, Policy Coordinator  
Subject: 2025 PERA Stakeholder Agenda – Decision Item

This memo includes a legislative initiative that PERA's stakeholders have brought to PERA staff for board consideration. PERA staff asks that the board review the initiative and direct PERA staff involvement. Staff anticipates bringing additional legislative initiatives as the initiatives are ready to the board.

### **Initiative: PERA Police & Fire Plan Postretirement Increase**

---

**Stakeholders:** MPPOA (Minnesota Police and Peace Officer Association), MPFF (Minnesota Professional Firefighters), and MRPPA (Minnesota Retired Police Pension Association)

MPPOA and MPFF have identified inflation protection as a significant part of their 2025 legislative agenda. This initiative is also supported by other organizations such as MRPPA.

### **Background**

Current statute sets the postretirement increase for the P&F Plan at a fixed 1 percent. In addition to the waiting period required for all other Plans, the P&F Plan has a two-year delay to receive a COLA increase.

The PERA Board of Trustees has identified inflation protection as a priority for the P&F Plan. Both the board and stakeholders agree that the Plan cannot absorb the cost to increase the postretirement increases and eliminate the additional two-year delay.

### **MPPOA and MPFF Proposal**

The legislative initiative eliminates the additional two-year postretirement increase delay, bringing the waiting period in alignment with PERA General and PERA Correctional. In addition, the initiative adopts the current PERA General Plan postretirement increase with a formula of 50 percent of CPI with a 1 percent minimum and a 1.5 percent maximum.

MPPOA and MPFF submitted the attached joint letter to the PERA Board of Trustees dated February 5, 2025. The letter provides an explanation and details the postretirement increase initiative. In the letter, MPPOA and MPFF concludes:

“We recognize there is a significant cost to this legislation. We are asking the Governor and legislative leaders to provide an estimated \$50 million annually in state general funds and

put it in the base budget in order to fund this legislative proposal. We appreciate the support the PERA Board gave this legislation last year. We again asked the PERA Board to support this initiative with a full understanding that it needs to be paid for by the state so we can ensure the solvency and integrity of our pension fund going forward.”

### **Staff Review**

The estimated cost to increase the postretirement increase to the current General Plan formula is \$403M if paid in a single payment. Alternatively, the annualized cost is \$30M/year (increasing 3% per year) if paid until 2048. Another alternative is for payments to start at \$38M/year (increasing 3% per year) paid over a 15-year period. These are all actuarial equivalent amounts based on a 7% investment return assumption.

The cost to remove the 2-year postretirement increase delay is \$166M if paid in a single payment. Alternatively, the annualized cost is \$14M/year (increasing 3% per year) if paid until 2048. Another alternative is for payments to start at \$16M/year (increasing 3% per year) paid over a 15-year period. These are all actuarial equivalent amounts based on a 7% investment return assumption.

The MPPOA and MPFF legislative request is \$50M annually in the state’s base budget.

MPPOA and MPFF’s initiative to increase inflation protection is in alignment with the priorities set by the PERA Board of Trustees. Stakeholders acknowledge that the Plan cannot absorb this cost and will be seeking full funding by the state.

### **Staff Recommendation**

Staff recommends that the PERA Board of Trustees supports the initiative to increase inflation protection for Police & Fire retirees.

*The PERA Board of Trustees, having identified improving inflation protection as a priority for all PERA plans, support eliminating the two-year delay and increasing the postretirement adjustment for members of the police and fire fund. This support is predicated on the Legislature providing direct state aid to fully fund the cost necessary to provide this member benefit.*



To: PERA Board of Trustees

From: Brian Peters, Executive Director Minnesota Police and Peace Officers Association (MPPOA)  
Dave Titus, Deputy Director MPPOA  
Scott Vadnais, President Minnesota Professional Fire Fighters (MPFF)

Re: Joint MPPOA and MPFF legislative initiative 2025

Date: February 5, 2025

The MPPOA and the MPFF, along with other statewide police associations, are working with Sen. Nick Frentz and Rep. Tim O'Driscoll on legislation that would bring the PERA Police and Fire Plan (PERA P&F) in conformance with the current cost of living adjustment (COLA) that PERA has for its General Fund retired members. Currently, PERA P&F members have a 1% fixed COLA and must wait two years longer than PERA General Plan retirees to receive an initial COLA increase. As is currently drafted, our legislative proposal would remove the additional two year waiting period for an initial PERA P&F COLA. In addition, the bill would use the PERA General Plan formula for setting the COLA at a minimum of 1% annually with 50% inflation up to 3%. In other words, there would be a 1.5% annual cap on the COLA.

In 2010, 2013 and 2018 when major pension reform legislation was enacted, police and fire groups made concessions under the so-called "shared sacrifice" theory. We agreed to significant reductions in our retirees COLA's, and we also agreed to higher contribution rates for our active members. At the time these changes were made, we needed to ensure the financial integrity of the plan. We knew that these were painful measures. However, all the participants believed that improving stock market conditions would allow for the COLA reduction and the contribution increases to be repealed or reversed. As recent history has shown, particularly in light of the increase in the cost of duty disability pensions, this is now not possible.

In the meantime, our retirees have suffered greatly. In the four year period from 2021-2024, inflation increased 20%. Our retired members received a maximum 4% permanent increase in this period. In some cases our retired members saw only a 1% COLA and some received no increase. (The 2023 pension bill did provide a onetime 3% lump sum COLA payment to certain of these retirees.) The current situation is simply not acceptable nor tolerable. Minnesota public safety servants all deserve a more dignified retirement. This legislation is needed to accomplish that.

We recognize there is a significant cost to this legislation. We are asking the Governor and legislative leaders to provide an estimated \$50 million annually in state general funds and put it in the base budget in order to fund this legislative proposal.

We appreciate the support the PERA Board gave this legislation last year. We again asked the PERA Board to support this initiative with a full understanding that it needs to be paid for by the state so we can ensure the solvency and integrity of our pension fund going forward.

Cc. Sen. Nick Frenz  
Rep. Tim O'Driscoll  
Doug Anderson, PERA Executive Director  
Amy Streng, PERA Legislative Director