PUBLIC EMPLOYEES
RETIREMENT ASSOCIATION

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

Initiative: Probation Officer Early Retirement

Stakeholders: The Minnesota Association of County Probation Officers (MACPO).

The Minnesota Corrections Association, Minnesota Association of Community Corrections Act Counties, Minnesota Association of County Probation Officers, MAPE, Teamsters, and AFSCME Council 5 are supporting the bill.

Background

PERA General has over 160,000 active members working throughout local government. The Plan covers a very wide range of occupations. are approximately 1,300 probation officers in PERA General.

PERA General active members contribute 6.5 percent of their pay and employers contribute 7.5 percent of payroll. A PERA General member's retirement is 1.7 percent x years of service x high-five average salary. A PERA General member may retire at age 66 with an unreduced benefit. If a member retires prior to age 66, the benefit is actuarially reduced. This means the benefit is reduced to account for less contributions and the longer pay out period. A PERA General member's benefit is coordinated with Social Security. This means the combined benefit from these two sources should be considered when determining a reasonable retirement benefit at a reasonable age.

MACPO Initiative

MACPO is seeking legislation that would allow for an earlier retirement age for unreduced benefits based on age 60 or 35 years of service for probation officers (including parole officers and supervised release agents) within PERA General. This means that probation officers if they meet either the age or service requirement would be able to retire with an unreduced benefit. The proposed funding source to pay for the cost of this change is an increase in the employee contribution rate for probation officers. The bill increases the employee contributions beginning January 1, 2026. The benefit would be available to these members beginning January 1, 2028.

MACPO explains the reason behind the proposal:

> "A high degree of physical and acute mental competency is required of probation, parole, and supervised release agents/officers in the daily performance of their duties. They supervise a diverse group of clients and meet with them in a variety of settings, at any hour of the day, without any form of personal protection. Their work is high stress and includes maintaining

personal and public safety, managing large caseloads, and the complex nature of the clientele. The option to retire at sixty years of age or thirty-five years of service should be ratified to maintain a vital productive, and safe probation, parole, and supervised release workforce in Minnesota."

Information provided by MACPO outlines more details relating to the proposal, stakeholder engagement, and supporters of the legislation. See the attachments 1 & 2. MACPO notes that the actuarial study does not the match the current proposal. The current proposal includes commencing the contribution increase effective January 1, 2026 and deferring the effective date of the benefit increase to January 1, 2028. MACPO is seeking an updated actuarial study.

Staff Review

PERA staff understands the case presented by the stakeholders for an earlier unreduced retirement for probation officers. However, staff is concerned that the proposal includes past service in the determination of the benefit eligible for an earlier unreduced commencement. More specifically, the assessment of the cost for the past service benefit to current and future members is an example of intergenerational inequity amongst the members.

The bill identifies a single higher contribution rate for eligible members effective January 1, 2026. The numbers shown below are based on a preliminary actuarial study that is similar to, but not identical to what is proposed in the bill. The contribution rate increase over and above the current rate of 6.5 percent should be considered in two components:

- Component 1 is the cost to apply an earlier unreduced retirement to future service benefit accruals only. This cost, identified as 1.44 percent, is reasonable to apply to all current and future members. Simply put the cost assessed to the member is comparable to the benefit accrual earned by that member. Component 1 is not a concern to PERA staff. Members that benefit will pay an appropriate cost.

- Component 2 is the cost to apply an earlier unreduced retirement to past service accrued benefits. The estimate cost of this component is 3.36 percent of pay. This benefit is ONLY available to members with past service as of the January 1, 2028 effective date and paid for ONLY by members with future service on or after the contribution increase date of January 1, 2026. Some people will be in both groups, but future hires will be in only one.

The value of the increased benefit is not at all proportionate to what a member will be required to pay. Some members may receive an increase for 30 or more years of past service, but only pay a higher cost for two years. Meanwhile, all members that remain active AND all future hires, will have an additional 3.36 percent contribution increase applicable for the remainder of their career. MACPO is evaluating the cost impact of a delay in the benefit increase effective date. However, the delay in benefit commencement will likely have a limited impact on the cost of the benefit increase and no significant impact to remedy this inequity.

This proposal will directly result in the cost of past service benefits only for current members shifted to current and future hires. The 3.36 percent of pay increase must be applicable to total payroll for this group (including future hires) until the end of the amortization period in 2048 to fully pay for the costs of benefit improvements for the current members. The proposed legislation does not limit the additional cost assessment to 2048, meaning the additional higher contribution rate is proposed to continue indefinitely.

The following examples help demonstrate how this proposal applies:

1. A 58-year-old member with 28 years of service will be eligible to retire in two years (on or after January 1, 2028) at age 60 with an unreduced benefit of $51,000 (assuming a final average salary of $100,000). Under current plan provisions, the actuarially equivalent reduced benefit is about $29,000. The present value over the member's expected lifetime of the $22,000 annual benefit increase is about $325,000. This member would contribute approximately $9,600 to help fund this benefit.

2. A new member joining January 1, 2026, would be required to contribute at the higher rate. The 1.44 percent cost component to pay for their future benefit accruals is reasonable and a net wash to the member (their cost equals their benefit). However, this member would also be required to contribute an extra 3.36 percent over their entire career to help fund past service benefits for current members. The extra contribution for this member is a lost opportunity for how that money applies for their retirement (or any other purpose). If the member retains those contributions, and invests them for 30 years earning 7 percent, the member would have over $330,000 (assuming $60,000 starting pay & 5 percent pay increases). This member has subsidized the benefit increases of the previous generation at great expense to their own income.

These are two extreme examples. An entire spectrum of those that gain and those that lose lies between these examples. In the aggregate, over $70M of past service benefit cost for current members will be shifted to current and future members.

In addition to the above, staff notes several other concerns:

1. The proposal carries some cost risk to other PERA members. The cost estimate assumes that the headcount for this group will remain constant until 2048 and that total payroll will increase by 3 percent. There is potential that the large benefit increase effective January 1, 2028 will accelerate retirements at that time (roughly one in six active members is over age 55 now). This could reduce headcount and result in pay for this group not achieving 3 percent annualized growth. The result would be a cost transfer to the other members in the General Plan.

2. PERA staff is concerned that members voicing support may not have a full understanding of the intergenerational inequity. Furthermore, a 3.36 percent contribution rate will apply to new hires with no corresponding benefit. This group currently has no voice and inevitably will come to understand that their contribution is disproportionate to their benefit.

3. The bill as drafted does not include any provision for a reassessment of costs if the assumptions for the study are not met. For example, if retirements are higher than expected, the cost impact will be higher AND the group to which the cost is assessed may be smaller. A new higher cost would need to be assessed to this group, not the other members of the Plan. A mechanism would need to be in place to make sure this group is adequately charged for their unique benefit.

4. The bill does not clearly state that the member must have been in the defined role for their past service in order to receive the increased past service benefit. For example, if a member was in a different General Plan covered position for 25 years before moving into the defined role prior to January 1, 2028, they appear to still be allowed to receive their entire past service unreduced. This issue could be addressed in a statute modification, but that would not address the administrative challenge of determining whether all past service is eligible.

5. One key feature of a defined benefit plan is that it provides consistent and equitable retirement benefits to all members based on a set formula, regardless of their specific position. If this proposal becomes law, however, the plan would offer different benefits to one group of members. Staff notes that this could set a precedent, leading other groups within PERA General to advocate for different benefit provisions and contributions based on their particular position.

6. One of PERA's long-term board positions relates to the eligibility for benefits for individuals or groups. Specifically:

   "The PERA Board of Trustees generally opposes legislation that creates exceptions for one individual or group regarding the benefits available to them, though such legislation may be reviewed on a case-by-case basis."

   The proposal allows probation officers to retire at age 60 or with 35 years of service with an unreduced benefit, which is a benefit unavailable to other PERA General members. In addition, the proposal may provide a benefit unavailable to members within the group.

In summary, PERA staff have noted several concerns with the proposal. Most concerning is the inclusion of past service which makes the proposal inequitable within the defined membership group.

Staff also notes that probation officers are included in a separate actuarial study commissioned by the board for a new public safety plan. That study is proposed to cover a broader group (including 911 telecommunicators) and is based only on future service.

Thank you for including our 60/35-Reasonable Retirement for Probation Officers proposal in your agenda for your February Board meeting. Below please find an overview of the initiative and the supporters.

The Proposal

The proposal we are pursuing this session would allow probation officers to retire after 60 years of age or 35 years of service. The proposal includes both county and state probation officers. The proposed effective date for employees to begin paying into fund the benefit would be January 1, 2026. The date that employees would be able to utilize the benefit would begin on January 1, 2028. We pushed out the dates both for implementation for PERA and for benefit eligibility to address PERA's concerns about intergenerational equity. The proposal would be entirely employee funded... the actuarial study ... did not include the two-year transition time and that estimated a total employee contribution of 4.8% of probation officer payroll... We are waiting on a final actuarial analysis from GRS to define the final percents of the employee contributions. We anticipate the cost will be a little lower since we will have two years of individuals contributing to the plan without those individuals taking advantage of the benefit.

Stakeholder Engagement

Over the past decade, probation officers have collectively pursued a reasonable retirement option. The Minnesota Association of County Probation Officers (MACPO) initiated an actuarial study in 2009 to explore such an option, aiming to allow early retirement for officers at age 60 or after 30 years of service.

Despite continuous discussions among probation stakeholders for over a decade, it wasn't until the spring of 2023 that representatives from MACPO and the Minnesota Corrections Association (MCA) decided to pursue a reasonable retirement option at the legislature. Probation representatives started engaging in the process of pursuing a reasonable retirement option by meeting with PERA to discuss this option. PERA recommended hiring an actuary to develop a proposal and run the numbers to understand the cost of the proposal. Probation stakeholders then engaged GRS for an actuarial analysis. Probation officers statewide compiled names and titles of all state probation officers, which were subsequently shared with PERA and MSRS to obtain the necessary data for GRS's study.

After numerous discussions with probation officers, PERA, and MSRS, and multiple actuarial analysis, the proposal changed from allowing retirement at 60 years of age or 30 years of service to: 60 years of age or after 35 years of service. We included a two-year delay where members would be paying the additional cost of the benefit prior to members being able to take the benefit. The delay aimed to address PERA's concerns regarding intergenerational fairness by reducing some of the cost for employees that are further from retirement.

Supporters

The bill is being supported by the Minnesota Corrections Association, Minnesota Association of Community Corrections Act Counties, Minnesota Association of County Probation Officers, MAPE, Teamsters, and AFSCME Council 5. We have held townhall meetings where we have discussed this initiative and over 600 probation officers from across the state attended the townhalls. Our Chief Authors will be Senator Kupec and Representative Wolgamott…

60 OR 35: REASONABLE RETIREMENT FOR PROBATION, PAROLE, AND SUPERVISED RELEASE OFFICERS

A high degree of physical and acute mental competency is required of probation, parole, and supervised release agents/officers in the daily performance of their duties. They supervise a diverse group of clients and meet with them in a variety of settings, at any hour of the day, without any form of personal protection. Their work is high-stress and includes maintaining personal and public safety, managing large caseloads, and the complex nature of the clientele.

The option to retire at sixty years of age or thirty-five years of service should be ratified to maintain a vital productive, and safe probation, parole, and supervised release workforce in Minnesota.

STATISTICS

- There are approximately 1,800 probation, parole, and supervised release agents in Minnesota.
- Agents hired before 1989 benefit from the Rule of 90 allowing them to retire, without a penalty, when their age plus years of service equals 90.
- Agents hired after 1989, retiring before age 66, receive a six percent reduction each year prior to full retirement.
- The average agent in Minnesota is 43.8 years old and has served in Minnesota as a probation officer for 12.4 years.
- According to Washington D.C.: Bureau of Justice Statistics, Minnesota has the 11th highest rate of population under correctional control in the nation, primarily driven by having the 5th highest rate of people under supervisions.

BENEFITS

Employee Buy-In

Probation, parole, and supervised release officers across the state of Minnesota, and across the three probation delivery systems, support paying in more money to allow them the option for unreduced reasonable retirement at 60 years of age or 35 years of service.

Healthy Workforce and Employee Retention

Reasonable retirement benefits will incentivize agents to stay in the job longer. With the 60/35 option, probation officers will know their work is valued and will stay in their role longer knowing that early unreduced retirement is something they paid into over their years of service.

AGENT RETIREMENT IN NEIGHBORING STATES:

- South Dakota and Wisconsin
  - Rule of 75
- Iowa
  - Rule of 88
- Kansas
  - 55 years of age/30 years of service
- Illinois and Nebraska
  - Age of 55
- Federal
  - Age 57
- Indiana
  - Rule of 85
- Wyoming
  - 20 years of service

Cost of Benefit Change:

An actuarial study was conducted by GRS Consulting to identify the impact that the 60 years of age/35 years of service would have on individuals paying into the retirement plan.

- Estimated impact on agents enrolled in MSRS:
  - Current % of payroll: 1.31-1.70%
  - Supplemental contribution: 2.01-2.68%
  - Total contribution: 3.32-4.38%
- Estimated impact on agents enrolled in PERA:
  - Current % of payroll: 1.68-2.09%
  - Supplemental contribution: 4.07-5.03%
  - Total contribution: 5.75-7.12%

60 OR 35 REASONABLE RETIREMENT FOR PROBATION OFFICERS, PAROLE OFFICERS, AND SUPERVISED RELEASE AGENTS

The Role Of Probation Officers, Parole Officers, and Supervised Release Agents

Probation, parole, and supervised release agents are a vital part of our public safety ecosystem. These officers directly supervise adult and juvenile probationers who have committed offenses that can range from a DWI to murder. Probation, parole, and supervised release clients are assigned a level of supervision based on their risk to re-offend or their risk to public safety. This includes contact with correctional clients ranging from several times per week to quarterly based on evidence-based practices and validated risk assessment tools. These contacts are community-bound in the office, offender's homes, residential treatment facilities, or in custodial facilities.

Probation, parole, and supervised release officers are subject to consistent primary and secondary trauma. These officers and their families have become the target of violence including sexual assault, physical assault, stalking, and other threats all because of their job. Over their career, trauma can impair their ability to perform the functions of their job. These types of trauma may include person to person crimes committed by offenders, responding to victim's needs, protecting their families in the community when crossing paths with correctional clients, and having a sense of hypervigilance to community members who have been on probation or supervised release in the past or present.

The history of trauma and critical incidents leads to an early burnout of officers as it impairs their ability to continue to be effective agents of change and promote public safety. The 60/35 retirement option will allow probation officers that have been tested mentally and physically, to retire at a reasonable time after having served for 35 years or reaching 60 years of age.

Support Organizations

Minnesota Association of County Probation Officers

maccac — Minnesota Association of Community Corrections Act Counties

Minnesota Corrections Association — Established 1933

MAPE

International Brotherhood of Teamsters Local 320

Council 5 AFSCME — We make Minnesota happen

Learn more about the effort to offer probation officers unreduced reasonable retirement by contacting:

AFSCME Council 5: Ethan.Vogel@AFSCMEMN.org
MACPO, Nancy Haas: Nancy.Haas@PoulHaas.com
MACCAC, Matthew Cook: MCook@MNCounties.org
MCA, Courtney Jasper: Courtney.Jasper@PoulHaas.com
MAPE, Devin Bruce: DBruce@MAPE.org
Teamsters Local 320, Ed Reynoso: EReynoso@TeamstersLocal320.org