



Association of Minnesota Counties



March 1, 2021

Members of the Legislative Commission on Pensions and Retirement:

Our organizations support HF 1678 (Rep. Cheryl Youakim), a bill which extends the termination date of the Public Employees Retirement Association (PERA) state aid program to non-school public sector employers with employees who have pension coverage through the PERA General Plan.

In 1997, the legislature increased the required employer contribution by 0.70% of salary and agreed to pick up 50% of the increased cost. The appropriation for this program was subsequently fixed at \$13.8 million per year. As of 2019, 1,367 local units of government across the state are impacted by this program.

At the time the aid program was created, the PERA General Plan was 80% funded and its target date for full funding was June 30, 2020 and as a result, the PERA aid program was set to terminate on that date. The PERA General Plan's full funding date has been adjusted several times since 1997, however, each time the full funding date modified, including in the 2018 omnibus pension bill, the termination date of the 1997 PERA state aid program was not extended.

The employer-contribution rate has increased 45% since 1997 and the contribution amount \$255 million or nearly 110% from just 2004 alone. The PERA General Plan is currently funded at 79.1% its full funding date is now set at June 30, 2048.

The PERA State Aid program is in essence a local government aid program for every city, county, township, soil and water conservation district, county and city hospital, county nursing home, library system, public utility, and other special purpose districts which have employees covered for pension purposes by the PERA General Plan.

Last biennium, the Pension Commission and the legislature discussed extending the program but took no action and as a result, the last payments were made in December 2019. Extending the sunset date this session would allow the aid to continue being distributed until PERA General Plan is fully funded and avoid ongoing property tax increases.

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