

To: *Representative Mary Murphy*
From: *Susan Lenczewski and Chad Burkitt*
Subject: *Brief Summary of H.F. 4306 (Murphy)*

Date: March 30, 2022

Article 1 – Increase COLA to 2.5% (identical to HF 3771 (Nelson))

- Increases the COLA to 2.5% for the MSRS plans (General, Legislators, Unclassified, Correctional, State Patrol, Judges), TRA, and St. Paul Teachers Retirement Fund Association.
- Increases the COLA for PERA General Plan, which is tied to the CPI, to pay 65% of CPI, up to 2.5%. (No change for the PERA Local Correctional Plan, which is equal to the CPI, up to 2.5%.)
- COLA changes are effective for the COLA paid beginning January 1, 2023, and thereafter.

Article 2 – Temporary Reduction in Employee Contributions

Reduces the employee contribution rate by 1% of pay for 3 years for the statewide plans and St. Paul Teachers (beginning July 1, 2022, expiring June 30, 2025). Resulting employee contribution rates include the following:

- MSRS General Plan and Unclassified Plan: 5% of pay
- MSRS Correctional Plan: 8.6% of pay
- MSRS State Patrol Plan: 14.4% of pay
- PERA General Plan: 5.5% of pay
- PERA Police and Fire Plan: 10.8% of pay
- PERA Local Correctional Plan: 4.83% of pay
- TRA, Minnesota State IRAP, and St. Paul Teachers: 6.5% of pay

Article 3 – Reduction of Investment Rate of Return Assumption

Article 3 reduces the actuarial assumption for investment rate of return, which is currently 7.5%. The new rate is left blank. (Statewide plan directors are requesting a new rate of 7%.)

Article 4 – Increase and Extend Direct State Aid to Certain Plans

The amount of state aid is increased by 50%, effective on July 1, 2022, as follows:

- PERA Police and Fire Plan: increased from \$9 million to \$13.5 million
- St. Paul Teachers Plan: increased from \$5 million to \$7.5 million
- MSRS Judges Plan: increased from \$6 million to \$9 million

The expiration date is extended by 20 years to 2068.

Article 5 – Appropriation of \$1 Billion

\$1 billion is appropriated, to be allocated among the 8 statewide pension plans (MSRS General, Correctional, State Patrol, Judges Plans; PERA General, Police and Fire, Local Correctional Plans; TRA) and St. Paul Teachers.

- The allocation is based on market value of assets for each plan as a percentage of the total market value of assets for all plans, as of the most recent June 30.
- For example, TRA has about \$25 billion of the \$90 billion of total pension assets and so would receive about \$278 million of the \$1 billion appropriation.