

2018 Pension Bill Overview

Dear MMRA Member,

Thank you!

On May 31, Governor Mark Dayton signed a pension reform bill that stabilized pensions for 511,000 Minnesotans and increased the COLA for PERA General retirees. This increase includes **you!**

Before the bill was signed, the State of Minnesota faced \$16.2 billion in unfunded liabilities for public pensions. The bill signed by Governor Dayton places the State of Minnesota on a path to fully fund state pensions within 30 years. In addition, this legislation replaces the current 1% COLA with a COLA that will adjust with inflation, up to 1.5%.

Your support over the last three years made it possible for MMRA to lead this important effort on behalf of retirees and ensuring that the long term solvency of public pensions is shared by **all** public employees, retirees, employers and the state government.

And we were successful!



Governor Mark Dayton on signing the Pension Bill: “Hard working Minnesotans who have dedicated their lives and careers to serving our state deserve the security of retirement benefits they have rightly earned. This bipartisan legislation stabilizes pension benefits for 511,000 workers, retirees, and their families. I thank members of the pension commission, Legislators, and my terrific MMB Commissioner Myron Frans for securing the bipartisan enactment of these essential reforms.”

Where were we? In 2010, when Minnesota was facing a state government budgetary crisis, PERA members saw our COLA reduced to 1%, even though our health care and other costs continued to increase. This reduction came with a promise: our COLA would increase to 2.5% when PERA General is 90% funded. Unfortunately, actuaries estimated that PERA would not reach the 90% threshold until 2045, making it extremely unlikely that MMRA members would ever receive a COLA increase.

In 2016, PERA’s staff proposed **permanently** keeping your COLA at 1% and eliminating the 2.5% trigger. MMRA led the charge to oppose this effort, successfully testifying before the Board and persuading them to work with retirees on a fair COLA that helps your pension keep pace with inflation.

But we weren't done. In 2016 and 2017, the Legislature **twice** proposed removing the 2.5% trigger with **no replacement**. This would have permanently kept your COLA at 1% and treated PERA General retirees different than all other public pension retirees. MMRA's team worked hard to show our elected officials the significant adverse impact this would have on your financial security. And again, working with PERA, **we won!**

During 2018, MMRA worked with the PERA board and staff on a new, fair COLA structure that better helps your pension benefit keep pace with inflation, within the financial constraints faced by PERA. Originally PERA staff proposed a COLA with a ceiling of 1%. Through our negotiations with PERA Trustees and staff, and working with employer groups, we negotiated a cost-of-living based COLA with a floor of 1% and a ceiling of 1.5%. Along with others, MMRA worked at the Legislature to enact the new COLA, garnering unprecedented unanimous support and, ultimately, Governor Dayton's signature.

What does the new law mean? The 2018 pension reform bill allows your COLA to increase with inflation. Your COLA will **never** be less than 1%, but could go up to 1.5% depending on inflation. **You will see COLA increases far sooner than under the former COLA structure.**

If inflation is:	2% or lower	2-3%	Higher than 3%
Your COLA is:	1%	50% of inflation	1.5%

What's next? There is still more to be done, and MMRA will keep fighting for you! While the new COLA is a big improvement from the old one, it still doesn't fully prevent pension erosion. We will continue to protect your benefits from those at the Legislature who would reduce it, while working to improve what we just won.

The November 2018 election will bring many changes in Minnesota, including a new Governor and at least 25 new members of the Legislature. New state budget forecasts are coming in November 2018 and February 2019, and although Minnesota has seen a surplus in the past five years, we don't know if that will continue.

MMRA will continue to make sure the new Administration and all legislators understand that retirement security is promise that **must** be kept for the PERA General retirees who dedicated their lives to public service. We will continue to fight **for** a COLA that better protects you, and fight **against** any efforts to balance the state's finances on the backs of public employee retirees.

Thank you again for your support of MMRA. Together, **WE WIN!**

Sincerely,

Leonard Krumm
President