



April 30, 2020

Re: HF 4018 - Public Employee Retirement Association increased employer contribution funding provided through extending aid to local governments

Dear Members of the House Government Operations Committee,

PERA's Board supports extension of the sunset date for the Local Government Aid currently being paid to over 1,400 of our contributing City, County, and Township employers.

The aid was established in 1997 as part of the Pension Reform & Uniformity Proposal that included a 1% of payroll contribution increase assessed to the employers. The aid was provided directly to the employers to help partially offset their 1% of payroll annual contribution increase to PERA.

At that time, the 1% increase was expected to help fully fund the plan by the year 2021. Progress to full funding has been delayed despite benefit reductions to members that have occurred several times over the past twenty years. The primary reasons for the delay to reach full funding are investment returns since that time less than what was assumed and recent changes to use more conservative assumptions.

As of our last actuarial valuation date, the fund is now expected to be fully funded in 2037 if the current assumptions are met. The 1% contribution increase continues to be necessary to progress the plan to full funding. PERA's board supports the continuation of the aid to help employers cover the cost of that important component of our plan sustainability efforts.

Sincerely,

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