

May 4, 2021

To: The Honorable Representative(s) Nelson, M.; Xiong, T.; Masin; Greenman; Nash and Senator(s) Kiffmeyer; Lang; Koran; Howe; Carlson

Re: **Opposition to the MERF provision in the Senate side of the Omnibus State Government Finance bill (HF1952)**

Dear Chairs Nelson, Kiffmeyer and Members,

The City of Minneapolis, Minneapolis Park and Recreation Board, Minneapolis School Board and Hennepin County respectfully oppose the proposed \$10 million state aid reduction to the Minneapolis Employee and Retirement Fund (MERF) in lines 14.21 – 14.27 of the Senate position.

The state legislature had oversight of MERF since its inception. When the state closed MERF to new members in 1978, it also agreed to provide funding to meet the liabilities it helped create in the plan. Later, when MERF was merged into PERA, the state’s contribution to MERF was part of an agreement between the state, MERF employers, and beneficiaries to address MERF’s significant unfunded liability and allow for an administrative merger into PERA. This agreement prevented MERF from becoming insolvent. Far from being a subsidy for MERF employers the state’s contribution recognized its role in overseeing and mismanaging the fund. The proposed aid reduction in effect reneges on the state’s commitment to MERF employers and beneficiaries and seeks to obfuscate its role in the near insolvency of a major public pension fund.

The provision reduces the share from the State by \$10 million and shifts the cost to property owners and businesses. This tax shift should not be looked at in isolation. Residents and businesses are still recovering from the impact of the COVID-19 pandemic, and in Minneapolis, the convergence of multiple crises. Adding an additional burden by reversing the financial commitment from the state is ill advised and jeopardizes the funds integrity.

Collectively, local jurisdictions have contributed over \$467.3M to MERF since 1980, a 54.4% share of the total contribution. We are proud to support our retired employees and fulfill the benefits they were guaranteed for their public service. However, local jurisdictions were not engaged as this change was being considered in the Senate, nor was there committee activity and an opportunity for the public to weigh in on this provision in a meaningful way.

We encourage the adoption of the House language and ask you to maintain the fiscal integrity of MERF. We thank the state for its continued commitment and contribution to MERF thus far, much like the state contributes to over a dozen local pension plans across the state, and look to the Chairs and committee members for further engagement on any changes to this needed financial agreement.

Sincerely,

Fatima Moore; City of Minneapolis
Josh Downham; Minneapolis Public Schools
Brian Rice; Minneapolis Park & Recreation Board
Kareem Murphy; Hennepin County
David Johnson; MMRA