PUBLIC EMPLOYEES
RETIREMENT ASSOCIATION

Date: February 12, 2026
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Amy Strenge, Policy Coordinator
Subject: 2026 PERA Legislative Agenda – Correctional Plan

The 2026 legislative session begins on February 17, 2026. In preparation for the 2026 session, staff developed proposed changes for PERA's Correctional Plan (the Plan) for the PERA Board's consideration.

Background

As noted at the December board meeting, the Plan has achieved 105 percent funded status with a 4.8 percent sufficiency. Currently, the Plan has approximately 2,100 retirees, 4,100 actives, and 4,800 deferred members. Contributions have been set according to a 60/40 split between employers and employees. Modified in 2025, the current contribution rates are 10.25 percent for employers and 6.83 percent for members. The post-retirement adjustment formula is 100 percent of CPI with a 1 percent minimum and 2.5 percent maximum.

Staff Proposal

In alignment with the PERA Board's priorities for the Correctional Plan, staff developed a recommendation to modify the post-retirement formula and adjust the employer and employee contributions effective January 1, 2027.

Staff recommends modifying the post-retirement formula by increasing the maximum to 3 percent. The new formula would be 100 percent of CPI with a minimum of 1 percent and a maximum of 3 percent. In addition, staff recommends reducing the current contribution rates for employers and employee contributions. Maintaining the 60/40 split, the new contributions would be 9 percent for employers and 6 percent for members.

The Board has prioritized improving postretirement inflation protection for all members when it is affordable to do so. Increasing the cap will further connect actual increases to CPI changes. The board also supports maintaining combined member and employer contributions at or near the plan's normal cost.

The recently completed experience study, approved by the Legislature, resulted in the plan's normal cost decreasing from 15.20% to 14.14% and the funding ratio improving to over 100%. The proposed lower contributions result from a lower expected cost of future benefit increases. The improvement to the postretirement formula are possible due to accrued liabilities for all members being over 100% funded.

The impact of the recommended changes are as follows:

	Baseline results	After Proposed Change
Funding Ratio (MVA)	**105.2%**	**102.2%**
Statutory Contributions		
Member	6.83%	6.00%
Employer	10.25%	9.00%
Total	17.08%	15.00%
Required Contribution		
Normal Cost + Expenses	14.33%	14.72%
UAAL Amortization	(2.05%)	(1.16%)
Total	12.28%	13.56%
Contribution Sufficiency	**4.80%**	**1.44%**
Contributions/Normal Cost	**119%**	**102%**
Full Funding Date	**2025**	**2025**

Staff acknowledges that a concern exists relating to not maintaining the current surplus. As shown above, the Plan remains fully funded at 102 percent and maintains a 1.44 percent sufficiency. The assumptions for the Plan are considered reasonable by our actuary, and if all assumptions are met, the Plan will continue to improve from its current status. In addition, FY 2026 investment returns are in excess of the assumption as of December 31, 2025.

If there is focus on changing only one metric (either the post retirement adjustment or the normal cost), the change may not impact all members similarly. Modifying the post-retirement adjustment enhances the benefit for all members, including current and future retirees. The Plan does have a provision that would lower the post-retirement adjustment if the Plan declines. If we only focus on the post-retirement adjustment, active members and employers will continue to pay above the normal cost. Maintenance of the current contribution sufficiency is akin to current members and employers (taxpayers) paying more than their share, which is problematic.

Stakeholders

Staff reached out to the following members stakeholders: MNCORA, LELS, AFSCME, TEAMSTERS, and MNPEA.

> MNCORA, MNPEA, LELS, and AFSCME support the initiative. See the attached letter from MNCORA.

Staff reached out to the following employer stakeholders: MICA and AMC.

> MICA and AMC support the initiative.

Staff will update the memo to reflect additional stakeholder feedback.

Staff Recommendation:

PERA Staff recommends that the PERA Board of Trustees direct staff to seek legislation modifying the post-retirement formula and decreasing the employer and employee contributions for the PERA Correctional Plan.

MNCORA

Minnesota Correctional Officer Retirement Association

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1/16/2026

PERA Executive Director Doug Anderson and PERA Board,

The Minnesota Correctional Officer Retirement Association executive board unanimously supports PERA's proposal for the PERA Correctional Plan:

COLA Proposal
Raise Cap to 3%
Lower Employee Contributions from 6.83-6%
Lower Employer Contributions from 10.25-9%
Still maintains 60/40 split

Signed,
MNCORA Executive Board

Wade Laszlo, President

Wade Laszlo