

New TRA rates and Education Minnesota's costing program

Background

As part of a package of legislative changes to Minnesota's pensions passed in 2018, there is an increase in the contributions that Minnesota school districts will be paying towards employee pensions, beginning in the 2018-19 fiscal year.

Pension contributions will increase by 0.21 percent each year for until 2023.

Fiscal year effective	Employer contribution rate	Contribution amount above 7.5 percent	Employee contribution rate
2018-19	7.71%	0.21%	7.5%
2019-20	7.92%	0.42%	7.5%
2020-21	8.13%	0.63%	7.5%
2021-22	8.34%	0.84%	7.5%
2022-23	8.55%	1.05%	7.5%
2023 and beyond	8.75%	1.25%	7.75%

Employers will only be responsible for the cost of a 7.5 percent pension contribution. **Everything above that amount is reimbursed by the state.**

Because employers are only contributing the base rate of 7.5 percent, our costing program was set up to account ONLY for those costs as a true, honest representation of total cost to the district.

What changed?

Employers typically purchase a costing program from a company called schoolfinance.com. The costing program being sold to districts shows only the employer contribution rate at the new level, rather than the true cost to the district at 7.5 percent.

If our costing program does not show the costs at the new contribution rates or account for the differences between pension costs, it may be extremely difficult to reach agreement on the value of settlements.

How does our costing program show the new TRA rates?

The Info tab shows the increase in contribution rates over the life of the contract, both alone and combined with FICA contributions.

22				
23	The employer contribution rate for TRA has increased but is paid for by the state			
24	TRA + FICA combined rates		TRA rates	
25	2018-19 original	15.15%	7.50%	
26	2018-19 current	15.36%	7.71%	
27	2019-20	15.57%	7.92%	
28	2020-21	15.78%	8.13%	
29				
30	The increase is 0.21% per year			
31				

The costing program will automatically calculate pension costs based on the actual employer costs at 7.5 percent and the new annual rates and show a comparison between the two. Negotiators only need to enter base data and manipulate the program as usual to see the pension costs summarized.

The Base, Y1 and Y2 tabs summarize both the actual cost the district based on a 7.5 percent contribution rate and the increased, reimbursed pension costs based on the new TRA rates. The graphics below show an example of a settlement with the new pension costs and total package values comparisons.

Base (2018-19)

		Salary + Benefits + Extra-Curricular	Total package w/ TRA increase included
<p>The TRA employer contribution rate for 2018-19 is 7.71%. The district does not pay for 0.21% of the increase; it is reimbursed by the state and should not be costed against a final total package.</p>	Total Salary 2018-19 =	\$ 8,322,961	Total Salary 2018-19 = \$ 8,322,961
	Total Fringe Benefits =	\$ 1,117,267	Total Fringe Benefits = \$ 1,117,267
	Total Extra-curricular =	\$ 296,782	Total Extra-curricular = \$ 296,782
	TOTAL Cost 2018-19 =	\$9,737,010	TOTAL Cost 2018-19 = \$9,737,010
	TRA & FICA =	1,305,891	TRA & FICA = 1,323,993
	Total w/ TRA & FICA =	\$11,042,901	Total w/ TRA & FICA = \$11,061,003
			TRA COST TO DISTRICT AT 7.5% 646,481
			TRA COST TO DISTRICT AT 7.71% 664,582
			TRA INCREASE PICKED UP BY THE STATE (0.21%) 18,101

Year 1 (2019-20)

		Salary + Benefits + Extra-Curricular	Total package w/ TRA increase included	
<p>The TRA employer contribution rate for 2019-20 is 7.92%. The district does not pay for 0.42% of the increase; it is reimbursed by the state and should not be costed against a final total package.</p>	# of Empl.			
	Cost			
	899 16 \$ 30,392	TOTAL COST =	\$ 10,332,447	TOTAL COST = \$10,332,447
	131 28 \$ 87,665	\$ Increase over 2018-19 =	\$ 595,437	\$ Increase over 2018-19 = \$ 595,437
	- 0 \$ -	% Increase over 2018-19 =	6.12%	% Increase over 2018-19 = 6.12%
Total = \$ 118,056	Cost per FTE 2019-20 =	\$ 65,350	Cost per FTE 2019-20 = \$ 65,350	
	\$ Increase / FTE 2019-20 =	\$ 3,766	\$ Increase / FTE 2019-20 = \$ 3,766	
	TRA and FICA =	1,382,325	TRA and FICA = \$1,420,647	
	Total including TRA & FICA =	\$ 11,714,772	Total including TRA & FICA = \$11,753,094	
	Increase including TRA & FICA =	\$ 671,871	Increase including TRA & FICA = 692,091	
	% incr. including TRA & FICA =	6.08%	% incr. including TRA & FICA = 6.26%	
			TRA COST TO DISTRICT AT 7.5% 684,319	
			TRA COST TO DISTRICT AT 7.92% 818,330	
			TRA INCREASE PICKED UP BY THE STATE (0.42%) 134,011	

Year 2 (2020-21)

		Salary + Benefits + Extra-Curricular	Total package w/ TRA increase included	
<p>The TRA employer contribution rate for 2020-21 is 8.13%. The district does not pay for 0.63% of the increase; it is reimbursed by the state and should not be costed against a final total package.</p>	# of Empl.			
	Cost			
	775 16 \$ 31,608	TOTAL COST =	\$ 10,965,309	TOTAL COST = \$10,965,309
	256 28 \$ 91,171	\$ Increase over 2019-20 =	\$ 632,862	\$ Increase over 2018-19 = \$ 632,862
	- 0 \$ -	% Increase over 2019-20 =	6.12%	% Increase over 2018-19 = 6.12%
Total = \$ 122,779	Cost per FTE 2020-21 =	\$ 69,352	Cost per FTE 2019-20 = \$ 69,352	
	\$ Increase / FTE 2020-21 =	\$ 4,003	\$ Increase / FTE 2019-20 = \$ 4,003	
	TRA and FICA =	1,460,976	TRA and FICA = \$1,521,730	
	Total including TRA & FICA =	\$ 12,426,285	Total including TRA & FICA = \$12,487,038	
	Increase including TRA & FICA =	711,513	Increase including TRA & FICA = 733,945	
	% incr. including TRA & FICA =	6.07%	% incr. including TRA & FICA = 6.24%	
			TRA COST TO DISTRICT AT 7.5% 723,256	
			TRA COST TO DISTRICT AT 8.13% 868,452	
			TRA INCREASE PICKED UP BY THE STATE (0.63%) 145,197	

The total pension cost to the district in each year and each tab is summarized and the difference between the district's true cost and the new cost, which is the amount that will be reimbursed by the state, is shown. **This dollar value is important.** If a district claims that they are already paying or can pay the difference, this dollar value becomes an amount that should be negotiated as part of the overall settlement.

In short: don't let the district get away with costing the pension increase as their expense.

The EdMN Salary Report tab is the settlement report that all locals send in to Education Minnesota each year. This report shows only the value of the settlement with the new TRA amounts in an attempt to get a total cost number that matches the district. It is an imperfect solution but the best one we have in order to show the impact of the new TRA rates.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	III. Cost Analysis			Education Minnesota Loonsville											
2															
3		Item		2018-19	2019-20	2019-20			\$ increase		2020-21		2020-21		
4				costs	costs	\$ increase			over 2018-19		costs		\$ increase		
5				A	B	C			(B-A)		D		E		
6													(D-B)		
7		1. Number of FTE's		158.11	158.11						158.11				
8				2018-19	2019-20						2020-21				
9															
10		2. Salary Schedule Cost		\$ 8,322,961	\$ 8,817,087	\$ 494,126					\$9,323,952		\$ 506,864		
11		(include career & longevity)													
12		3. Hourly Employees		\$ -	\$ -	\$ -			\$ -		\$ -		\$ -		
13															
14		4. Health Insurance		\$ 990,228	\$ 1,075,228	\$ 85,000			\$ 85,000		\$ 1,182,751		\$ 107,523		
15															
16		5. Dental Insurance		\$ 63,036	\$ 65,557	\$ 2,521			\$ 2,521		\$ 67,524		\$ 1,967		
17															
18		6. Life Insurance		\$ 20,888	\$ 21,306	\$ 418			\$ 418		\$ 21,945		\$ 639		
19															
20		7. LTD Insurance		\$ 28,115	\$ 29,099	\$ 984			\$ 984		\$ 29,681		\$ 582		
21															
22		8. Extra Curricular		\$ 296,782	\$ 307,169	\$ 10,387			\$ 10,387		\$ 319,456		\$ 12,287		
23															
24		9. 403(b) or other tax shelters		\$ 15,000	\$ 17,000	\$ 2,000			\$ 2,000		\$ 20,000		\$ 3,000		
25															
26		10. ATPPS total compensation		\$ -	\$ -	\$ -			\$ -		\$ -		\$ -		
27															
28		11. District pension costs		\$ 664,582	\$ 722,641	\$ 58,059			\$ 58,059		\$ 784,009		\$ 61,368		
29		Note: this shows the new TRA rates													
30		12. District FICA Cost		\$ 659,410	\$ 698,006	\$ 38,595			\$ 38,595		\$ 737,721		\$ 39,715		
31															
32		Other Cost Items (specify)													
33															
34		13.		\$ -	\$ -	\$ -			\$ -		\$ -		\$ -		
35															
36		14. Total		\$ 11,061,003	\$ 11,753,094	\$ 692,091			\$ 692,091		\$ 12,487,038		\$ 733,945		
37															
38		15. Total Cost Per FTE		\$ 69,958	\$ 74,335	\$ 4,377			\$ 4,377		\$ 78,977		\$ 4,642		
39				(14A/1A)	(14B/1B)						(14D/#1)				
40															
41															
42									With ATTPS		Without ATTPS				
43		2019-20 Total Cost Percent Increase (14C/14A)							6.26%		6.26%				
44															
45															
46		2020-21 Total Cost Percent Increase (14E/14B)							6.24%		6.24%				
47															
48															
49		2019-20 Total Package % Increase per FTE (15C/15A)							6.26%		6.26%				
50															
51		2020-21 Total Package % Increase per FTE (15E/15B)							6.24%		6.24%				
52															
53		IV. Salary Schedule Percentage Increase (see instructions)													
54															
55		1. 2019-20 Salary Schedule Percent Increase							3.50%						
56		(Total of all cells 2011-12) MINUS (total cells 2010-11) Divided by (total of all cells 2010-2011)													
57															
58		2. 2020-21 Salary Schedule Percent Increase							4.00%						
59		(Total of all cells 2012-13) MINUS (total cells 2011-12) Divided by (total of all cells 2011-12)													
60															

Please contact Andrea Cecconi at acecconi@edmn.org with questions.