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Pension Updates



The election results are in and Minnesota voted for public education! Talking points, info about decision-makers and more are coming in the weeks ahead.

Moving to Phase II

This edition contains level-setting information to help members with names of plans, definitions, formulas and other necessary information when advocating for strong pensions in Minnesota.

Our educator plans in Minnesota

[PERA or Public Employees Retirement Association](#) is a set of five defined-benefit pension plans. Non-licensed employees of public-school districts fall under the [General Plan](#).

[TRA or Teachers Retirement Association](#) is a defined-benefit pension plan for Minnesota public education teachers (not including St. Paul).

[SPTRFA or St. Paul Teachers' Retirement Fund Association](#) is a defined-benefit pension plan for anyone employed in a St. Paul Public schools' position which requires a teacher's license.

General information

Vesting – When someone's earned enough credit to be eligible for the benefit:

- Current hires: TRA/SPTFRA is 3 years and PERA is 5 years

Combined service:

- If someone is vested in one of the state funds (PERA, MSRS, SPTRFA and TRA) and has at least one-half year of allowable service credit with another one or more of the funds, they may be eligible to apply for a combined service annuity upon retirement.

Normal Retirement Age for all three pensions:

- 65 if hired before July 1, 1989 and 66 if employed after.

Formulas based on age, length of service, high-five average salary and applicable multipliers:

- Employment date determines which formula or formulas are used and what options are available.

- TRA and SPTRFA has two “tiers.”
- PERA has two “methods.”
- SPTRFA has two “plans” (basic plan hired pre 7/1/78, coordinated plan for all after).

All use the “High Five” in their formula

- The highest average fiscal year salary over five successive years of formula service credit.

Funding basics

All three plans are funded with a combination of employer contributions, employee contributions and the return on investments. The contribution levels vary by plan and the return on investments typically makes up over 70% of benefits paid.

2022 contribution breakdown

	Employee	Employer
TRA	7.5%	8.55%
SPTRFA Coordinated Plan	7.75%	8.59%
PERA General Plan	6.5%	7.5%

Additional contributions are made to the funds per statute:

- TRA - Direct state aid for the 2006 merger of the Minneapolis Teachers Retirement Fund Association (approx. \$16.5 million/yr.); Direct aid from the City of Minneapolis (approx. \$2.25 million/yr.) and direct aid from the Minneapolis School District (approx. \$2.25 million/yr.) related to the MTRFA merger; Direct state aid for the 2015 merger with the Duluth Teachers Retirement Fund Association (approx. \$14.4 million/yr.)
- SPTRFA - \$5 million/year direct state aid
- PERA - \$69M/year state supplemental contributions

Pension benefits...how are they calculated?

All three pension plans use a formula:



If someone retires before their normal retirement age, there may be a reduction in benefits.

The multiplier is the most complex piece of the benefit calculation. Depending on when the years of service occurred and the employment date, the multiplier will be different:

TRA	SPTRFA	PERA
Tier 1 percentages (employed prior to 7/1/89):	Tier 1 step percentages (employed prior to 7/1/89):	Method 1 percentages (employed prior to 7/1/89):

<ul style="list-style-type: none"> • 1.2% for 1st ten years up to 6/30/06 • 1.4% for 1st ten years after 6/30/06 • 1.7% for years 11 and beyond up to 6/30/06 • 1.9% for years 11 and beyond after 6/30/06 <p>Tier 2 Level formula percentages:</p> <ul style="list-style-type: none"> • 1.7% for years prior to 7/1/06 • 1.9% for years after 6/30/06 	<ul style="list-style-type: none"> • 1.2% for 1st ten years up to June 30, 2015 • 1.4% for 1st ten years after June 30, 2015 • 1.7% for years 11 and beyond up to 6/30/15 • 1.9% for years 11 and beyond after 6/30/15 <p>Tier 2 Level formula percentages:</p> <ul style="list-style-type: none"> • 1.7% for years prior to 7/1/15 • 1.9% for years after 6/30/15 	<ul style="list-style-type: none"> • 1.2% for 1st ten years • 1.7% for years 11 and beyond <p>Method 2 Level formula percentages:</p> <ul style="list-style-type: none"> • 1.7% for every year of service
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Examples using the TRA parameters (these are estimates only):

Normal retirement age – Chris began teaching in August 1990 and is retiring at age 66 after 32 years of teaching with a high-5 average annual salary is \$70,000.

Service years before 7/1/06	17 years x 1.7% per year	28.9%
Service years after 6/30/06	15 years x 1.9% per year	28.5%
	Total of 32 years	Total: 57.4%
High 5 Average Salary	Service Credit X Multiplier	Benefit Paid
\$70,000	57.4%	\$40,180 annual lifetime no refund benefit

Retiring before normal retirement age – Chris began teaching in August 1992 and is retiring at age 60 after 28 years of teaching with a high-5 average annual salary of \$70,000. Because the normal retirement age wasn't reached there will be a reduction. (age 60 = 42%)

Service years before 7/1/06	14 years x 1.7% per year	23.8%
Service years after	14 years x 1.9% per	26.6%

6/30/06	year	
	Total of 28 years	Total: 50.4%
Service Credit X Multiplier	Reduction	
50.4%	42%	$50.4\% \times .58 = 29.23\%$
High 5 Average Salary	Service Credit X Multiplier	Benefit Paid
\$70,000	29.23%	\$20,461 annual lifetime no refund benefit

Retiring before normal age with 62/30 provision – Chris began teaching in August 1990 and is retiring at age 62 after 30 years of teaching with a high-5 of \$70,000. Because the normal retirement age wasn't reached there will be a reduction, but at what is now a lower rate due to the 62/30 provision. (age 62 with 30 years = 14.5%)

Service years before 7/1/06	16 years x 1.7% per year	27.2%
Service years after 6/30/06	14 years x 1.9% per year	26.6%
	Total of 30 years	Total: 53.8%
Service Credit X Multiplier	Reduction	
53.8%	14.5%	$53.8\% \times .855 = 46\%$
High 5 Average Salary	Service Credit X Multiplier	Benefit Paid
\$70,000	46%	\$32,200 annual lifetime no refund benefit

Important dates/events

- Nov. 10 - [TRA board meeting](#)
- Dec. 8 - [PERA board meeting](#)

- Various dates - One of the many things [Education Minnesota ESI Member Benefits](#) provides for members are informational seminars. Know your retirement benefits so you can plan individually and advocate statewide. Check out the flyer for [“When can I afford to retire?” seminar dates](#).

Resources

[EdMNVotes](#)

[TRA document on pension basics](#)

[Education Minnesota pensions webpage](#)

As we share information throughout this campaign, we will add to those resources to our website and share links for you to use.

If you have any questions, please email Negotiations Specialist [Adam Janiak](#).

