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Pension Updates



THE VOICE FOR PROFESSIONAL
EDUCATORS AND STUDENTS

Update No. 8

A big welcome to members new to Education Minnesota's Pension Updates! Past editions are [available on our website](#).

Why is it crucial that we all organize members now?

The ultimate decision-makers for pension changes are the Legislature and the governor. So it is essential that we have members across the state in every legislative district who are active, educated and engaged. The most powerful communication happens when a constituent contacts the state senator and representative who represent them. We need to continue to build our power across the state, which leads to our next call to action.

Call to action

Before Jan. 1, share the link below to sign up for our Pension Updates email with every member in your worksite and your local. Once you know it's been shared, follow up and ask them if they have signed up. Tell them why it's important to you that they are a part of our pension advocacy plan.

If you need talking points, reference our [December/January resource for taking action](#).

[Forward the Education Minnesota Pension Updates signup today!](#)

Terms, phrases and pension plan components

The nitty gritty of pension terminology is unfamiliar to most members. Getting clear on it is essential to advocating with decision-makers now and in the future. [In addition to the information below, you can find more public pension terms here.](#)

Normal Retirement Age (NRA)

This is an extremely important and misunderstood phrase that anyone interested in advocating for pension changes should know.

- NRA is the age set in the plan that when someone reaches it, they are eligible to receive a full, unreduced benefit. This is used in Social Security and pension systems across the country. The age set varies and is dependent on each plan.
- NRA is not reflective of when participants actually retire, other paths to an unreduced benefit or when an individual is supposed to or should

expect to retire.

- When considering reductions for retiring before the NRA, reductions are applied starting at this age. If the NRA were lowered, typically the reductions would change as well.
 - Hypothetical example with a plan that has a 7% reduction per year prior to NRA:

NRA at 66	If NRA lowered to 64
Age 65 – 7%	Age 65 – 0%
Age 64 – 14%	Age 64 – 0%
Age 63 – 21%	Age 63 – 7%
Age 62 – 28%	Age 62 – 14%

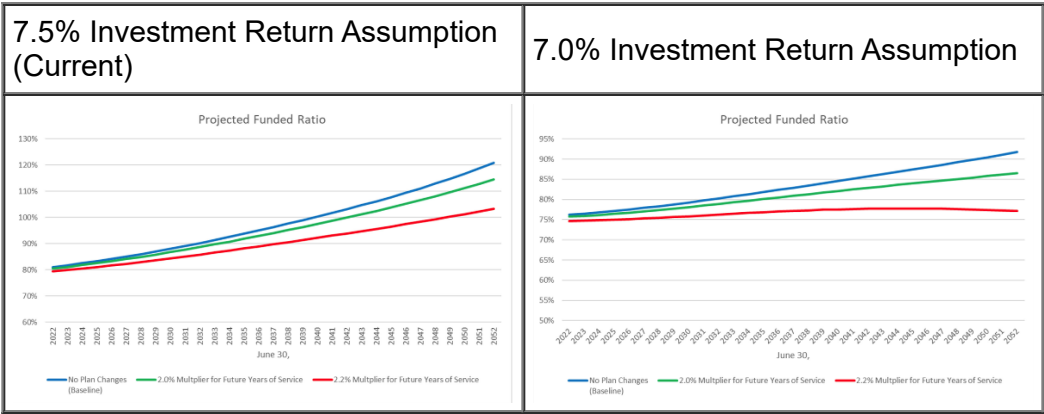
Funding Ratio

Current assets of a pension plan expressed as a percentage of the actuarial accrued liability. A funding ratio of 100 percent indicates current assets are equal to actuarial accrued liabilities. A funding ratio of less than 100 percent indicates that the plan has unfunded actuarial accrued liabilities.

Investment Return Assumption or Assumed Rate of Return or Actuarial Assumption

- This is the assumed market rate of return on pension system asset investments.
- This is one of the factors used to determine the funding ratio of a plan.
- The rate is set by the Legislature for each plan.
- See [356.215 – Subd. 8](#) for current rates of Minnesota pension plans.
- Plan directors and boards will be recommending changes this year to the rates. They make their recommendations based on the advice of their actuaries.
- There will be discussion this year about moving the decision-making ability to set the assumed rate of return from the Legislature to the Legislative Commission on Pensions and Retirement (LCPR).

These charts contain an example of the effect of changing the assumed rate in the same scenario of increasing the benefit multiplier for future years of service.



Notice that the funding ratio would be projected to reach 100% around 2040 in the 7.5% graph and a date beyond 2052 in the 7.0% graph if no changes are made (blue line).

Important events/dates

- PERA board meetings – [Dates](#)
- TRA board meetings – [Dates](#) (upcoming is Jan. 18)
- SPTRFA board meetings – [Dates](#) (upcoming is Dec. 14)

Resources

[Education Minnesota pensions webpage](#)

[TRA document on pension basics](#)

[PERA member resources](#)

[Public pension terminology](#)

[Find your legislator here](#)

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

