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# Pension Updates



THE VOICE FOR PROFESSIONAL  
EDUCATORS AND STUDENTS

## Update No. 40

### Summary of pension bills signed into law today

Today, Gov. Tim Walz signed into law a slew of bills passed during this legislative session -- among them several pension bills affecting educators. This update provides a summary of what was and wasn't signed into law regarding pensions, as well as the cost and funding associated with them.

### Pensions bills signed into law

HF3100 (as amended) -- Passed out of the LCPR and impacted all four systems, TRA, SPTRFA, PERA and MSRS, which all contain our Education Minnesota members. Here is the one-time funding allocated to plans with our members and effects:

- One time 2.5% COLA, non-compounded, for current retirees of all plans and 1.45% COLA for Basic Plan members (funds listed by plan below).
- \$145 million to TRA for general liabilities and \$31 million for the retiree COLAs.
- \$148 million to PERA-General for general liabilities and reducing vesting period from 5 years to 3 years and \$21.7 million for the retiree COLAs (Also additional funding for other PERA plans).
  - The lower vesting period goes into effect immediately.
- \$12.8 million to SPTRFA for benefit improvement of 62/30 for an unreduced benefit (combined with 1% employee contribution increase) and \$2.8 million for the retiree COLAs.
  - The SPTRFA provision for an unreduced 62/30 benefit goes into effect July 1, 2023
  - The SPTRFA 1% employee increase goes into effect July 1, 2025
- \$9.5 million to MSRS-CERP (we have a small number of members in this plan) for general liabilities with \$910,000 for retiree the COLAs (Also additional funding for other MSRS plans).

HF1938 -- Pension improvements in the tax bill that included funding and lowering the NRA for Tier 2 teachers in TRA and SPTRFA. The funding and benefits are both delayed and will go into effect July 1, 2025.

Benefit improvement:

- The Normal Retirement Age (NRA) is lowered from 66 to 65 in both TRA and SPTRFA for the Tier 2 plans (Tier 1 was already 65) as of July 1,

2025.

- The impact on accumulated base penalties is lowering them by 7% at each age under 66.
- The impact to those with 30-plus years of service is a lowering of the penalties that result from the current 62/30 provision in TRA.

#### Funding:

- The employee contribution for TRA and SPTRFA would increase by .25% on July 1, 2025.
- SPTRFA's increase is in addition to the 1% employee increase passed in HF3100.
- The employer contribution for TRA and SPTRFA would increase by .75% on July 1, 2025.
- The bill allocates \$97.4 million over the 2026-27 biennium to provide direct ongoing funding to districts, Minnesota State Colleges and Universities, Perpich Center for Arts Education and Minnesota State Academies to pay for the employer increase. This funding is provided through the Pension Adjustment Revenue formula. The Minnesota Department of Education (MDE) was not included in this funding.
- The bill provides the only ongoing funding allocated this session for any of the four pension systems.

#### **Pension bills that did not pass**

Note: All bills introduced in this session will be alive for the second year of the biennium.

HF2222/SF1938 containing our lead pension priorities was heard but did not pass. This bill's primary goal was to lower the NRA to 62 and create an unreduced benefit level with 35 years of service. This bill also called for an adjustable-rate COLA from 1-3%, double service credit during the COVID years of 2020-22 and the return of deferred augmentation.

HF3181/SF3177 containing the pension improvement to create an unreduced benefit level with the Rule of 90 for Tier 2 teachers in TRA and SPTRFA was not heard.

HF3294/SF3314 containing the pension improvement to lower the TRA Tier 2 NRA from 66 to 64 was heard in an informational hearing. An amendment to clarify the funding allocation was also included. This moved forward but did not pass.

HF3100 (TRA's version) contained the pension improvement of creating an unreduced benefit at age 60 with at least 30 years of service and a one-time, compounded, COLA of 2.5%. This bill was heard, did not move forward and was delete-all amended into the LCPR bill.

#### **Acronyms from above**

LCPR – Legislative Commission on Pensions and Retirement

TRA – Teachers Retirement Association

SPTRFA – St. Paul Teacher's Retirement Fund Association

PERA – Public Employee's Retirement Association (general plan contains non-licensed school employees)

MSRS – Minnesota State Retirement Association (CERP plan contains some teachers)

NRA – Normal Retirement Age

### **New opportunity: Pension Reform Advisory Group**

We'll be sharing information on next steps and ways to stay involved in additional Pension Updates over the next few weeks, but here's one new opportunity:

We are recruiting members for a new Pension Reform Advisory Group who will work in union to develop and recommend an action plan for Education Minnesota's next phase of pension reform advocacy. Terms are two years. Check out the details and [sign up here](#).

If you've missed any past updates, they're [available on our website](#).

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

Keep organizing, sharing and talking to your colleagues about our plan. [Sign up and forward this Education Minnesota Pension Updates signup today or use the QR code below!](#)

