Update No. 63

If you’ve missed any past updates, they’re available on our website.

First LCPR meeting on omnibus bill Monday
On Monday, the Legislative Commission on Pensions and Retirement will be holding its first discussion on the pensions omnibus bill.

As we noted last week, the supplemental budget targets set by legislative leadership were smaller than expected, reflecting a structural imbalance in the state budget, with little ongoing money in any policy area. Educator pensions was the only pension-related line item, with a $31 million one-time target. The majority of that money is proposed to fund the acceleration of NRA 65 to 2024 for Tier 2 TRA members, immediately after it’s enacted, without any increase to employee or employer contributions. This proposal means people who retire as early as July 1, 2024, will receive the increased pension benefits we won last year.

The omnibus includes another non-funding bill we support, allowing student loan payments to count as the employee side match for 403b contributions.

The meeting will be from 8:30-10 a.m. in the state Capitol, room 120. If you can't attend, you can watch the livestream on our Facebook page or view the recording later on the MN House Info YouTube page.

TRA meets next Wednesday
The Teachers Retirement Association Board is meeting next Wednesday, April 10 at 9:30 a.m. Please use this easy email tool before then to tell TRA board members to meet after school hours and record their meetings. Click here to attend the TRA meeting virtually.

Contribution rates over the years
As we fight for pro-pension improvements, we need to consider the funding of the pension plan as a whole to understand the full picture that legislators consider. The chart below shows changes in employee and employer contribution rates and pension funding percentages since 1984. Just like the underfunding of public education over decades, public pensions have endured systemic underfunding, making it more challenging for our movement to establish worker benefit improvements. This problem is extremely affected by legislators' decision to cut contributions into the pension when it hit 100% funding in 1997.
The underfunding of the plan is one of the most cited reasons by legislators of both parties to be hesitant on making worker benefit improvements.

There have been many moments in time when fiscal conservatives have attacked workers’ rights to pensions. In the 1990s, this led to a cut in the contributions funding the TRA. Decreasing the employer contribution from 8.14% to 5% over a couple of years was seen as helping school districts meet the bottom line, without the ongoing school funding from the state through the state budget. This was a short-sighted move with detrimental effects towards our workers and the long-term health of the fund.

Over time, you can see that as the funding percentage decreases, contributions rise significantly. Notably, after the cut to the employer contribution in the late 90s, employee and employer contributions tend to move at a similar rate, instead of the employer contribution being higher, which is much more in line with national averages. There were also changes over time to save money for the fund, a kind of “funding triage,” by cutting deferred augmentation, increasing penalties and establishing a COLA delay for Tier 2. These types of worker benefit cuts are supported by research by groups like Pew Charitable Trusts, which present ways to cut worker benefits for the sustainability of the fund with no perspective on what workers need.

The 2008 Great Recession also has a significant effect on our pension investment system, with every actuary and financial advisor changing their behavior for future years. Perceived instability of investments and large funds has been at an all-time high since then, even as the economy became strong again. This is likely why we see changes in amortization dates and lower assumed rates of return over time, which affects the full funding percentage.

As the State Board of Investment has stable, low-risk and award-winning returns over time, Minnesota's pension problems start and end with state funding and short-sighted decisions from past lawmakers in creating the tiers and cutting contributions. It's often mentioned in the LCPR that Minnesota does pensions "on the cheap," and that's absolutely true. This is also why the $600 million one-time target from last year was the most historic budget target for pensions in decades, even though it wasn't enough for any state-funded ongoing improvements for any sector of public workers. The LCPR is building toward real committee action and more significant investment under the leadership of Chair Kaohly Her.

Just like correcting the tide on education funding, the state needs to decide to put billions of dollars of funding into public pensions to fix problems for public workers, while tying future funding to inflation.
Monthly Zooms for Pension Action Leaders

Are you an Education Minnesota member and a pension building rep, an action leader or an active advocate? Please join us for our monthly Zoom updates! We'll give you pension action items, resources and legislative news that will be helpful in your efforts. The next update is from 6:30-7:30 p.m. Tuesday, May 7. [Sign up here](https://view.email.nea.org/?qs=8c22b83fbf67fafe8f48712b422dbfa55d91deb5c15b1c481dbc2387e59d2749438235991c3cb5d2a65b9e4502fae94d5a...)

**Action items**

This legislative session, we'll continue to post our growing list of resources at the end of each Pension Update. As you communicate about pension advocacy in your workplace, please share these resources with members who wish to get engaged.
• Check out our one-pager on bills this year! Feel free to distribute to your local colleagues.
• Use our easy action form to reach out to your state representative, asking them to sign on in support of the penalty reduction bill! We need 35 co-authors to have the best chance to make this change.
• Sign up for the Pension Updates e-newsletter and read previous newsletters here.
• Sign up to be a Pension Action Leader and we'll contact you about action items and advocacy to your state legislators. We need a PAL in every local and legislative district!
• Join the members-only Pension Advocacy Network private Facebook group, which is the best place to get updates, stay involved and ask questions.
• Watch our Pension 101 and Penalty Reduction Bill sessions on MEA Online.
• We encourage all members to make an appointment with TRA to discuss what your benefit currently looks like and what options you have.
• Use this flyer, this flyer and this flyer to communicate with your colleagues about the pension movement.
• Request a stack of pension postcards by emailing us at pensions@edmn.org. These postcards can act as a great tool for members to write to their legislators.