

2025 Education Minnesota Pension Advisory Group Recommendations

The Pension Advisory Group (PAG) reached consensus around our priority recommendation for the 2025 legislative session.

- An unreduced career rule of 60 years of age and 30 years of service (must attain both)
- Lowering base penalties to from 7% to 5% from ages 59-64
- Low-cost improvements to the Cost-of-Living Adjustment (COLA) by eliminating the COLA delay and accelerating the scheduled COLA increase from 1.2% to 1.5% in 2028.

These proposals will now be forwarded to the Education Minnesota Legislative Action Committee and Governing Board for final approval.

Benefit Improvement for Active Members

- Unreduced career threshold of 60 yrs old and 30 years of service
- Reduced penalties from current 7% at ages 59-64 to 5% at ages 59-64

Penalty Table

	2023	2023	Current	Current	Proposed	Proposed
	Level	Level 62&30 provision Pre-2006 start	Level	Level 62&30 provision Pre-2006 start	Level Less than 30 years 60 & 30 unreduced 5% 59-64 4% 55-58	Level 30 years or more 60 & 30 unreduced 5% 59-64 4% 55-58
55	65%	65%	58%	58%	46%	46%
56	61%	61%	54%	54%	42%	42%
57	57%	57%	50%	50%	38%	38%
58	53%	53%	46%	46%	34%	34%
59	49%	49%	42%	42%	30%	30%
60	42%	42%	35%	35%	25%	0%
61	35%	35%	28%	28%	20%	0%
62	28%	14.46%	21%	10.40%	15%	0%
63	21%	10.40%	14%	6.64%	10%	0%
64	14%	6.64%	7%	3.18%	5%	0%
65	7%	3.18%	0%	0.00%	0%	0%



Post-Retirement Benefit Improvements

Repeal of the COLA delay

For retirements on or after July 1, 2024, the post-retirement increase is delayed until NRA, except for those exempted (62/30, Rule of 90, disability benefit recipients, or survivor benefit recipients). This was passed as a plan cost saving measure in the 2018 legislative session.

This proposal to repeal the delay would reinstate a COLA for those retiring before their Normal Retirement Age and not under the exemption list.

Accelerate the COLA planned increases (.1% per year up to 1.5% in 2028) to 2025

Current COLAs by year on Jan. 1, for those eligible:

- 2023 = 1.0%
- 2024 = 1.1%
- 2025 = 1.2%
- 2026 = 1.3%
- 2027 = 1.4%
- 2028+ = 1.5%

This proposal would accelerate the 1.5% COLA to be in place as of January 1, 2025.

Previous TRA estimate of costs of benefit improvements

It's important to note that these estimated costs must be updated for 2024-25 but they can be used as estimates for the time being. Even though these numbers were run before, a "refreshing" of these numbers is both necessary to capture any differences and to be able to present them to legislators as the current costs. They also don't reflect what the costs would be in combination with each other.

- Example: the 2022-23 numbers will most likely be different because of both being further into the currently planned COLA increases and the effect of the plan changes of the past two years.

Benefit improvement description	Cost as a contribution percentage 2023-24 estimates	Yearly cost in dollars, growing by 3% each year after 2023-24 estimates
60 yrs old & 30 yrs of service unreduced threshold	2.01%	\$122,776,000
Lower 7% penalties to 5% for ages 59-64	1.00%	\$61,083,000
Post-retirement benefit improvement description	Cost as a contribution percentage 2022-23 estimates	Yearly cost in dollars, growing by 3% each year after 2022-23 estimates
Remove COLA delay	0.57%	Est. \$35,000,000
Accelerate COLA to 1.5%	0.10%	Est. \$6,000,000

Final benefit – Final formula percentage to be multiplied by high-five

Percentage X High-five = Estimated Benefit

(This is an estimate, and individuals have choices that would affect the actual amount)

			Current Level	Current Step	PROPOSED Level 60 & 30 unreduced 5% penalties ages 59-64 and 4% ages 55-58				Current Level	Current Step	PROPOSED Level 60 & 30 unreduced 5% penalties ages 59-64 and 4% ages 55-58
Start Date	Age	Years of service	Final Formula	Final Formula 1988 Start	Final Formula	Years of service	Final Formula	Final Formula 1988 Start	Final Formula		
1990	55	15	10.7%	14.4%	13.8%	20	14.6%	20.6%	18.8%		
	56	15	11.7%	15.0%	14.8%	20	16.0%	21.5%	20.2%		
	57	15	12.8%	15.6%	15.8%	20	17.4%	22.3%	21.6%		
	58	15	13.8%	16.2%	16.8%	20	18.8%	23.2%	23.0%		
	59	15	14.8%	16.8%	17.9%	20	20.2%	24.1%	24.4%		
	60	15	16.6%	17.4%	19.1%	20	22.6%	25.0%	26.1%		
	61	15	18.4%	18.0%	20.4%	20	25.1%	25.9%	27.8%		
	62	15	20.2%	18.7%	21.7%	20	27.5%	26.8%	29.6%		
	63	15	21.9%	19.3%	23.0%	20	29.9%	27.6%	31.3%		
	64	15	23.7%	19.9%	24.2%	20	32.4%	28.5%	33.1%		
	65	15	25.5%	20.5%	25.5%	20	34.8%	29.4%	34.8%		
2006+	55	15	12.0%	14.4%	15.4%	20	16.0%	20.6%	20.5%		
	56	15	13.1%	15.0%	16.5%	20	17.5%	21.5%	22.0%		
	57	15	14.3%	15.6%	17.7%	20	19.0%	22.3%	23.6%		
	58	15	15.4%	16.2%	18.8%	20	20.5%	23.2%	25.1%		
	59	15	16.5%	16.8%	20.0%	20	22.0%	24.1%	26.6%		
	60	15	18.5%	17.4%	21.4%	20	24.7%	25.0%	28.5%		
	61	15	20.5%	18.0%	22.8%	20	27.4%	25.9%	30.4%		
	62	15	22.5%	18.7%	24.2%	20	30.0%	26.8%	32.3%		
	63	15	24.5%	19.3%	25.7%	20	32.7%	27.6%	34.2%		
	64	15	26.5%	19.9%	27.1%	20	35.3%	28.5%	36.1%		
	65	15	28.5%	20.5%	28.5%	20	38.0%	29.4%	38.0%		

Final benefit – Final formula percentage to be multiplied by high-five

Percentage X High-five = Estimated Benefit

(This is an estimate, and individuals have choices that would affect the actual amount)

			Current Level	Current Step	PROPOSED Level 60 & 30 unreduced 5%penalties ages 59-64 & 4% ages 55-58		Current Level	Current Step	PROPOSED Level 60 & 30 unreduced 5%penalties ages 59-64 & 4% ages 55-58
Start Date	Age	Years of service	Final Formula	Final Formula 1988 Start	Final Formula	Years of service	Final Formula	Final Formula 1988 Start	Final Formula
1990	55	25	18.6%	27.2%	23.9%	30	22.6%	48.4%	29.1%
	56	25	20.4%	28.4%	25.7%	30	24.8%	48.4%	31.2%
	57	25	22.2%	29.6%	27.5%	30	26.9%	48.4%	33.4%
	58	25	23.9%	30.7%	29.2%	30	29.1%	48.4%	35.5%
	59	25	25.7%	31.9%	31.0%	30	31.2%	48.4%	37.7%
	60	25	28.8%	33.1%	33.2%	30	35.0%	48.4%	53.8%
	61	25	31.9%	34.2%	35.4%	30	38.7%	48.4%	53.8%
	62	25	35.0%	35.4%	37.7%	30	48.2%	48.4%	53.8%
	63	25	38.1%	36.6%	39.9%	30	50.2%	48.4%	53.8%
	64	25	41.2%	37.7%	42.1%	30	52.1%	48.4%	53.8%
	65	25	44.3%	38.9%	44.3%	30	53.8%	48.4%	53.8%
2006+	55	25	20.0%	27.2%	25.7%	30	23.9%	48.4%	30.8%
	56	25	21.9%	28.4%	27.6%	30	26.2%	48.4%	33.1%
	57	25	23.8%	29.6%	29.5%	30	28.5%	48.4%	35.3%
	58	25	25.7%	30.7%	31.4%	30	30.8%	48.4%	37.6%
	59	25	27.6%	31.9%	33.3%	30	33.1%	48.4%	39.9%
	60	25	30.9%	33.1%	35.6%	30	37.1%	48.4%	57.0%
	61	25	34.2%	34.2%	38.0%	30	41.0%	48.4%	57.0%
	62	25	37.5%	35.4%	40.4%	30	50.3%	48.4%	57.0%
	63	25	40.9%	36.6%	42.8%	30	52.7%	48.4%	57.0%
	64	25	44.2%	37.7%	45.1%	30	54.9%	48.4%	57.0%
	65	25	47.5%	38.9%	47.5%	30	57.0%	48.4%	57.0%