

2023 Legislative Pension Changes

Impacting the pensions of Education Minnesota members in PERA-General (ESPs), TRA (most teachers/faculty), SPTRFRA (St. Paul Teachers) and MSRS-CERP (a small group of teachers)
(updated 6.12.23)

PERA-General - The vesting period was reduced from 5 years to 3 and went into effect immediately.

TRA and SPTRFA - The Normal Retirement Age (NRA) was lowered from 66 to 65 for the Tier 2 plans (Tier 1 was already 65) as of July 1, 2025.

- This results in a lowering of the accumulated base penalties by 7% at each age under 66.
- For TRA members with 30+ years of service and who are at least 62 years of age, this results in a lowering of the penalties by a little over 3% a year at ages 62-64 due to the current TRA 62/30 provision.

SPTRFA - An unreduced benefit threshold of 62/30 was created (a combination of at least 62 years of age and at least 30 years of service credit)

- The SPTRFA benefit goes into effect July 1, 2023.

Contribution changes - This does not include any changes already required by the 2018 law changes for July 1, 2023.

- The employee contribution for TRA will increase by .25% on July 1, 2025.
- The employee contribution for SPTRFA will increase by 1.25% on July 1, 2025.
- The employer contribution for TRA and SPTRFA will increase by .75% on July 1, 2025

Current retirees - A one-time 2.5% COLA (post-retirement improvement), non-compounded, was passed for current Coordinated retirees of all four systems for the year of 1/1/24 to 12/31/24. A 4% COLA for Basic Plan members was passed as well for the year of 1/1/24 to 12/31/24 as well as a pension subtraction increase for Basic Plan members.

Additional benefit information:

- TRA has shared that anyone who was active at the time of the passing of the NRA law change on May 24, 2023, will be eligible for the benefit changes passed this legislative session as per the benefit requirements. If they were deferred/inactive at that time they would need to return to service and earn at least .5 of a year of service credit to be eligible for the benefit changes. Individuals should confirm their eligibility with their plan counselors.



State and employer funding for 2023 pensions bills:

HF 3100 (as amended) passed and impacted all four pension systems by providing one-time funding. The four plans containing Education Minnesota members received the following funding:

- \$148 million to PERA and \$21.7 Million for the retiree COLAs (Also additional funding for other PERA plans).
- \$12.8 million to SPTRFA and \$2.8 Million for the retiree COLAs.
- \$9.5 million to MSRS-CERP with \$910K for the retiree COLAs (Also additional funding for other MSRS plans)
- \$145 million to TRA for general liabilities and \$31 Million for the retiree COLAs.

HF 1938 Tax Bill – Pension improvements in this bill only affected TRA and SPTRFA

- The funding and benefits are both delayed and will go into effect July 1, 2025.
- The employer contribution for TRA and SPTRFA will increase by .75% on July 1, 2025.
- The bill provides \$97.4 million over the 2026-27 biennium to provide direct funding to school districts, the Minnesota State Colleges and Universities, Perpich Center for Arts Education and Minnesota State Academies to pay for the employer increase. The Minnesota Department of Education was not included in this funding.
- This funding is ongoing and provided through the Pension Adjustment Revenue formula.
- The bill provides the only ongoing funding allocated this session for any of the four pension systems.

Funding specifics:

- Due to the implementation dates of the contribution increases and funding (July 1, 2025) the changes made in the 2023 legislation will not impact the funding of the districts over the two-year period of the 2023-2025 teacher bargaining cycle. There is no need to alter or adapt the Education Minnesota costing model.
- The tax bill provides direct funding for the employer contribution to fund the employer increase (.75% in 2025). The funding is provided through the Pension Adjustment Revenue formula.
- Funding for the employer contribution increases in TRA and SPTRFA above 7.5% remain in place from the 2018 legislative changes.

How does Pension Adjustment Revenue work?

When the pension adjustment revenue funding mechanism is used, as was with the 2018 pension bill, the districts receive direct funding for pensions in addition to any other funding. The funding is provided based on the previous year's data and is then included in their reported revenue.

To find the data on what districts have received, go to the Minnesota Department of Education's data center's [Data Reports and Analytics: Minnesota Funding Report](#) and select a district from the first drop-down menu. Then select General Education Revenue on the last drop-down menu labeled Report. Then find lines 50-55 on the second page.