

AARP IN THE STATES



OVERVIEW: Minnesota State Retirement System



The **Minnesota State Retirement System (MSRS)** provides a defined benefit (DB) pension for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 48,053 retired public employees helps support:



\$8.4 billion

in economic output in Minnesota.



42,499 jobs

paying \$2.7 billion in wages supported by retirees' spending from public pensions in Minnesota.



\$1.5 billion

in federal, state, and local tax revenues based on spending of pension benefits in Minnesota.

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New MSRS employees contribute 6% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers (via employer contributions) paid only 17.3% of the cost of pension benefits in Minnesota.

68.9%
Investment
Earnings



17.3%
Employer
Contributions

13.9%
Employee
Contributions

Key facts about the plan and its benefits:



52,459

Total active members of Minnesota State Retirement System.



51%

After a 30-year career, a pension benefit from MSRS will replace 51% of an employees' pre-retirement income.



\$1,753

Average pension benefit paid to retired MSRS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Minnesota taxpayers (employers) in these plans supported **\$8.51** in total economic activity in the state.



\$1.00



\$8.51

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



**NATIONAL INSTITUTE ON
Retirement Security**
Reliable Research. Sensible Solutions.

AARP IN THE STATES



PRIMER: Minnesota State Retirement System

The Minnesota State Retirement System (MSRS) provides benefits to qualified state employees.

The MSRS Pension Works for Minnesota Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



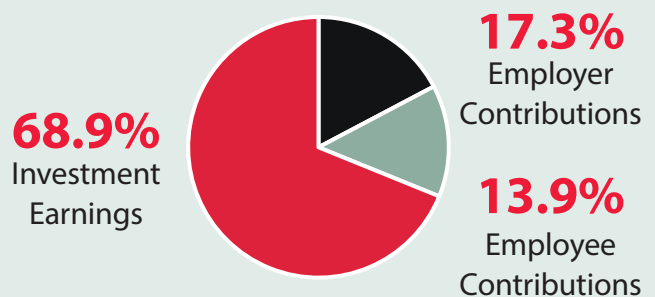
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New MSRS employees contribute 6% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers paid only 17.3% of the cost of benefits in Minnesota.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.



MSRS serves 52,459 active employees and 48,053 retired members and survivor beneficiaries.



New employees contribute 6% of pay to MSRS.



Employers contribute 6.25% to the fund.



The average monthly retirement benefit for members is \$1,753.



After a 30-year career, a pension benefit from MSRS will replace 51% of an employee's final average salary.

Historical MSRS Funding Experience

Minnesota established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2023 year, MSRS had \$16.7 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

Minnesota Paid 89% of Weighted Average Percent of ADC from FY2001-FY2022 for MSRS



Minnesota Made Plan Changes to MSRS in Recent Years

Minnesota policymakers proactively made changes to MSRS to ensure long-term sustainability.

- In 2018, for current and future retirees: Eliminated the COLA trigger to 2.5% upon attainment of a 90% funding level, replaced with a fixed percentage COLA of 1.0% for state employees, increasing to 1.5% on 1/1/2024. Specified that any state employee who retires after 12/31/2023 who has not attained normal retirement age will not receive a COLA until the first of the year following their attainment of normal retirement age. For current active members: Increased employee contribution rates, from 5.5% to 5.75%, effective 7/1/2018, and to 6.0% effective 7/1/2019. Eliminated interest applied to benefits for deferred vested members. Reduced the rate of interest applied to refunded member contributions, from 4% to 3%.
- Reduced the employee contribution rate from 6.0% to 5.5% from 7/1/2023 to 6/30/2025, with the rate increasing back to 6.0% effective 7/1/2025.

The Economic Impact of Minnesota Pensions:



\$8.4 billion

in economic output generated by retirees' spending from public pensions in Minnesota.



42,499 jobs

paying \$2.7 billion in wages supported by retirees spending from public pensions in Minnesota.



\$1.5 billion

in federal, state, and local tax revenues generated by retiree benefits and spending in Minnesota.

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.

AARP IN THE STATES



OVERVIEW: Teachers Retirement Association of Minnesota



The **Teachers Retirement Association of Minnesota (TRA)** provides a defined benefit (DB) pension for teachers. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 70,344 retired public employees helps support:



\$8.4 billion

in economic output in Minnesota.



42,499 jobs

paying \$2.7 billion in wages supported by retirees' spending from public pensions in Minnesota.



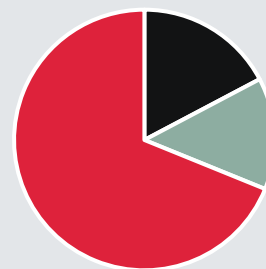
\$1.5 billion

in federal, state, and local tax revenues based on spending of public pension benefits in Minnesota.

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New TRA employees contribute 11% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers (via employer contributions) paid only 17.3% of the cost of pension benefits in Minnesota.

68.9%
Investment
Earnings



17.3%
Employer
Contributions

13.9%
Employee
Contributions

Key facts about the plan and its benefits:



84,983

Total active members of Teachers Retirement Association of Minnesota.



75%

After a 30-year career, a pension benefit from TRA will replace 75% of an employee's pre-retirement income.



\$2,370

Average pension benefit paid to retired TRA members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Minnesota taxpayers (employers) in these plans supported **\$8.51** in total economic activity in the state.



\$1.00



\$8.51

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



NATIONAL INSTITUTE ON
Retirement Security
Reliable Research. Sensible Solutions.

AARP IN THE STATES



PRIMER: Teachers Retirement Association of Minnesota

The Teachers Retirement Association of Minnesota (TRA) provides benefits to qualified public school teachers, administrators, and college faculty.

The TRA Pension Works for Minnesota Stakeholders



Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.



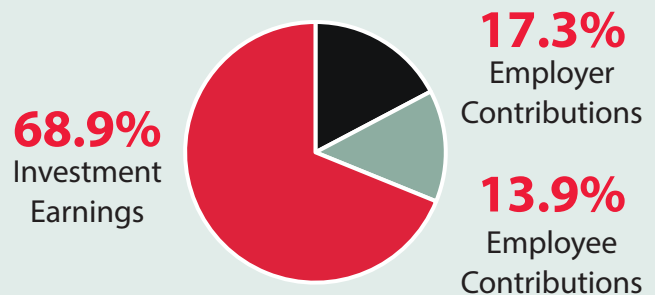
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.



Pensions offer teachers the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New TRA employees contribute 7.75% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers paid only 17.3% of the cost of benefits in Minnesota.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.



TRA serves 84,983 active employees and 70,344 retired members and survivor beneficiaries.



New employees contribute 7.75% to TRA.



Employers contribute 8.75% to the fund for employees.



The average monthly retirement benefit for members is \$2,370.



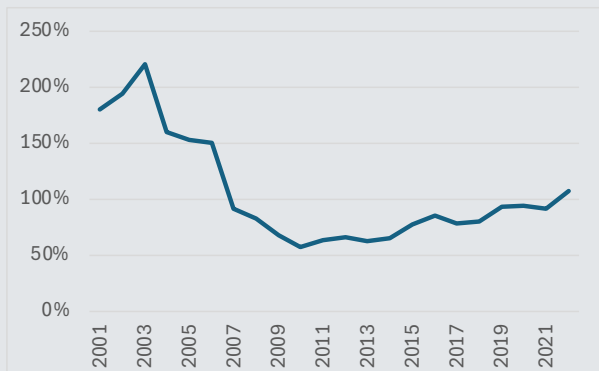
After a 30-year career, a pension benefit from TRA will replace 75% of final average salary.

Historical TRA Funding Experience

Minnesota established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2023 year, TRA had \$26.9 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

Minnesota Paid 105% of Weighted Average Percent of ADC from FY2001-FY2022 for TRA



Minnesota Made Plan Changes to TRA in Recent Years

Following the global stock market crash in 2008-2009, Minnesota policymakers proactively made changes to TRA to ensure long-term sustainability. These included:

- In 2018, for current and future retirees: reduced the COLA and made other tweaks to COLAs. Increased both employee and employer contribution rates. Phased out subsidy for early retirement benefits; eliminated interest applied to benefits for deferred vested members; and reduced the rate of interest applied to refunds of refunded member contributions.
- Effective 7/1/2025, increased the employee contribution rate from 7.75% to 8.0%, and increased the employer contribution rate from 8.75% to 9.5%.

The Economic Impact of Minnesota Pensions:



\$8.4 billion

in economic output generated by retirees' spending from public pensions in Minnesota.



42,499 jobs

paying \$2.7 billion in wages supported by retirees' spending from public pensions in Minnesota.



\$1.5 billion

in federal, state, and local tax revenues based on spending of pension benefits in Minnesota.

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



**NATIONAL INSTITUTE ON
Retirement Security**
Reliable Research. Sensible Solutions.



Pensions Help Deliver Quality Education in Minnesota

There are important policy reasons to continue offering teachers defined benefit (DB) pensions. DB pensions give schools an effective tool to retain high-quality, experienced teachers. These teachers are the most important school-based element that provides positive educational outcomes for our children.

Pension benefits provide teachers an incentive to continue delivering quality education to K-12 students. This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college-educated workers, widens for more experienced teachers.¹

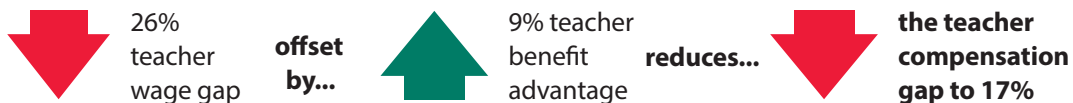
Because pensions help attract and retain workers, Minnesota can keep skilled teachers in the classroom and empower students to achieve their highest potential. The nationwide teacher shortage is impacting Minnesota, as enrollment in traditional teacher preparation programs has *declined by 23%* between 2009-2010 and 2021-2022.

Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 26 percent pay gap relative to comparable private sector workers in 2022. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 17 percent. In Minnesota, teachers experience a 27.7% wage gap when compared to other college graduates in the workforce.²



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



82%

82 percent of Americans say pensions are a good way to recruit and retain qualified teachers.

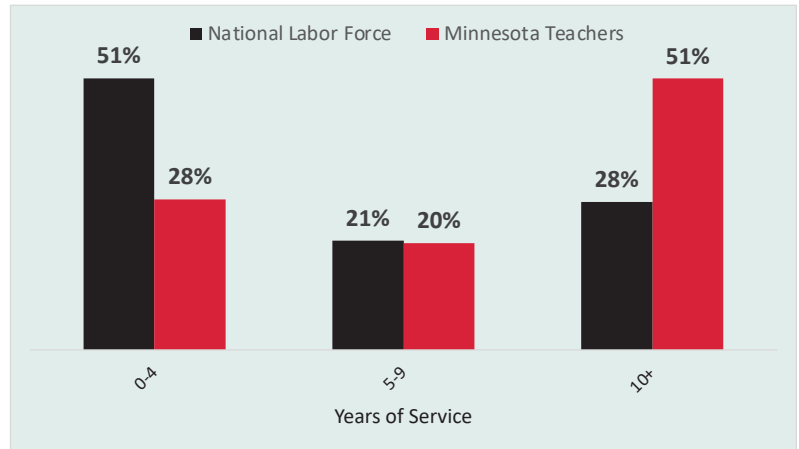


78%

78 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are more effective teachers. DB pensions help to retain highly productive teachers longer, as compared with individual DC accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.⁴



TRA serves 84,983 active employees and 70,344 retired members and survivor beneficiaries.



New employees contribute 7.75% to the fund.



Employers contribute 8.75% to the fund.



The average monthly retirement benefit for members is \$2,370.



TRA has \$26.9 billion in assets and \$8.1 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of Minnesota Pensions

\$8.4 billion



in economic output generated by retirees' spending from public pensions in Minnesota.

42,499 jobs



paying \$2.7 billion in wages supported by retirees' spending from public pensions in Minnesota.

\$1.5 billion



in federal, state, and local tax revenues based on spending of pension benefits in Minnesota.⁶

¹ Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

² Allegretto, S. 2023. "Teacher pay penalty still looms large." Washington, DC. Economic Policy Institute.

³ Doonan, D. and Kenneally, K. 2024. "Retirement Insecurity 2024: Americans' Views of Retirement." Washington, DC. NIRS.

⁴ Copeland, C. 2023. "Trends in Employee Tenure, 1983–2022." Washington, DC. Employee Benefit Research Institute.

⁵ All data, unless otherwise noted, as of fiscal year ended 2023.

⁶ Boivie, I. 2025. "Pensionomics 2025: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.