

March 13, 2018

2018 Sustainability Bill Passes out of Pension Commission

The Legislative Commission on Pensions and Retirement (LCPR) on Tues., March 13, passed the 2018 omnibus pension bill. The next stop for the bill is the Senate State Government Finance Committee, which will hear it on Thurs., March 15, at 1 p.m. in Room 1200 of the Minnesota Senate Building.

The bill includes sustainability measures for all four public pension systems: the Teachers Retirement Association (TRA), the Public Employees Retirement Association (PERA), the Minnesota State Retirement System (MSRS), and the St. Paul Teachers Retirement Fund Association (SPTRFA).

Details on the bill, currently moving as SF 2620 / HF 3353, may be viewed on the State Legislature website:

https://www.revisor.mn.gov/bills/text.php?version=latest&session=ls90&number=SF2620&session_year=2018&session_number=0 (Senate version).

Minnesota Management and Budget Commissioner Myron Frans told commission members that Gov. Mark Dayton endorses the pension bill in its current form and will include the funds in his supplemental budget. Frans said the bill is a “very important sustainability package” that has been several years in the making and includes measures to improve the financial health of the pension funds and the state.

The bill reduces liabilities by about \$3.4 million immediately, lowers the rate of return on investments to a “reasonable” 7.5 percent, puts the plans on the path to full funding, provides funding to schools to offset increased pension contributions, ensures that unfunded liabilities won’t weigh down bond ratings, and safeguards the retirement security of public employees for the future, Frans said.

Here are the key provisions of the pension bill pertaining to TRA:

KEY TRA PENSION BILL PROVISIONS
COLA: 1.0% for 5 years (2019-2023), then increase by 0.1% per year in each of next five years (2024-2028) to 1.5%
COLA delay to age 66 (effective 7/1/2024) (exempt: Rule of 90, disability, survivors, age 62/30 years)
Early retirement: Increase penalties, 5-year phase-in (fiscal years 2020-2024), age 62/30 years exempt
Employee contribution increase: +0.25% beginning in FY2024 (7.5% to 7.75%)
Employer contribution increases: +1.25% phased in over 6 years, FY19-24 (7.5% to 8.75%)