

Honorable Chair Representative Her and Pension Committee Members,

My name is Will Baumann, and I teach mathematics and economics at a MN community college.

My parents were career MN teachers, and my wife teaches middle school English. My wife and I both love our jobs. Our three children have all expressed an interest in teaching. However, unless there is TRA pension reform, they will not be teaching in MN.

Key features of MN TRA were altered in 2018. Some of them were features used in TRA brochures to convince college and university faculty to sign up for TRA instead of IRAP. We were not grandfathered in, despite having signed up for TRA on the premise that deferred augmentation and a reasonable refund policy would be there. Lowering the refund and eliminating deferred augmentation have not only broken a promise, but this has made teaching in your 20's a high-risk gamble.

Someone teaching 15-20 years for their last years of work will get the full purchasing power of their benefit because they collect immediately after teaching. But, someone teaching 15-20 years starting at age 22 will have the purchasing power of their benefit cut in half if inflation averages a modest 2.5-3% while they wait until age 66 to collect.

A 15-20 year career should be rewarded the same no matter when those 15-20 years happen in the person's life. Teachers let go mid-career due to declining enrollment face decades of 0% growth in their retirement savings; a huge financial blow that makes teaching in MN at a young age a risky proposition.

This big risk is one reason my three children will not be teaching in MN unless there is reform. The other reason is that even if they are able to navigate a full career as a teacher, their retirement age will be much higher than if they teach somewhere else.

35 states have teachers pay into social security, including MN. 25 of these comparable 35 states have an unpenalized pension benefit at age 60 or less. The average teacher contribution rate in these 25 states is 6.4%. MN's teacher contribution will be 7.75% starting this summer.

According to TRA's last actuarial study, the percentage normal cost of TRA is around 9.5%. That means new teachers can look forward to contributing 7.75% of their salary to TRA and getting what amounts to a 1.75% employer match to pay for their future pension benefit (9.5% normal cost - 7.75% teacher contribution = 1.75% employer match).

Schools are scheduled make an 8.75% contribution for each teacher starting this summer, but only 1.75% of that will be needed to pay for the future benefit of that teacher. Schools are chipping in less than 2% for our future benefit. This means that not only is teaching at a young age in MN a risky proposition (because of no deferred augmentation and an unreasonable refund policy), but it is very low reward in terms of the retirement available to a career teacher. High risk and low reward should not go together when planning your financial future. But, that is what we have for MN teachers.

For the 35 comparable states, the average employer contribution is 14.1%, and on average 5.3% of that goes to pay for the future benefit of the current teacher (with the rest going to pay for past underfunding). Why are MN schools only chipping in less than 2% for a teacher's future benefit, when the national average is 5.3%? Would you tell your kids to work for an employer who chips in 2% or less for their future retirement? I wouldn't.

Why is our employer contribution rate so much lower than the average employer contribution rate of 14.1%? Note that this average employer contribution rate is much higher than the average teacher contribution rate of 6.3%? This is because other states recognize the difference between the employer contribution rate, and the amount of that employer contribution that actually goes toward funding the future benefit of that teacher.

MN seems to operate under a mistaken assumption that all of the employer contribution is funding the current teacher's future retirement, the way a 401k style plan (or IRAP) works. But, today's teachers won't get 8.75% contributed from our employer to our future retirement benefit. We only get about 2%.

MN should contribute more towards the future retirement of teachers and bring the unpenalized retirement age down to age 60 or less. This would make MN about average. MN should also go back to treating fairly those teachers who lose their job through no fault of their own. Deferred augmentation and a reasonable refund were both promised to college and university faculty to get us to sign up for TRA instead of IRAP. I believed MN would follow through on its promises when I signed up TRA.

When thinking about pensions, please consider the gross inequity of having to work 10 years longer than your colleagues because you started 1 day later. Also consider what kind of erosion of trust in government is created by selling a plan (TRA) based on key features like deferred augmentation and a reasonable refund, only to have them taken away mid-career with no grandfathering in. That doesn't sound very Minnesotan to me, but maybe I am wrong about what being Minnesotan is all about.

Please support a restoration of deferred augmentation and a return to a reasonable refund policy for TRA. Also, please lower the retirement age to compete with other states. Not only will these reforms help MN recruit high quality teachers, but they are the right thing to do.

Thank you for your time,

Sincerely,

Will Baumann

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