

From: [Bill Schultz \(via Google Docs\)](#)
To: [Lisa Diesslin](#)
Subject: Document shared with you: "LCPR Testimony/Data"
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Bill Schultz shared a document

Please consider my personal testimony as well as the data shared re: agenda item #7 of the upcoming LCPR Committee meeting.

Sincerely,

William R. Schultz
PEM High School
Plainview, MN

 LCPR Testimony/Data

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Dear LCPR Committee Members:

Testimony/Data

My story...I was hired in August of 1990 (currently in my 34th year as a classroom teacher) just a little over a year after the arbitrary line was drawn in the sand by our legislature in June of 1989 creating a TRA system of “haves” and “have nots.” Unfortunately, I was very close to joining the “haves” or Tier I teachers, but have spent my entire career as a “have not” or Tier II teacher with the unwavering hope that our elected leaders would recognize the obvious inequities between the two tiers and draft new legislation that corrected the problems. As my dad always told us “you can hope in one hand and #*\$*# in the other and see which fills up first.” My dad was spot on, “hoping” our elected representatives would do the “right things” has gotten us nowhere over the past 34 years. In fact, instead of fixing the problems, our legislature exacerbated the inequities between Tier I & Tier II over the past 20 years making things worse instead of better. For perspective, if I chose to retire after 35 years of service at age 58 (exceeding the old Rule of 90 where many of my Tier I colleagues retired with full benefits) I would have to **forfeit 46%** of my pension FOR LIFE! I know that TRA has and will continue to share their data with you, which is “cherry picked” at best. Below, you will find a chart that is more comprehensive and addresses the “true” inequities that Tier II teachers like myself are faced with.

Apples-to-Apples comparisons: See the chart provided below

Column 1: *Average Teacher Salary for 2023 (Released by NEA in January)*

Column 2: *Employee Contributions*

Column 3: *Earliest age or rule at which one can retire without taking a reduction/penalty. No calculations for SD's Tier II 67/3 because it went into effect in 2017 and therefore could not currently include any 60 year-olds with 30 years of experience.*

Column 4: *Multipliers utilized to calculate High 5. This one requires explanation for MN because **TRA loves to reference Tier II's 1.7-1.9 multipliers. Here's the absolute truth: NO ONE gets a 1.9 multiplier unless they make it to age 66 (or 65 in 2025).** This is the reality: A teacher that retires at age 60 with 30 years of experience in 2024 will only receive a 1.1 multiplier. In 2025, they will receive 1.24.*

Column 5: ***IF YOU LOOK AT NO OTHER COLUMN, LOOK AT THIS ONE!!!!*** *This is the percentage of High 5 retained for someone age 60 who has worked 30 years in each state. Take your salary THIS YEAR and multiply it by .33, Tier II's 2024 rate. That's the annual benefit for the rest of your life (minus taxes and COLAs) if you retired this spring at age 60 with 30 years of experience. Now multiply it by .486. That answer is what you'd earn as your lifelong pension benefit as a Tier I member. Example: Tier II: $70,000 \times .33 = \$23,100$. / Tier I: $\$70,000 \times .486 = \$34,020$.*

Column 6: *COLAs. In case you're not already aware, Tier II members don't get a COLA until age 66. Iowa and North Dakota do not have COLAs which seems like a pretty cheap deal, but both have a 60% benefit at age 60/30, have lower contributions, have a Rule (85-90), and pay little or no taxes.*

Column 7: *Income Tax Rate for each state. Iowa may not have COLAs, but they also don't lose any of their pension to income tax and get 60% retention of the High 5. South Dakota pays no income tax and gets a 2.1% COLA. North Dakota doesn't give COLAs, but if their pension is under \$44,725, annually, they pay no income tax. Both Wisconsin and Minnesota have fairly hefty income tax rates, but at least Wisconsin's is offset by a decent COLA. If you're a MN Tier II teacher, you won't get any COLA until age 66, at which point it will offset your taxes by 1.5%.*

Column 8: *Annual year 1 benefit including taxes and COLAs, where applicable. In an attempt to keep state salaries consistent with averages, I increased each state's average by 20% to determine a state-specific hypothetical High 5 for someone age 60 with 30 years of experience.*

Credit: Stacy Bartlett, Katie Dickerson, Robert Laine, Paul Peterson, and Jim Olson

Data: Comparing MN to surrounding states' pensions at age 60 & 30 years

State	Average Teacher Salary	Employee Contribution	Normal Retirement Eligibility w/o Reduction (Age + Yrs of Service)	Multiplier Used in Calculating High 5 At Age 60	Percent of High 5 Retained for Individuals Retiring at Age 60 and 30 Years	COLAS	Income Tax Rate (at retirement)	Annual Year 1 Benefit Based on Extrapolated High 5 (20% higher than Avg) including taxes and COLAs
IA (DBP)	\$59,581	6.29%	Rule of 88 Rule of 62/20	2.00	60.00%	None	- 0 -	\$42,898 <i>(60% of \$71,497 = \$42,898)</i>
MN (DBP – Deferred Benefit Plan)	\$64,184	7.75% (2023) 8.00% (2025)	Rule of 90 (Tier I) Age 66/3 (Tier II) <i>(no career rule)</i>	1.2 – 1.9* <i>(Tier I)</i> 1.7 – 1.9* 1.10 (2024) 1.24 (2025) <i>(Tier II)</i> *Varies w/ hire date & age	48.60% <i>(Tier I)</i> 33.00% <i>(Tier II NRA 66)</i> 37.05% <i>(Tier II NRA 65)</i>	1.1% ('24) 1.2% ('25) 1.3% ('26) 1.4% ('27) 1.5% ('28-'47) <i>(Tier I)</i> None until 66 then 1.5% <i>(Tier II)</i>	5.35% <i>(0-\$31,690)</i> 6.80% <i>(\$31,691-\$104,090)</i>	\$35,298 (Tier I) <i>(48.06% of \$77,021 = \$37,432 @ 6.8% tax rate & 1.1% COLA)</i> \$24,057 (Tier II – '24) <i>(33% of \$77,021 = \$25,417 @ 5.35% tax rate)</i> \$27,009 (Tier II – '25) <i>(37.05% of \$77,021 = \$28,536 @ 5.35% tax rate)</i>
ND (DBP)	\$55,666	11.75%* <i>Districts pay all or a portion of the employee contribution & contribution is reduced to 7.75% when fully funded</i>	Rule of 85 <i>(member prior to 7/1/08)</i> Rule of 90 @ age 60 <i>(member after 6/30/08)</i>	2.00	60.00%	None	0% <i>if single and < \$44,725</i> 1.95% <i>(\$44,725 - \$225,975)</i>	\$39,298 <i>(60% of \$66,799 = \$40,079 @ 1.95% tax rate)</i>
SD (Hybrid Plan w/ pension and 401K)	\$50,592	6.00%	Rule of 85 <i>(Tier I - member prior to 7/1/08)</i> 67/3 <i>(Tier II - member after 7/1/17)</i> <i>(no career rule)</i>	1.80	48.60% <i>(Tier I)</i>	2.10% <i>(for 2023, but varies with inflation up to 3.5)</i>	- 0 -	\$30,125* <i>(48.6% of \$60,710 = \$29,505 @ 2.10% COLA not including 401K)</i> <i>*Tier I only because Tier II applies only to people hired after 7/1/2017 & would include few 2024 retirees</i>
WI (DBP)	\$60,724	6.90% (2024)	57/30	1.60	48.00%	3.1 % <i>(9 year avg)</i>	5.30%	\$34,150 <i>(48% of \$72,869 = \$40,079 @ 5.3% tax rate & 3.1% COLA)</i>

Video Resources



Penalty Reduction Impact



Pension Penalties - MN vs WI



Reduction of MN Tier II Pension Penalties NOW!