

Update by the Teachers Retirement Association



Presented by
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- TRA is governed by an 8-member board of trustees:
 - 4 elected by active teachers
 - 1 elected by retirees
 - 3 statutory members representing Minnesota Management and Budget, the Department of Education, and the Minnesota School Boards Association
- 8 – 9 board meetings per year
- Duties and powers include:
 - Electing the President and Vice President
 - Appointing the Executive Director
 - Hearing member appeals
 - Retaining a professional actuarial firm
 - Approving the administrative budget
 - Determining positions on significant legislation

Membership includes traditional public school educators (except for members of St. Paul Teachers Retirement Fund Association), all charter school educators, and some faculty of Minnesota State.

Membership Totals	June 30, 2023
Active, Contributing	84,983
Retirees and Survivors	69,915
Disability Retirements	429
Deferred	<u>59,507</u>
Total Members	214,834

\$2,312

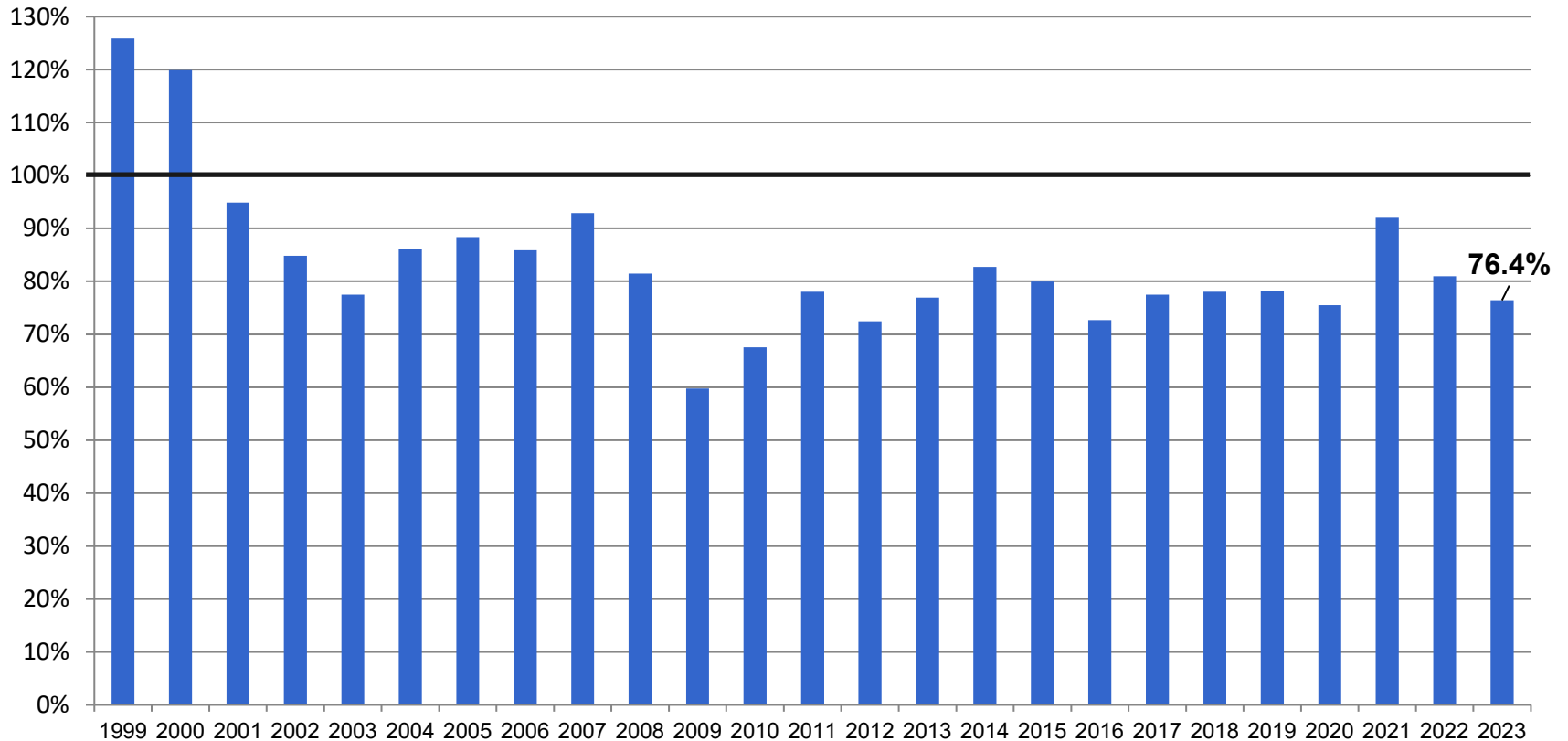
Average monthly benefit for new
retirements in fiscal year 2023

Funded Status, using Market Value of Assets

	June 30, 2022 7.5% Assumption	June 30, 2023 7.0% Assumption
Actuarial Accrued Liability	\$31.6 billion	\$35.0 billion
Asset Value	<u>\$25.6</u> billion	<u>\$26.7</u> billion
Unfunded Liability	\$ 6.0 billion	\$ 8.3 billion
Funded Ratio (assets ÷ liabilities)	81.0%	76.4%

Unfunded actuarial accrued liability 6/30/2022	\$5,690
<i>(actuarial value of assets; dollars in millions)</i>	
a. Normal cost	+565
b. Employee & employer contributions	(987)
c. Interest on UAAL	+411
d. Actuarial gain – salary increases lower than expected	(171)
e. Actuarial gain – investment return 8.9%	(112)
f. Actuarial gain – mortality, higher than expected	(42)
g. Actuarial loss – retirement experience & other	+81
h. Lower normal retirement age from age 66 to age 65	+615
i. Lower return assumption from 7.5% to 7.0%	<u>+2,054</u>
Unfunded actuarial accrued liability 6/30/2023	\$8,104

Fiscal Year End Funded Ratio using Market Values



The average funded ratio for public pension funds at 6/30/22 was 77.1%

Contribution Requirements, using Market Value of Assets

Employee Contribution	7.75%
Employer Contribution	8.91%
Direct State Payments	<u>0.58%</u>
Total Statutory Contributions	17.24%
Normal Cost and Administrative Expenses	11.39%
Amortization of Unfunded Liability	<u>8.38%</u>
Total Required Contributions	19.77%
Contribution Sufficiency/(Deficiency)	(2.53)%

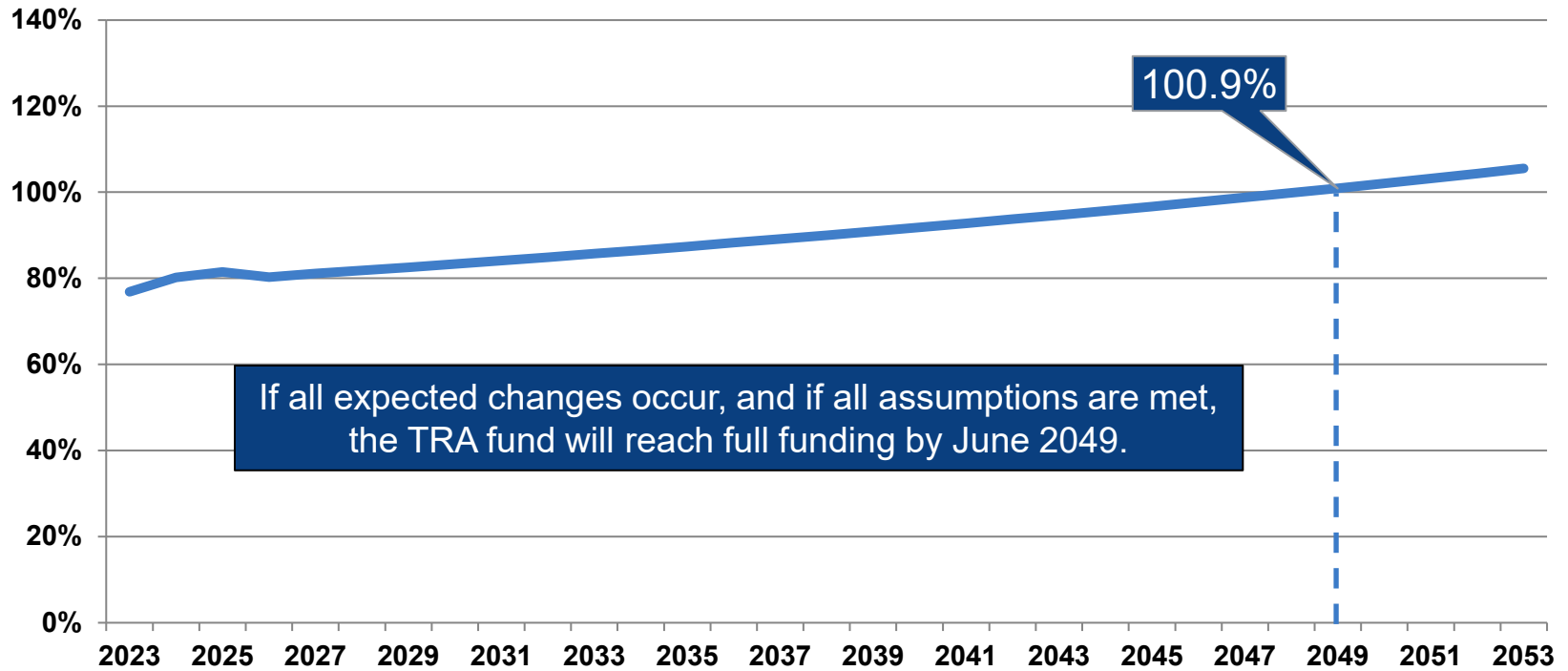
July 1, 2023 Valuation

(2.53)%

- | | |
|--|---------------|
| a. Employer contribution rate increase 7/1/2025 | +0.75% |
| b. Employee contribution rate increase 7/1/2025 | +0.25% |
| c. State funding of \$145 million (2023 legislation) | +0.15% |
| d. Amortization date extended from 2048 to 2053 | +0.81% |
| e. Demographic assumption changes | <u>+1.12%</u> |

Sufficiency after Expected Changes

0.55%



- Legislation passed in 2022 suspended the earnings limitation for retirees returning to TRA-covered Pre-K-12 positions for fiscal years 2022, 2023, and 2024.
 - The TRA Board directed staff to seek a legislative extension of this suspension for fiscal years 2025, 2026, and 2027.

- The TRA has four Guiding Principles:
 1. **Shared Commitment**

A shared funding commitment between active members, benefit recipients, contributing employers, and the State of Minnesota.
 2. **Intergenerational Equity**

Changes should avoid creating or exacerbating imbalances between generations with respect to contributions paid and benefits received.
 3. **Long-term Financial Goals**

Changes should ensure TRA's financial stability in the short-term and move the fund toward full funding within a reasonable period of time over the long-term.
 4. **Maintain the Recruitment Value of Pensions**

Any changes that lower pension benefits should not undermine the recruitment and retention value of TRA's defined benefit plan, particularly as the nation and state face teacher shortages.
- TRA has heard from stakeholders advocating for benefit improvements.
- The Board considered various proposals and cost estimates.
- Given expected budgetary limitations, the Board directed staff to use the Board's guiding principles to determine the best course of action with regards to legislation.

We are eager to collaborate with lawmakers and our stakeholders!



Questions?