



SF 2379 (Rasmusson); HF 2022 (Berg): MN State; Higher Education Supplemental Retirement Plan; Increasing the maximum employer matching contribution

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Introduction

Affected Plan:	Higher education supplemental retirement plan (SRP)
Employer:	Minnesota State Colleges and Universities (MN State)
Laws Amended:	Minnesota Statutes, section 356.24, subdivision 1, clause (6)
Brief Description:	The bill increases the annual limit on employer matching contributions to the higher education supplemental retirement plan from \$2,700 to \$4,300.

Background

Minnesota Statutes, section 356.24, subdivision 1, prohibits school districts, local governments, and state agencies from contributing public funds to pension or deferred compensation plans that are in addition to the primary pension program that otherwise covers public employees. The statute refers to these plans as “supplemental,” to distinguish them from the “primary” plans. Primary plans would include the pension plans administered by the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA), and the Teachers Retirement Association (TRA).

For example, the non-public-safety employees of a city are required to participate in PERA’s General Employees Retirement Plan (PERA General Plan), and the city is required to contribute to the PERA General Plan on behalf of those employees. This pension plan would be considered the primary pension plan. If a city wanted to adopt its own defined contribution plan for its employees and provide an additional retirement benefit to which public funds would be contributed, that defined contribution plan would be considered a supplemental plan and is prohibited under section 356.24, subdivision 1, unless an exception applies.

Brief History of Section 356.24

Section 356.24 was enacted in 1971 and, at that time, was a blanket prohibition against public employers contributing public funds to any supplemental pension or deferred compensation plan, except those already in existence in 1971. The Commission's legislative history files date back only until 1975, so we are not able to verify legislative intent, but it is likely that the law was the result of concern on the part of the legislature that if the State makes available publicly funded pension plans for public

employees, individual governmental employers should not be permitted to spend public funds to establish and maintain another pension or retirement plan except in limited circumstances.

Since 1971, the list of exceptions to the blanket prohibition has grown. Exceptions now include group health, disability, severance, post-retirement medical, and death benefit plans, the Minnesota Deferred Compensation Plan, other individual account plans, and several multiemployer pension funds.

Primary and Supplemental Plans at MN State

Employees of MN State are covered by the Individual Retirement Account Plan (IRAP) or TRA, which are the primary plans. The IRAP is a defined contribution plan established in the mid-1980s for higher education faculty and other employees of the MN State system. The contribution rates to the IRAP and TRA are currently identical, at 7.75% of salary for the employee and 8.75% of salary for the employer. The IRAP is governed by [Minnesota Statutes, Chapter 354B](#). TRA is governed by [Chapter 354](#).

The SRP is an additional defined contribution plan provided to MN State personnel. The annual employee contribution equals 5% of salary earned between \$6,000 and \$15,000. This is equivalent to \$450 per year. The employer is required to make a matching contribution, bringing the total to \$900 per year per covered employee. Pursuant to [section 354C.12, subdivision 3](#), and [section 356.24, subdivision 1, clause \(6\)](#), additional amounts may be contributed if specified in a collective bargaining agreement or personnel policy, with an employer match not to exceed \$2,700 annually per employee. The SRP is governed by [Minnesota Statutes, Chapter 354C](#).

As explained above, section 356.24, subdivision 1, prohibits school districts, other governmental subdivisions, or state agencies from contributing “public funds to a supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the employees” except as provided in clauses (1) through (14). Clause (6) is the exception for contributions to the higher education supplemental retirement plan. The SRP is considered a “supplemental” plan because employees covered by the SRP are also covered by the IRAP or TRA.

Section- by- Section Summary

The bill consists of one section that amends Minnesota Statutes, section 356.24, subdivision 1, clause (6), to increase the limit on employer matching contributions to the SRP from \$2,700 to \$4,300 per year. The bill is effective the day following final enactment.

Considerations

The SRP is a defined contribution plan. Therefore, changing the maximum employer matching contribution amount will have no effect on the funding of the plan, but it will allow for the possibility that employees can increase their retirement savings by being able to contribute more employee contributions on which a higher employer matching contribution can be made. Additionally, this bill merely sets a new maximum—any increase to the employer matching contribution for employees covered by a collective bargaining agreement would need to be negotiated as part of the collective bargaining process.