CavMac
Actuarial Consulting Services

March 24, 2026

Mr. Tim Maurer
Executive Director
Teachers Retirement Association of Minnesota
60 Empire Drive, Suite 400
St. Paul, MN 55103

Re: House File 4429: Proposed Changes to Return-to-Work Provisions

Dear Tim:

At your request, we have evaluated the potential cost and risk implications of House File 4429 (HF 4429), which proposes modifications to return-to-work (RTW) provisions for retired members. Specifically, the bill:

- Lowers the minimum age for receiving a retirement annuity and entering an RTW agreement from age 62 to age 59½; and
- Extends the suspension of post-retirement earnings limitations for an additional six years.

Cost Analysis

Historically, approximately 25 to 30 members per year have entered RTW agreements under the current provisions. While the proposed changes increase the attractiveness of RTW arrangements by expanding eligibility and removing earnings constraints for a longer period, the overall number of participants is expected to remain small relative to the total System membership.

To assess the potential cost impact, we considered an alternate set of retirement rates, reflecting an increase in members retiring at age 60 and 61 rather than at age 62. Even under this scenario, the number of members utilizing RTW provisions remains limited. The cost impact reflects several offsetting factors:

- Earlier benefit commencement (benefits payable at age 60 and 61 are lower due to application of early retirement reduction factors, but the payout period is longer)
- Continued employment (impact on contributions to the System related to members participating in RTW and delayed full workforce exit)
- Limited scale of affected population.

Based on these considerations, we estimate that the proposed changes would have an immaterial impact on both the actuarially determined contribution rate and the funded status of the System. For purposes of this analysis, "immaterial" is considered to be a change of less than approximately 0.05% of payroll in the contribution rate and a negligible effect on the funded ratio.

Risk Analysis

The proposed changes introduce some incremental uncertainty, primarily related to member behavior:

- *Utilization Risk*: Participation in RTW programs may increase more than expected due to enhanced financial incentives (earlier eligibility and extension of suspension of earnings limits for more years).
- *Policy Extension Risk:* Temporary provisions may be extended further or made permanent, increasing long-term exposure.
- *Workforce Dynamics*: Employers may increasingly rely on retired members to address staffing shortages, thereby impacting the size of the active membership over the long term.

Despite these considerations, the relatively small size of the affected population limits the magnitude of these risks at the system level.

Conclusion

While HF 4429 may increase participation in return-to-work arrangements, the number of affected members is expected to remain small relative to the total membership. As a result, the proposed changes are not anticipated to materially affect the contribution requirements or funded status of the Teachers Retirement Association of Minnesota.

Disclaimers, Caveats, and Limitations

The results that comprise this cost study are based on the July 1, 2025 valuation results, the actuarial assumptions and methods used in that valuation, unless otherwise noted, prepared by the System's actuary, CavMac.

In evaluating the impact of HF 4429 as outlined in this letter, we have utilized appropriate actuarial models and related software that in our professional judgment has the capability to provide results that are consistent with the purpose of this study and have no material limitations or known weaknesses. We performed analysis to ensure the model reasonably represents that which is intended to be modeled. These models use assumptions about future contingent events, along with recognized actuarial approaches, to develop the necessary results. Significant items are noted below with additional detail provided in the attached exhibits. We believe the assumptions and methods are individually, and in aggregate, consistent and reasonable (taking into account the experience of the Plan and reasonable expectations).

We, Patrice A. Beckham, Brent A. Banister, and Ben Mobley are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are available to answer any questions on the material in this letter or to provide explanations or further details as appropriate. Ms. Beckham and Dr. Banister also meet the requirements of "approved actuary" under Minnesota Statutes, Section 356.215, Subdivision1, Paragraph (c).

Sincerely,

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