



**SF 4765 (Rasmusson); HF 4429 (Nadeau):
TRA and SPTRFA; Lowering the age at which a TRA member may enter
into a return- to- work agreement; extending the suspension of the
earnings limitation for retired teachers who return to teaching**

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Introduction

Affected Plans: Teachers Retirement Association (TRA)
St. Paul Teachers' Retirement Fund Association (SPTRFA)

Laws Amended: Minnesota Statutes, sections 354.05 and 354.444
Laws 2022, chapter 65, article 3, section 1, subdivisions 2 and 3, as amended by
Laws 2024, chapter 102, article 1, sections 8 and 9

General Summary

HF4429 (Nadeau) lowers the age at which a teacher covered by TRA can enter into a return-to-work agreement before the effective date of retirement and still commence receipt of a retirement annuity from TRA. The age is lowered from age 62 to age 59-1/2.

The bill also extends the suspension of the earnings limitation for retirees of TRA and SPTRFA returning to teaching service that is scheduled to expire on January 1, 2029, and, without the extension, would impact annuity payments beginning in 2029.

Background

TRA return- to- work agreements

Due to legislation passed in 2008, teachers, other than those employed by the Minnesota State Colleges and Universities System, who are at least age 62 may enter into an agreement with their employer to return to employment, "retire," and begin receiving a TRA annuity even though the teacher will not have had a termination of teaching service as of the date of the agreement. (See [Minn. Stat. § 354.444](#).) Employment under the agreement could be full-time or part-time, and there is no prohibition against the teacher simply continuing on in the same employment capacity. (See [Minn. Stat. § 354.444](#).) Nothing in section 354.444 requires that there be a true break in service prior to returning to work or that the arrangement not be prearranged. In other words, section 354.444 permits in-service distributions, i.e., the distribution of plan assets to active employees.

Historically, federal law has prohibited in-service distributions from defined benefit plans before a member's required beginning date. However, in 2006 the Internal Revenue Code was amended so that a pension plan would not lose qualified plan status if the individuals receiving the in-service distributions are at least age 62. TRA's return-to-work agreement provisions conform with the federal requirements because the annuity the teacher receives is a permissible in-service distribution.

The Internal Revenue Code was revised in 2019 to change the age at which in-service distributions are allowed from age 62 to 59-1/2. (See [Internal Revenue Code § 401\(a\)\(36\)](#).) Therefore, TRA's statutes can be updated to allow teachers who are at least age 59-1/2 to receive in-service distributions by entering into return-to-work agreements.

Earnings limitation for reemployed teachers

Under Minnesota law, a retired teacher covered by TRA or SPTRFA who returns to teaching service may have a portion of the teacher's pension benefits deferred or, for SPTRFA members, forfeited due to an earnings limitation. This limitation, which is currently suspended (see the section titled "Suspension of earnings limitation," below), applies to a retired teacher who:

- is collecting retirement benefits;
- hasn't reached Social Security retirement age;
- returns to a teaching position covered by the teacher's respective retirement system (TRA or SPTRFA); and
- earns more than \$46,000 per fiscal year or calendar year, as applicable.

If a retired teacher returns to employment after the Social Security normal retirement age, the earnings limitation does not apply, and the teacher will continue to receive the retirement annuity with no reduction.

For teachers covered by TRA, this earnings limitation is governed by section 354.44, subdivision 5. The \$46,000 earnings limitation is measured for salary earned in a fiscal year. If a teacher meets the criteria above, an amount equal to one-half of the salary that exceeds \$46,000 (\$1 of every \$2 above the limit) in a fiscal year is withheld from the teacher's pension payments in the subsequent calendar year. For example, if the suspension of earnings limitation were not in place and a reemployed teacher makes \$48,000 in fiscal year 2027, the teacher would have \$1,000 withheld from pension payments made in calendar year 2028.

The withheld amount is deferred and redirected to a separate individual savings account, which TRA calls an Earnings Limitation Savings Account (ELSA). A teacher can apply for a refund of the teacher's ELSA balance beginning one year after the last deferred amount was directed to the ELSA. In the meantime, the account is invested along with all other TRA assets, but the member does not receive interest or investment earnings on the account. "As of June 30, 2025, TRA had 86 retirees with an ELSA" and "[t]he total of all ELSA account balances was \$600,721. (See TRA, [2025 Annual Comprehensive Financial Report](#), page 43.)

For teachers covered by SPTRFA, the earnings limitation is governed by section 354A.31, subdivision 3. The earnings limitation for SPTRFA is similar to the earnings limitation for TRA but is different in the following ways:

- teachers who retire after June 30, 2013, have their withheld amount forfeited instead of deferred;
- the amount forfeited is equal to one-third of the salary exceeding \$46,000 instead of one-half; and
- salaries are measured on a calendar year basis instead of a fiscal year basis.

Suspension of earnings limitation

A 2022 session law suspended the earnings limitation described above for retired teachers of TRA and SPTRFA for salary earned in three fiscal or calendar years, as applicable. (See [Laws 2022, chapter 65, article 3, section 1](#).) A 2024 session law extended the suspension on the earnings limitation for an additional three years. (See [Laws 2024, chapter 102, article 1, sections 8 and 9](#).) These session laws temporarily permit retired teachers who resume teaching at a public school, charter school, or the Perpich Center for Arts Education to teach without application of an earnings limitation, which would otherwise cause pension payments to be deferred or forfeited.

For TRA, the suspension applies for salary earned in fiscal years 2022 through 2027 and pension payments in calendar years 2023 through 2028. For SPTRFA, the suspension applies for salary earned in calendar years 2022 through 2027 and annuity payments in calendar years 2023 through 2028.

The suspension is currently scheduled to expire for salary earned in fiscal year or calendar year 2027, as applicable. The bill would extend the suspension for an additional three years, as described in the section-by-section summary.

Section- by- Section Summary

Section 1: Revising definition of “termination of teaching service”

Section 1 amends section 354.05, subdivision 37, which defines “termination of teaching service.” Section 1 amends the definition to change age 62 to age 59-1/2. This change makes it so that the definition will state that a member will not be considered to have terminated teaching service if before the age of 59-1/2, and before the effective date of the termination or retirement, the member entered into a return-to-work agreement.

Sections 2- 3: Revising return- to- work agreement provisions

Section 2 amends section 354.444, subdivision 2, which is the subdivision that defines an eligible person as a person who: (1) is a teacher who is at least age 62; (2) enters into a written agreement with the employing unit to return to work; and (3) retires and begins to draw an annuity from TRA. A person who satisfies the definition of an eligible person can enter into a return-to-work agreement and still

commence receipt of a retirement annuity from TRA. Section 2 changes age 62 to age 59-1/2 in section 354.444, subdivision 2, clause (1).

Section 3 amends section 354.444, subdivision 3, by adding a paragraph that states, “[a] member who is at least age 59-1/2 may, before the effective date of retirement, enter into a written agreement to return to work with an employing unit covered by the provisions of this chapter.”

Sections 4–5: Extending suspension of earnings limitation

Section 4 amends Laws 2022, chapter 65, article 3, section 1, subdivision 2, as previously amended in 2024, which extended the temporary suspension on earnings limitation for teachers covered by TRA and SPTRFA. Section 4 extends, by three additional years, the earnings limitation suspension for retirees returning to teaching service.

Under section 4, the earnings limitation will not apply to salary earned in fiscal years 2025 through 2030 for teachers covered by TRA, or calendar years 2025 through 2030 for teachers covered by SPTRFA. Annuity payments to re-employed teachers covered by either TRA or SPTRFA will not be deferred or forfeited during calendar years 2026 through 2031.

Section 5 extends the expiration date for Laws 2022, chapter 65, article 3, section 1, by three years, from January 1, 2029, to January 1, 2032.

Section 6: Effective Date

The bill is effective the day following final enactment.

Considerations

TRA board of trustees and SPTRFA positions

At the TRA Board of Trustees meeting on September 17, 2025, the TRA Board passed a motion “to change the Return-to-Work agreement age to 59.5.” (See TRA, [September 17, 2025, Minutes of the Board of Trustees Meeting](#), page 3.)

At the TRA Board meeting on November 19, 2025, the TRA Board passed a motion “to extend the ELSA suspension to 2030.” (See TRA, [November 19, 2025, Minutes of the Board of Trustees Meeting](#), page 4.)

During the same meeting, a presentation from TRA staff to the TRA Board provided the following considerations on either allowing the suspension of the earnings limitation to expire or extending the suspension:

Employers continue to report a shortage of teachers, particularly substitutes.
TRA and SPTRFA historically have matched up on the suspension.

(See TRA, [November 19, 2025, Board of Trustees Packet](#), red page 29.)

LCPR staff contacted Phill Tencick, Executive Director and Chief Investment Officer for SPTRFA, to see if SPTRFA wanted to be included in extending the suspension of the earnings limitation. Mr. Tencick responded that SPTRFA would like to be included in the extension of the suspension through 2030.

Cost

For TRA, because payments of a member's pension benefit during the period of reemployment are suspended rather than forfeited, extending the suspension of the earnings limitation does not result in a cost to TRA. Conversely, members of SPTRFA who return to teaching service forfeit part of their pension benefit if the earnings limitation impacts their retirement annuity. LCPR staff requested a cost estimate from Mr. Tencick since SPTRFA would be foregoing potential forfeitures during the suspension of the earnings limitation. Mr. Tencick provided the following response to that request:

The cost to the plan will be de minimis. Immediately prior to the suspension, we did not have any forfeiture income. Since the start of the suspension following COVID, we've only had 13 instances where a teacher exceeded the previous earnings limitation, with total potential forfeitures of \$92k. Based on our experience prior to the suspension, we expect most, if not all, members would not have exceeded the limit. Additionally, SPTRFA's rehired teachers have ER [employer] contributions made, so the additional contributions further offset the potential forfeiture income lost.

TRA's "termination of teaching service" provision needs revision

Section 354.05, subdivision 37, defines "termination of teaching service" as:

the withdrawal of a member from active teaching service by resignation or the termination of the member's teaching contract by the employer. A member is not considered to have terminated teaching service, if before the age of 62, and before the effective date of the termination or retirement, the member has entered into a contract to resume teaching service with an employing unit covered by the provisions of this chapter. A contract to return to work after retirement for an active member who has attained age 62 must comply with the provisions of section 354.444.

This definition should be amended to state, "A member is not considered to have terminated teaching service if, before the effective date of the termination or retirement, the member has entered into a contract to resume teaching service with an employing unit covered by the provisions of this chapter." This more accurately states applicable federal law which provides that if a member enters into a return-to-work agreement before the effective date of the retirement, no matter what age, the member would not have *terminated teaching service*. Instead, that member would be considered as receiving an in-service distribution, which is permitted at age 59-1/2.

The definition should also be amended to remove the last sentence of the subdivision, which states, "A contract to return to work after retirement for an active member who has attained age 62 must comply with the provisions of section 354.444." As noted in the Revisor's Manual, definitions should not include additional information that goes beyond what the term actually means.