



**SF 4860 (Pappas); HF 4812 (Lillie):
St. Paul Teachers' Retirement Fund Association;
decreasing employee contributions;
increasing employer contributions and the COLA;
appropriating money**

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Introduction

- Affected Plan:** St. Paul Teachers' Retirement Fund Association (SPTRFA)
- Laws Amended:** Minnesota Statutes, sections 126C.10, 354A.12, and 354A.29
- Brief Description:** The bill lowers the employee contributions for coordinated members after June 30, 2026, from 9% to 8% of salary, and increases the postretirement adjustment (COLA) for retirees from 1% to 1.5%. The decrease in employee contributions and increased COLA are paid for with a state-funded employer contribution increase.

“Pension Parity” between TRA and SPTRFA

In his report to the Commission at its meeting on February 24, 2026, SPTRFA Executive Director Phill Tencick described what he called the “Pension Parity Act,” which is the legislation set forth in SF4860/HF4812. He noted in his presentation that the goal of the Pension Parity Act is to “equalize SPTRFA and TRA benefits and contributions.”

Does the bill achieve “pension parity”? SF4860/HF4812 *does not* equalize all benefits and contributions between SPTRFA and TRA. It equalizes employee contributions and, in a year, will equalize the COLAs. If the bill is enacted, the employee contribution rates for both SPTRFA and TRA will be 8% of pay and, in one year, the COLA for both plans will be 1.5%.

Early retirement benefits are not at parity. The bill does not address the lack of parity between SPTRFA and TRA with regard to the early retirement benefit for a member who retires with 30 years of service. SPTRFA members can retire at age 62 with 30 years of service and receive a full unreduced pension. The same retiree under TRA's early retirement benefit would receive an early retirement benefit equal to the normal retirement benefit reduced by 6%.

State aid differences. SPTRFA, with \$1.43 billion in assets as of July 1, 2025, receives approximately \$16 million in direct state aid every year. TRA, with \$31.26 billion in assets as of June 30, 2025, receives less than double that amount, at approximately \$29 million per year.

As of June 30, 2025, SPTRFA had a total of 13,695 members, including active and inactive (terminated) members, members on leave, retired or disabled members, survivors, beneficiaries, and alternate payees. As of July 1, 2025, TRA had a total of 221,196 members, including active and inactive (terminated) members, retired or disabled members, survivors, and beneficiaries. Based on these membership numbers and the amount of direct state aid, *SPTRFA receives approximately \$2,125 per member and TRA receives approximately \$72 per member.*

Can pension parity ever be achieved? Merging SPTRFA into TRA would achieve parity. This is the logical next step, in line with past mergers, including Duluth Teachers Retirement Fund Association in 2015 and Minneapolis Teachers Retirement Fund Association in 2006.

Background

SPTRFA is a defined benefit retirement plan that provides retirement, survivor, and disability benefits to teachers of Independent School District No. 625, St. Paul. [SPTRFA’s presentation to the Commission on February 24, 2026](#), provided the following information about SPTRFA:

Active members	3,482
Retirees and survivors	4,388
Disability retirements	23
Actuarial accrued liability	\$1.986 billion
Market value of assets	\$1.434 billion
Funded ratio (AVA)	69.7%
Funding/contribution sufficiency	4.5%
Projected full funding date	2039

Contributions to SPTRFA

Under Minnesota Statutes, section 354A.12, the contribution rates are the following:

- Employee contribution rate is currently 8.75% of salary and is set to increase to 9% on July 1, 2026.
- Employer contributions to SPTRFA consist of a “regular” employer contribution and an “additional” employer contribution. The regular employer contribution rate is 9.75% of salary. The additional employer contribution is 3.84% of salary. Total employer contributions total 13.59% of salary.

Postretirement adjustments for SPTRFA retirees

Minnesota’s public pension plans provide annual postretirement adjustments, often referred to as cost-of-living adjustments or COLAs, to retirees, which are intended to provide some protection from the decrease in the value of the pension due to inflation. Under Minnesota Statutes, section 354A.29,

SPTRFA currently pays a COLA of 1% to eligible retirees and benefit recipients. For retirements on or after January 1, 2024, a SPTRFA retiree is not eligible to receive a COLA until the retiree reaches normal retirement age. When the retiree is eligible to receive a COLA, if the effective date of the retiree's benefit commencement occurs after January 1 of the prior calendar year, the amount of the COLA is reduced by 50%.

Section- by- Section Summary

Section 1: Increasing pension adjustment revenue

Section 1 amends section 126C.10, subdivision 37, to increase the pension adjustment revenue annually paid to the St. Paul School District.

Under subdivision 37, pension adjustment revenue is calculated from "adjusted pupil units" corresponding to number and type of pupils in a district, along with a "pension adjustment rate" under paragraph (a), clause (2). The current language of clause (2) specifies:

- the pension adjustment rates for Independent School District No. 625, St. Paul (covered by SPTRFA) for each fiscal year between FY2023 and FY2025, along with the rate for FY2026 and later; and
- the pension adjustment rates for all other districts (covered by the Teacher Retirement Association), for FY2025, along with the rate for FY2026 and later.

Section 1 increases the pension adjustment revenue for FY2027 and later paid to the St. Paul School District to 5.95% and removes obsolete language relating to the fiscal years before FY2026. These changes preserve the current rate of 3.25% for FY2026. Because the bill does not increase the employer contribution rate for TRA, there is no increase to the pension adjustment revenue for the other districts.

Section 1 is effective for revenue in fiscal years 2027 and later.

Section 2: Decreasing employee contributions

Section 2 amends section 354A.12, subdivision 1, paragraph (a), which sets out the percentage of salary an employee contributes to SPTRFA. Section 2 decreases the employee contribution rate for coordinated members after June 30, 2026, from 9% to 8% of salary. Because there are currently no active basic members, there is no reduction in the employee contribution rate for basic members.

Section 2 also removes the obsolete tiered language specifying employee contribution rates between July 1, 2016, and June 30, 2025.

Section 2 is effective July 1, 2026.

Section 3: Increasing employer contributions

Section 3 amends section 354A.12, subdivision 2a, paragraph (a), to increase the employer contribution rate beginning July 1, 2026, from the current rate of 9.75% of salary to 14.45% of salary for coordinated members and from the current rate of 13.25% of salary to 15.95% of salary for basic members.

Section 3 also removes the obsolete tiered language specifying employer contribution rates between July 1, 2022, and June 30, 2025.

Section 3 is effective July 1, 2026.

Section 4: Increasing the COLA

Section 4 amends section 354A.29, subdivision 7, which provides the COLA for SPTRFA members. Under current law, retirees of TRA are eligible for an annual fixed COLA of 1%. Section 4 increases the COLA to 1.5%, beginning January 1, 2027.

Section 4 is effective for postretirement adjustments beginning January 1, 2027.

Sections 5: Appropriations

Section 5 provides for appropriations, in unspecified amounts, from the general fund for FY2027 and FY2028. Section 5 contains appropriations for general education aid, which LCPR staff understands funds the pension adjustment revenue for the St. Paul School District. The amounts are left blank, but we understand that the authors' intent is to have the appropriations match the employer contribution increase.

Considerations

Cost

According to SPTRFA, the estimated annualized cost to increase the COLA is \$8.8 million per year paid over a 15-year period. This cost estimate is based on a cost study prepared by SPTRFA's retained actuary, Gabriel, Roeder, Smith & Company (GRS). The results of the cost study are based on SPTRFA's July 1, 2024, valuation report.

LCPR staff has not seen a cost study for decreasing the employee contributions. However, using the projected payroll for FY2025 of \$337.6 million, we estimate the employee contribution decrease to cost \$3.37 million per year (increasing 3% per year).

To cover the cost, the bill increases employer contributions and funds the St. Paul School District through an increase in the pension adjustment revenue and an appropriation.

Comparing contribution rates

Each of the public pension plans in Minnesota have different employee and employer contribution rates. The table below compares the current employee and employer contribution rates for coordinated and basic members of SPTRFA and TRA.

	TRA (Coordinated Members)	St. Paul Teachers (Coordinated Members)	TRA (Basic Members)	St. Paul Teachers (Basic Members)
Employee contribution rate	8%	8.75% *	11.5%	11.25% **
Employer contribution rate	9.81%	13.59%	17.45%	16.89%
*Note: The employee contribution rate for coordinated members to SPTRFA is set to increase to 9% on July 1, 2026. **Note: The employee contribution rate for basic members to SPTRFA is set to increase to 11.5% on July 1, 2026.				

If the bill is enacted, starting July 1, 2026, the employee contribution rates for coordinated and basic members of SPTRFA or TRA would be the same.

Comparing COLAs

If the bill is enacted, the COLA for SPTRFA will be higher than TRA’s for one year. Under the bill, on January 1, 2027, SPTRFA’s COLA will be 1.5%. On January 1, 2027, TRA’s COLA will be 1.4%. Under current law, TRA’s COLA will increase to 1.5% on January 1, 2028.

The COLA for SPTRFA is tied with the PERA Police and Fire Plan for the lowest COLA rate among Minnesota’s public pension plans. The table below compares the current COLA for the general employee, teacher, and public safety plans. As the table shows, while it is common for plans with a similar membership to have the same COLA, it is not always the case.

	MSRS General	PERA General	TRA	St. Paul Teachers	MSRS State Patrol	PERA Police and Fire	MSRS Correc- tional	PERA Correc- tional
COLA as of 1/1/2026	1.75%	1.75%	1.3% *	1%	1.25%	1% **	1.5%	2.5%
*Note: The COLA for TRA members is set to increase 0.1% each January 1, until January 1, 2028, when the COLA is and will remain at 1.5%. **Note: PERA Police & Fire members whose pension started on or before January 1, 2025, received a one-time 3% increase in 2026. The annual increase will be 1% in 2027 and future years.								

Impact on annuity amount for a SPTRFA retiree starting to receive payments on March 1, 2027

Under the bill, the increased COLA will increase a SPTRFA member’s annuity benefit. The chart below compares the annual benefit increases under the current COLA and the COLA under the bill. The table assumes that a member covered by SPTRFA will retire at the normal retirement age and start to receive a hypothetical monthly annuity benefit of \$1,000 beginning March 1, 2027.

Period	Current COLA	Monthly Benefit (Current COLA)	COLA Under the Bill	Monthly Benefit (COLA Under the Bill)
Mar.-Dec. 2027	0%	\$1,000	0%	\$1,000
Jan.-Dec. 2028	0.5%	\$1,005	0.75%	\$1,007.50
Jan.-Dec. 2029	1%	\$1,015.05	1.5%	\$1,022.61
Jan.-Dec. 2030	1%	\$1,025.20	1.5%	\$1,037.95
Jan.-Dec. 2031	1%	\$1,035.45	1.5%	\$1,053.52