

The Fiscal Implications of Inaction Related to the Teacher Retirement Association (TRA) Pension Fund

Facts:

- With minimal exception, the last of the Tier I, “Rule of 90” eligible retirees will retire in June 2025 - Based on an employment starting age of 22 years in 1989
- For all others (Tier II), eligibility for an unreduced pension will not occur for nine additional years - 65 years of age (June 2034)
- The cost to school districts to continue employment of their most expensive/senior teachers will increase exponentially over the next nine years
- An additional 5,706 teachers (~10% of the overall MN teaching workforce) likely will continued to be employed until SY 2034 - all at the highest cost (bottom of the salary schedule)
- Using modest salary increases, the total cost (over the 9 year period) amounts to \$2.8 BILLION (numbers in the chart below are in millions)

SY26	SY27	SY28	SY29	SY30	SY31	SY32	SY33	SY34	Total
\$71.4	\$137.9	\$187	\$246.5	\$314.5	\$376.8	\$435	\$488.3	\$538.5	\$2.8B

- These numbers DO NOT include the additional employer (district) cost of contributing a higher percentage to high wage earners via TRA. For example, a teacher MA + 0 additional credits and 22+ years of experience would cost a district an additional \$2,864 (estimated) annually versus a new teacher at the same level of education.
- The cost to reintroduce the “Rule of 90” over the same 9 year period, is estimated to be \$1.4B
- Inaction will not only dramatically increase costs to districts/state, significant cuts will be made to the teacher workforce, increasing class sizes across the state
- The teacher shortage will no longer be a concern as districts will not be able to afford to hire any new teachers due to the cost of the existing, higher wage earning teacher labor force
- It is strongly recommended that a compromise be considered that takes into account the rising costs that districts (i.e., the state) will soon face. 60 and 30 or 62 and 30 are examples of such a compromise. Both would reduce the pension exposure of a “Rule of 90” reintroduction AND reduce the cost to districts and the state.

* The financials were calculated with a very high degree of certainty and based on solid analytics derived from publicly available data (TRA, MDEORG, MARSS, District data comparisons). Calculations and explanations of the data are available upon request.