

MSCF Minute



An electronic publication of the Minnesota State College Faculty

TRA Board OK's Sustainability Plan

by MSCF Legislative Steering Committee via Teachers Retirement Association

For faculty who do not receive the Teachers Retirement Information Bulletin, there was important information regarding TRA sustainability. The following is an excerpt from the [TRIB-Winter 2016 edition](#) (click to view entire publication).

“After months of discussion, careful consideration and input from stakeholder groups, the TRA Board of Trustees on Dec. 16 approved recommending to the legislature a sustainability package to put the pension fund on track for full funding and a stronger future for the state’s teacher retirement system.

Using shared sacrifice as its guiding principle, the board settled on a package that increases employer contribution rates by 1 percent (from 7.5 percent to 8.5 percent) and reduces the 2 percent cost-of-living adjustment to 1 percent for five years beginning Jan. 1, 2017, and to 1.75 percent beginning Jan. 1, 2022.

Employee contribution rates remain at 7.5 percent. The COLA change would impact both current and future retirees (today’s active teachers). The recommendations are subject to review and approval by the state

legislature and governor. These changes are expected to result in the TRA fund approaching full funding by 2044. Without the changes the board is recommending, TRA’s funded ratio is projected to drop to 73 percent and remain there rather than attain full funding in 30 years. “These are the kind of adjustments that must be made periodically as TRA staff and trustees exercise our fiduciary duties,” said Laurie Hacking, TRA’s executive director.

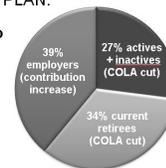
“Adjusting contribution rates and COLAs are difficult decisions, and we believe the board’s recommendations will preserve defined-benefit pension income for our current and future retired teachers. “The changes were necessary following an actuarial study that indicated adjustments to TRA’s economic and demographic assumptions are needed to match expected investment and member life expectancy experience.

TRA’s actuaries periodically perform this “experience study” to test assumptions to determine whether they continue to be accurate and reasonable. This is an important exercise and a key financial control, because it helps assure that TRA is

accurately reporting the system’s long-term projected costs and has an adequate plan to fund those costs.

The most recent experience study covered the period from July 1, 2008, through June 30, 2014. It found that Minnesota’s active and retired teacher population is expected to live much longer than previously predicted, a development that has significant implications for the financial status of the fund.

SUSTAINABILITY PLAN:
Portion of solution borne by each group



... Despite strong and sometimes conflicting views on all sides, most TRA stakeholders expressed a strong sense of collective responsibility to help keep the fund sustainable for future retired educators. The sustainability recommendations next will be presented to the Legislative Commission on Pensions and Retirement (LCPR) in preparation for the legislative session, which begins in March. The board’s recommendations must garner support of the LCPR, both houses of the state legislature, and the governor

Volume 2, Issue 22
February 25, 2016

in order to move forward.

The Public Employees Retirement Association (PERA) and Minnesota State Retirement System (MSRS) also are affected by longer life expectancies and are expected to present similar sustainability plans to lawmakers.”

To stay up to date on TRA, visit www.minnesotatra.org. Faculty can also contact MSCF members serving on the [MSCF Legislative Steering Committee](#).

Precinct Caucuses March 1, 2016

Do not forget Tuesday, March 1 is precinct caucuses for the 2016 elections.

Participating in a caucus is a way to promote an issue that matters to you, provide support for a candidate, and engage with people in your community.

For information on what to expect at a caucus and how to **support investment in the higher education resolution**, view the [MSCF 2016 Precinct Caucus Guide](#).

Find your local precinct caucus location [here](#).

