

March 26, 2018

Minnesota Senate OKs 2018 pension bill

The 2018 Omnibus Pension Bill passed out of the Minnesota State Senate on a unanimous vote (66-0) on Mon., March 26. The bill will next proceed through various committees in the state House of Representatives, most likely after the Easter/Passover break.

Bill co-author Sen. Julie Rosen, R-Vernon Center, who chairs the Legislative Commission on Pensions and Retirement (LCPR), summarized the bill's provisions and praised the engagement of those who have worked for three years to bring forward a public pension sustainability package whose reforms will result in \$3.4 billion in immediate savings.

To help address the pension systems' unfunded liabilities, SF 2620 includes "significant benefit reforms" as well as contribution rate increases for employers and employees, Rosen said. She explained that the bill has much work behind it – the engagement of all stakeholders, the governor, the commissioner of Minnesota Management and Budget – and reflects "true shared sacrifice."

Rosen noted that bond ratings agencies are watching Minnesota closely and expect pension reform. The sustainability package moving through legislature is the largest in Minnesota pension history, she said.

LCPR member Sen. Sandy Pappas, D-St. Paul, added her support for the bill. Pappas said the funding situation for Minnesota's public pension plans is "serious" and "not adequate." She said that passage of the bill will come as welcome news to bond ratings agencies such as Moody's and S&P, which are paying close attention to the issue. Pappas said that the reforms also will be good for Minnesota as a whole.

Pension commission members Sen. Dave Senjem, R-Rochester, and Sen. John Jasinski, R-Faribault, also spoke in support of the bill.

The bill includes sustainability measures for all four public pension systems: the Teachers Retirement Association (TRA), the Public Employees Retirement Association (PERA), the Minnesota State Retirement System (MSRS), and the St. Paul Teachers Retirement Fund Association (SPTRFA). Details on the bill may be viewed on the State Legislature website:

https://www.revisor.mn.gov/bills/text.php?version=latest&session=1s90&number=SF2620&session_year=2018&session_number=0 (Senate version).

Besides the immediate \$3.4 billion reduction in pension liabilities, the bill puts the plans on the path toward full funding, provides funding to schools to offset increased pension contributions, and safeguards the retirement security of public employees for the future. The bill lowers the rate of return on investments to 7.5 percent. Here are the key provisions of the pension bill pertaining to TRA:

KEY TRA PENSION BILL PROVISIONS
COLA: 1.0% for 5 years (2019-2023), then increase by 0.1% per year in each of next five years (2024-2028) to 1.5%
COLA delay to age 66 (effective 7/1/2024) (exempt: Rule of 90, disability, survivors, age 62/30 years)

Early retirement: Increase penalties, 5-year phase-in (fiscal years 2020-2024), age 62/30 years exempt
Employee contribution increase: +0.25% beginning in FY2024 (7.5% to 7.75%)
Employer contribution increases: +1.25% phased in over 6 years, FY19-24 (7.5% to 8.75%)