



TRA | TEACHERS
RETIREMENT
ASSOCIATION

March 2026

Board of Trustees Meeting

Wednesday, March 11, 2026 – 9:30 a.m.
Room 414 or via Webex

Teachers Retirement Association of Minnesota
60 Empire Drive, Suite 400, St. Paul, MN 55103

minnesotatra.org



Board of Trustees Meeting Agenda

Wednesday, March 11, 2026 – 9:30 a.m.

Retirement Systems of Minnesota Building, Room 414 // Hybrid via Webex

1. Call to Order

2. Approval of Minutes

- a. Minutes of January 7, 2026 Board Meeting [ACTION] – p. 1

3. Old Business

4. New Business

- a. Board Appeal [ACTION] – p. 12
- b. Office of the Legislative Auditor Report [INFORMATION] – Jordan Bjorfald – p. 13
- c. Assistant Executive Director Approval [ACTION] – Tim Maurer – p. 20
- d. Fiscal Year 2027 Board Meeting Dates [ACTION] – Tim Maurer – p. 21
- e. Board Education on Reduction Factors [INFORMATION] – Holly Dayton, Tim Maurer – p. 22
- f. Executive Director Performance Review [ACTION] – p. 51

5. Reports

- a. Report from President [INFORMATION] – Joel Stencel – p. 53
- b. Report from Executive Director [INFORMATION] – Tim Maurer – p. 54
- c. Operational Update [INFORMATION] – Rachel Barth – p. 55
- d. Legislative Update [INFORMATION] – Holly Dayton – p. 56
- e. Assistant Attorney General Update [INFORMATION] – Joseph Weiner – p. 71

6. Public Comments

7. Upcoming Meetings

Board of Trustees Meetings, 9:30 a.m., Room 414

May 13, 2026

June 10, 2026

8. Adjourn

Board members may participate by telephone or virtually pursuant to Minn. Stat., § 13D.015. The board allows public comments at the conclusion of the agenda. Stakeholder groups wishing to speak at the board meeting shall designate a spokesperson. Persons wishing to speak during the public comment period shall first state their name and whom they represent and should limit their comments to three (3) minutes. All comments should be confined to matters under the board's jurisdiction and authority and should be relevant to the agenda before the board. Speakers should present their comments to the board chair in a helpful and appropriate manner and may not engage in personal attacks. The board reserves the right to determine what issues come before the board at any given time and to dismiss any speaker who engages in unproductive or hostile conduct.

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**MINNESOTA TEACHERS RETIREMENT ASSOCIATION
MINUTES OF THE BOARD OF TRUSTEES MEETING
JANUARY 7, 2026
HYBRID MEETING HELD VIA WEBEX AND IN ROOM 414
(PURSUANT TO MINN. STAT. § 13D.015)**

Trustees in person:

Mary Broderick
Thomas Carr
Patty Hand
Kevin Lindstrom
Kathy Oellerich
Jim Olson
David Rondestvedt, Vice President
Joel Stencil, President

Presenters:

Andy Christensen, State Board of Investment
Jill Schurtz, State Board of Investment
Brent Banister, CavMac Actuarial Consulting Services
Ben Mobley, CavMac Actuarial Consulting Services

**Legal representatives
in person:**

Frank Langan, Assistant Attorney General
Joseph Weiner, Assistant Attorney General

Staff in person:

Rachel Barth	Jessica Mount
Holly Dayton	Stephanie Summerville
Tim Maurer	Stephanie Tonihka

Staff via Webex:

David Anderson	Laura Lindahl
Sarah Baar	Dominic Matern
Zaira Blackburn	Seth McDowell
Chad Borsheim	Brian O'Connell
Chris Cahoon	Lori Olsen
Carol Diedrich	Lynn Paatalo
Sean Edgett	Sonja Parr-Baker
Andrew Gibbons	Syma Perez Merlo
Kelly Gillen	Hannah Peterson
James Grev	Erica Pinc
Kimberly Heil	Tiffany Porter
Diana Kaiser	Travis Ruport
Jean Kinnetz	Subhdeep Sidhu

Public via Webex:

Lisa Storey
Eva Wood
Approximately 66 registered attendees

MINUTES

1. Call to Order

Stencel called the meeting to order at 9:30 a.m. A roll call was taken. All members were present at the meeting location. Stencel noted that agenda item 4i, Executive Director Performance Evaluation, would occur after agenda item 6, Public Comments, to allow for the board to go into a closed session to conduct the performance evaluation.

2. Approval of Minutes

a. Approval of November 19, 2025 Board Meeting Minutes

Stencel noted two punctuation edits. Rondestvedt moved, seconded by Carr, to approve the November 19, 2025 minutes, as amended. The motion passed unanimously.

3. Old Business

Stencel confirmed there was no old business.

4. New Business

e. Limited Medical Assistance Fund Report

Stencel asked staff to present the Limited Medical Assistance Fund (LMAF) memo while the board waited for Storey to join the meeting for her appeal. Barth presented the annual LMAF update and noted the fund's 2025 distributions made to eligible individuals satisfied the applicable required minimum distribution. Barth discussed staff's intent to research options for finding another entity to manage the eligibility determinations that TRA is performing in tandem with Wells Fargo, the LMAF's trustee.

a. Board Appeal

Storey joined the meeting via Webex at 9:38 a.m.

Stencel provided an overview of how the appeal would be presented, noting Langan would act as the board's adviser, and Weiner would present TRA's response to the appeal.

Wood, acting as Storey's representative, presented the appeal. The question before the board was whether certain employment of Storey's qualified as teaching service that would allow TRA to amend her membership start date,

which would reclassify her as a Tier I member and make her eligible to retire under the Rule of 90.

Storey acknowledged she began her public school employment during the 1990/91 school year and became a TRA member at that time. However, she argued that her employment in 1988 with a summer camp, where she earned salary from Saint Mary's University and the State of Minnesota, qualifies her for Rule of 90 eligibility. She believes she should have been enrolled in the Minnesota State Retirement System (MSRS) for that employment, but her employer failed to submit the membership paperwork. She noted that she has tried to get more information from MSRS without success. Wood clarified that she and Storey are not disputing the facts, that they acknowledge Storey did not begin her TRA-eligible service until 1990, but asked the board to reclassify Storey as a Tier I member for the 1988 service they believe should have been eligible for MSRS coverage.

Weiner explained it was not appropriate for Storey and Wood to introduce a new issue, MSRS membership, at this stage of the appeal. The board cannot make any exceptions or decisions for any other state association, like MSRS. The board can only make a decision on whether Storey qualifies for the Rule of 90 as a TRA member based on the facts that were presented in her original argument. Weiner concluded that Storey has not provided any documentation from her former employer to confirm she rendered TRA-eligible service prior to July 1, 1989, did not get her teaching license until 1990, and indicated on her 1990 TRA membership application that she had not previously rendered teaching service and had never been a member of another Minnesota public retirement system. Therefore, she should not be reclassified as a Tier I member.

Langan noted he is not aware of any statute that gives one fund the authority to declare membership in a different pension fund or that would give this board the authority to declare membership in a different pension fund. The board must make the decision based on the facts and on statutory authority, not on equitable considerations.

Weiner explained Storey could voluntarily withdraw her appeal, work with MSRS, then come back to the board at a later time. Stencel asked Storey to decide whether to withdraw her appeal or move forward with her original appeal argument to have the board decide whether to change her membership date in TRA and reclassify her as a Tier I member. Storey indicated she wanted to move forward with her appeal.

Oellerich moved, seconded by Olson, to deny the petition and to affirm the executive director's decision that TRA does not have the authority to grant membership based on employment that does not qualify for TRA coverage and to have the board's attorney draft an order to this effect and the memorandum of laws setting the reasons for its decision. The motion passed unanimously.

d. Fiscal Year 2025 ACFR Review

Tonihka presented the fiscal year 2025 (FY25) Annual Comprehensive Financial Report (ACFR), which is a set of financial statements and explanatory notes that comply with the accounting requirements established by the Governmental Accounting Standards Board (GASB). She noted the ACFR is audited by the Office of the Legislative Auditor and the FY25 report received a clean audit opinion. Tonihka also highlighted the FY25 Popular Annual Financial Report (PAFR), which is a condensed version of the ACFR.

b. SBI Update

Schurtz and Christensen presented an update from the State Board of Investment (SBI), including staffing updates, investment performance of the Combined Funds, and asset allocation. Schurtz noted SBI undergoes annual audits and anticipates the latest audit will be shared with TRA within a few weeks. Trustees asked about the asset allocation process and whether TRA's current investment return assumption of 7% was appropriate. Schurtz confirmed that based on the current Combined Fund's asset allocation, 7% is an appropriate assumption.

Stencel announced a break from 11:09 a.m. to 11:19 a.m.

c. Actuarial Valuation

Banister and Mobley presented the fiscal year 2025 (FY25) actuarial valuation results. Mobley reviewed the valuation process and noted the events that impacted the results, including the enacted benefit changes, VIA's public retirement plan portability assumptions study, and the 10.9% investment return. He compared the FY24 and FY25 results, highlighting the increase in TRA's funded ratio from 79.9% to 81.6% and the shift from a contribution deficiency to a sufficiency on both a market and an actuarial value of assets. Banister noted the importance of looking at both the market and actuarial value of assets results rather than just one.

Banister reviewed risks the board should take into consideration when discussing the plan's future financial condition, including investment, longevity, membership/covered payroll, and contribution risks. Banister also explained how the pension plan matures and noted that as plans mature, benefits accumulate, the population ages, and the plan obligations become larger, which is relative to the source of contributions. Banister explained the health of the fund has improved over the years and is currently projected to be fully funded by 2040, ahead of the 2048 amortization date.

Stencel announced a break from 12:10 p.m. to 12:40 p.m.

g. 2026 Legislative Agenda

Dayton reviewed the current board-approved 2026 legislative agenda: lowering the age a member can enter a return-to-work agreement from 62 to 59 ½; extending the current suspension of the \$46,000 earnings limitations for retirees

who return to work in PreK–12 TRA-covered positions through 2030; and including licensed physician assistants in the list of medical providers permitted to submit medical documentation for disability applications.

Dayton presented two additional legislative changes for the board's consideration: clarifying the exclusion of Minnesota Paid Leave (MPL) payments from the definition of eligible salary; and moving the joint-and-survivor interest rate assumption from statute to the Legislative Commission on Pensions and Retirement (LCPR) Appendix to the Standards for Actuarial Work. Trustees asked for clarification on how MPL would interact with TRA-eligible leaves. Barth and Maurer explained that a member utilizing MPL would also need to be on a TRA-eligible leave and purchase the service credit for that period of time.

Stencel moved, seconded by Rondestvedt, for TRA staff to seek legislation to exclude payments from the family and medical benefit insurance account for the Minnesota Paid Leave program from the statutory definition of salary. The motion passed unanimously.

Lindstrom moved, seconded by Oellerich, for TRA staff to pursue legislation to move the investment return assumption used to calculate TRA's joint and survival annuities from Minnesota Statutes, section 356.461, into the LCPR's Appendix to the Standards for Actuarial Work. The motion passed unanimously.

Hand left the meeting at 1:30 p.m.

Trustees discussed the upcoming legislative session and possible action items including evaluating benefit improvement options, adjusting the employer contribution rate and state aids, and developing short-term and long-term goals for benefit improvements. Broderick suggested the board create a funding policy to assist in evaluating the fund's financial health and providing a framework for discussion and decision making related to benefit changes. Maurer noted a funding policy could be part of a larger board strategic planning initiative. Oellerich proposed Maurer reach out to other pension funds to identify outside contractors who could assist the board with developing a strategic plan, short- and long-term goals for funding, benefit improvements, and guiding principles. Maurer stated he would do some research and bring options for the board's consideration at a future meeting.

Broderick left the meeting at 1:40 p.m.

h. Actuarial Services Contract

Maurer noted that the contract with CavMac expires on June 30, 2026, so TRA staff are working on a request for proposal (RFP) for a new actuarial contract. He summarized the RFP process and timeline contained in the staff memo.

Oellerich moved, seconded by Olson, to approve TRA staff in proceeding with the RFP based on the schedule and outline of the procedures described in the staff memo. A roll call vote was taken. All present voted yes. The motion passed.

5. Reports

a. Report from the President

Stencel reminded board members to complete and submit their annual statement of economic interest report.

b. Report from the Executive Director

Maurer reported that he is continuing to communicate with stakeholders and although presentation requests decreased during the holidays, he now has multiple requests.

Broderick rejoined the meeting via Webex at 1:58 p.m.

c. Operational Update

Barth introduced Mount as TRA's new general counsel. Barth also noted that the chief operations officer posting recently closed, and she is preparing for interviews.

d. Legislative Update

Dayton noted that the 2026 legislative session starts on February 17.

e. Assistant Attorney General Update

Weiner noted he had no update.

6. Public Comments

Larson and Tessman provided their comments to the board.

4. New Business

i. Executive Director Performance Review

Rondestvedt moved, seconded by Oellerich, to go into closed session for the evaluation of the executive director (Minnesota Statutes, section 13D.05, subdivision 3). A roll call vote was taken. All present voted yes. The motion passed.

Stencel announced that the closed session had ended and the board returned to an open meeting. He reported that during the closed session, the board performed the executive director performance review. The results of the review were positive and the board approved a 4% increase with reevaluation of a COLA increase in July.

7. Upcoming Meetings

Stencel noted that agenda item 4f, Board Education on Reduction Factors, would be moved to the March board meeting and confirmed the next regular board meeting on March 11, 2026, at 9:30 a.m.

8. Adjourn

Oellerich moved, seconded by Lindstrom, to adjourn the meeting at 3:24 p.m. A roll call vote was taken. All present voted yes. The motion passed.

Attest:

Tim Maurer
Executive Director

Joel Stencel
President

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Old Business



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New Business





Board Appeal



TRA Annual Comprehensive Financial Report

March 11, 2026

OLA | OFFICE OF THE
LEGISLATIVE AUDITOR



Objective and Scope

Objective:

- Express an opinion as to whether TRA's financial statements, including note disclosures, present fairly in all material respects with generally accepted accounting principles.

Scope:

- Fiscal Year 2025

Audit Opinion

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Teachers Retirement Association (TRA), which included the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise TRA's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers Retirement Association as of June 30, 2025, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Areas

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Statement of Fiduciary Net Position

- Short-Term Investments
- Investments (at Fair Value)
- Securities Lending Collateral

Statement of Changes in Fiduciary Net Position

- Contributions
- Net Investment Gain
- Retirement Benefits Paid

Required Supplementary Information

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- Limited audit procedures performed
- We do not express an opinion on this information

Audit Report

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Judy Randall, Legislative Auditor
State of Minnesota

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

- No internal control weaknesses
- No instances of noncompliance

Questions?

Jordan.Bjonfald@state.mn.us

www.auditor.leg.state.mn.us



Teachers Retirement Association of Minnesota
60 Empire Drive, Suite 400, St. Paul, MN 55103

Date: February 27, 2026
To: TRA Board of Trustees
From: Tim Maurer, Executive Director
Subject: Appointment of TRA Assistant Executive Director

Minnesota Statutes, section 354.06, subdivision 2a, clause 4, authorizes the TRA executive director to "...designate, as necessary...an assistant executive director in the unclassified service...with the approval of the board...". I am pleased to report that I have designated Stephanie Summerville as assistant executive director of human resources for the Teachers Retirement Association. Her appointment is contingent, and will be effective immediately, upon approval by the TRA Board of Trustees.

The assistant executive director position is categorized under the law as a "statutory unclassified" position. Therefore, TRA is not obligated to post the position if there is a strong internal candidate. I have concluded that Stephanie is the best person for the position based on her professional qualifications and dedication to TRA's mission.

Stephanie has worked in the human resources field since 2012, and she was hired by TRA in September 2020 to establish our in-house human resources office. After serving as TRA's sole personnel resource for two years, Stephanie was promoted to a new role that allowed her to build and develop TRA's human resources team.

Through Stephanie's leadership, TRA's human resources operation has grown to provide a wide range of personnel services including: strategic recruiting, staffing, training, and retention efforts; workplace diversity, equity, inclusion, and accessibility administration; classification, total compensation, and unemployment insurance duties; labor and employee relations; personnel policy writing and compliance monitoring; leave of absence management; performance management and workplace investigation consulting; and workplace safety and violence prevention activities. TRA's human resources team also provides training and consultation to the TRA Board of Trustees related to hiring and managing the executive director role. Since her hire, Stephanie has led several major organizational initiatives, including workforce pandemic protocols; executive-level candidate searches; new statutory leave of absence implementations; division, department, and position restructuring; and leadership training.

Prior to serving at TRA, Stephanie provided personnel services for other state government entities, a school district, and a private university. She also held positions within the financial services and insurance industry. Stephanie earned a Bachelor of Arts degree in business administration, with a concentration in legal studies in business, from the University of St. Thomas.

2026–2027

A **June 15–16:** International Foundation of Employee Benefit Plans (IFEBP)
Public Plan Trustees Institute, San Diego, CA

B **June 22–24:** National Council on Teacher Retirement (NCTR)
System Directors’ Meeting, Chicago, IL

C **July 12–15:** National Council on Teacher Retirement (NCTR)
Trustee Workshop, Berkeley, CA

D **August 8–12:** National Association of State Retirement Administrators (NASRA)
Annual Conference, Boston, MA

E **October 3–6:** National Council on Teacher Retirement (NCTR) Annual
Conference, Coeur d’Alene, ID

F **October 24–25:** International Foundation of Employee Benefit Plans (IFEBP)
Annual Conference, New Orleans, LA

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June 2027						
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The History of TRA's Level- Formula Early Retirement Factors



Tim Maurer, Executive Director
Holly Dayton, Legislative Liaison
March 11, 2026

Agenda

1. Actuarial Background
2. Early Level Formula History
3. 2013: Recommendation, Proposal, and Results
4. Impact of 2018 Sustainability Bill
5. Impact of 2023–2025 Reforms
6. Questions

Actuarial Background

Normal Retirement Age (NRA): The age at which a vested plan member is entitled to collect a pension calculated according to the benefit formula without any reduction for early collection.

Early Retirement: A pension commenced before the member reaches NRA.

Actuarial Present Value: The current value of a series of future payments.

Early Retirement Reduction Factor: The amount by which a pension benefit is permanently reduced in order to account for a member's early retirement.

Actuarially Equivalent (AE) Factors: Factors determined by an actuary that produce an early or alternate retirement benefit with an equal actuarial present value to the unreduced retirement benefit.

Fixed Factors: Factors that are a set percentage, do not change with mortality and other assumptions, and which do not necessarily produce an equal actuarial present value.

- More predictable.

- When members retire early, it must be assumed that they will receive benefit payments for a longer period of time than if they had retired at NRA.
- Additionally, dollars dispersed from the fund early are assumed to lose out on years of compounding investment gains, which are relied upon for funding.

Example Accumulation and Payment Schedules

Member Age:	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100
NRA Retirement:	Asset Accumulation Until NRA								Benefit Payments For Life							
Early Retirement:	Asset Accumulation Until 55							Benefit Payments for Life								

- Actuarial principles recommend adjusting benefits commenced prior to NRA.

Early Level-Formula History

- In 1989, the level formula was created for all new TRA, MSRS, and PERA members going forward.
- This law required that the level formula apply Actuarially Equivalent (AE) factors to early retirement benefits.
 - These factors were developed by each fund's retained actuary, according to each plan's unique demographic and economic experience and assumptions.

- When the level formula was created, the law required that an augmentation (subsidy) be applied to the AE factors. This augmentation rate was:
 - Tied in law to the augmentation on deferred pension benefits;
 - 3% per year for those first hired before July 1, 2006; and
 - Later changed to 2.5% per year for those first hired on or after July 1, 2006.
- Augmentation served to increase the benefits paid to members retiring early under the level formula.

Level Formula AE Factors In Place in 2013

For Members First Hired Beginning July 1, 1989
(Includes 3% Augmentation)

	Mortality & Time Value		Augmentation Component	=	Final Factor
55	0.42302	x	1.38423	=	0.58556
56	0.45498	x	1.34392	=	0.61146
57	0.48980	x	1.30477	=	0.63908
58	0.52778	x	1.26677	=	0.66858
59	0.56927	x	1.22987	=	0.70013
60	0.61466	x	1.19405	=	0.73394
61	0.66442	x	1.15927	=	0.77025
62	0.71906	x	1.12551	=	0.80931
63	0.77919	x	1.09273	=	0.85144
64	0.84549	x	1.06090	=	0.89698
65	0.91879	x	1.03000	=	0.94635
66					1.00000

2013: Recommendation, Proposal, and Results



2012 Conditions and Experience

- In 2012, TRA's actuary recommended updating annuity purchase factors for various assumption changes.
 - This would have impacted the level formula's early retirement benefits because AE reduction factors are recalculated to integrate revised assumptions.
- NOT adopting recommended assumptions and adjusting factors accordingly can violate actuarial practices and may cause:
 - A misalignment between cost projections and fund experience (increased unfunded liabilities); and
 - Increased risk to the pension fund.

TRA Fund Position as of July 1, 2012:

72.9% Funded
(actuarial value of assets)

(3.04%)
Ultimate Contribution
sufficiency/(deficiency)

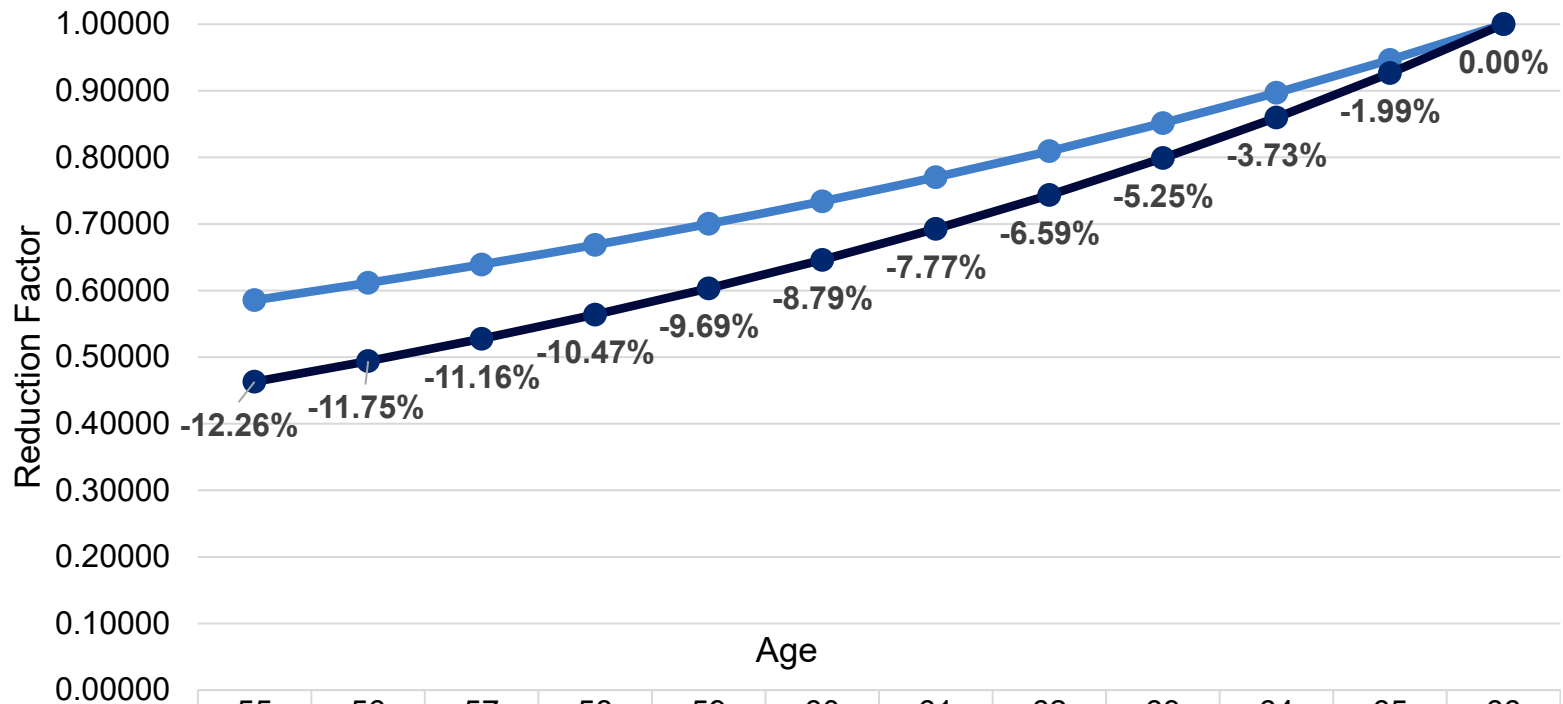
**Not projected to reach full
funding within the
amortization period**

- Implementing the revised actuarial equivalent factors *would have*:
 - Saved the TRA fund an estimated 0.86% of payroll per year; and
 - Resulted in lower level-formula benefits (some significant).



2013: Recommended Revised AE Factors

- The revised AE factors recommended by TRA's actuary would have become effective July 1, 2013 and created a significant cliff for benefits commenced on or after that date.



	55	56	57	58	59	60	61	62	63	64	65	66
2013 AE Factors	0.5855	0.6114	0.6391	0.6685	0.7001	0.7339	0.7702	0.8093	0.8514	0.8969	0.9463	1.0000
Proposed AE Factors	0.4629	0.4940	0.5275	0.5638	0.6032	0.6460	0.6926	0.7433	0.7989	0.8597	0.9265	1.0000



The TRA Board's Response

- Over the course of many months in 2012 and 2013, the TRA Board of Trustees considered numerous options for reducing the revised factors' impact on member benefits.
- Ultimately, the board passed a motion to replace AE factors with fixed factors and phase them in over multiple years.
- Advantages of fixed vs. AE factors:

TRA's level-formula reduction factors would no longer be tied to assumption changes about mortality or investment expectations, avoiding future cliff scenarios like the one anticipated in 2013;

Level factors are easier for members to understand; and

Level factors create consistent, predictable retirement estimates, allowing for more stable retirement planning.

The TRA Board's Proposal on New Early Retirement Reduction Factors:

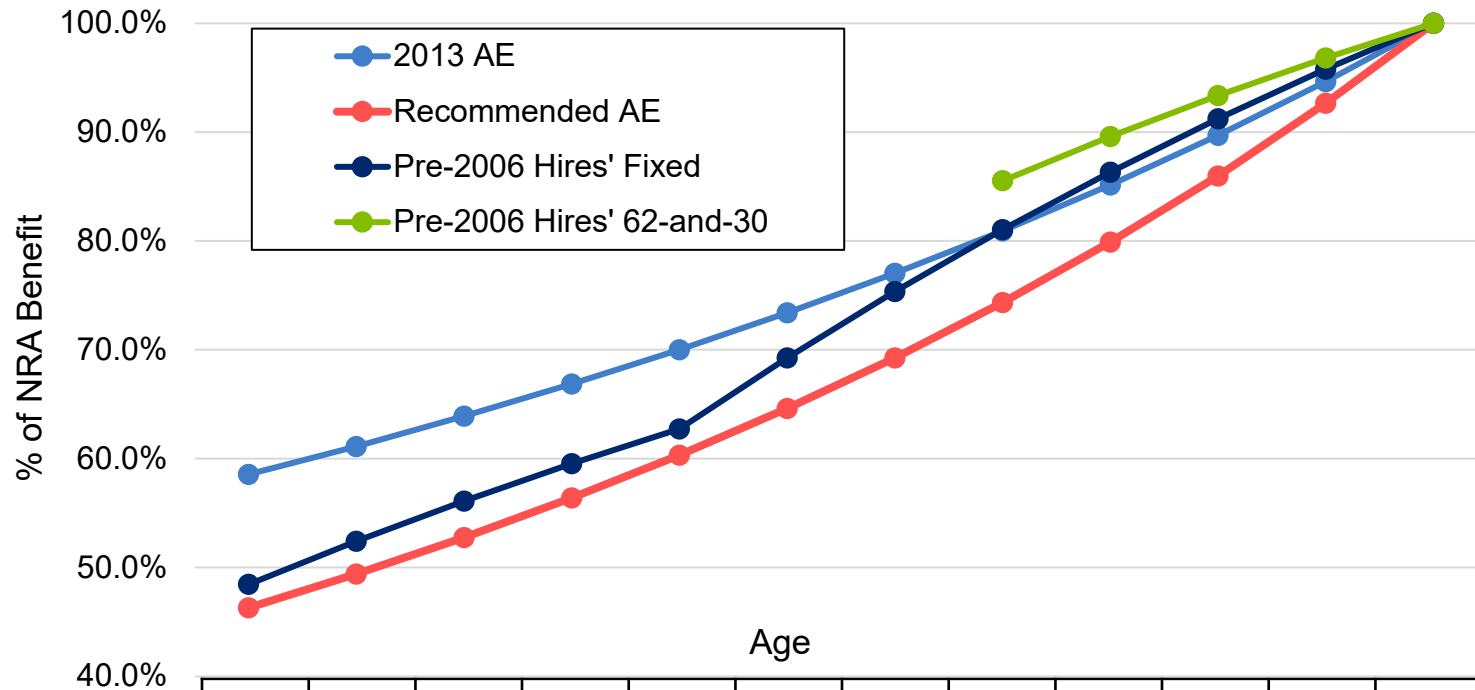
- Eliminate the level formula's AE factors and instead phase in fixed factors of:
 - 4% per year ages 55–58 and 7% per year ages 59–66;
 - 6% per year for members who reached age 62 with 30 years of service; and
 - Retain augmentation all level-formula factors (3% per year for pre-2006 members, 2.5% per year for post-2006 members.)
- The board supported providing improved benefits for those members reaching age 62 and 30 years of service in order to:
 - Reward career teachers; and
 - Primarily benefit those hired after July 1, 1989.

Benefits of the TRA Board's Proposal:

- ✓ *Applied lower benefit reductions than under the recommended AE factors*
- ✓ *Buffered the effect on those closest to retirement with a phase-in*
- ✓ *Created a new incentive for career service*
- ✓ *Was projected to be roughly cost-neutral during a time of financial stress*

- The TRA Board of Trustees' proposal to buffer the impact of changing factors became law at the conclusion of the 2013 legislative session.
(Laws 2013, Ch. 111, Art. 12, Sec. 1.)
- The resulting fixed factors with augmentation:
 - Provided a benefit improvement for *all* level-formula factors over what would have otherwise occurred;
 - *Improved* factors for members aged 61 – 64, regardless of years of service; and
 - Established additionally subsidized factors for members at age 62 with 30 years of service.
- The law also provided for:
 - A delayed modification until July 1, 2015; and
 - A multi-year phase-in, with full implementation not occurring until July 1, 2020.
- In an attempt to keep the factor changes actuarially cost-neutral, the TRA fund gave up a portion of the estimated 0.86% of payroll savings from the recommended AE factors.

Comparison of Level-Formula Early-Retirement Reduction Factors



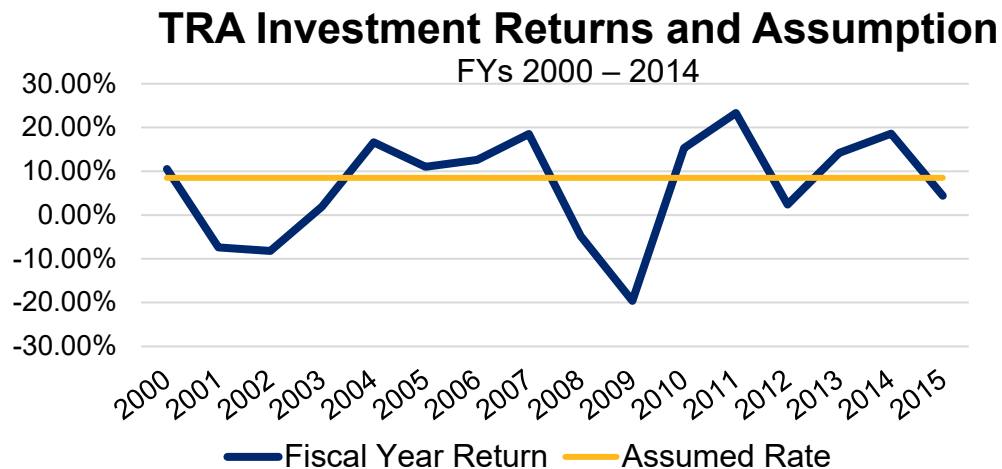
	55	56	57	58	59	60	61	62	63	64	65	66
% Change in Benefit from 2013 AE Factors	-12.26%	-11.75%	-11.15%	-10.47%	-9.69%	-8.79%	-7.77%	-6.59%	-5.25%	-3.73%	-1.99%	0.00%
	-10.11%	-8.73%	-7.80%	-7.32%	-7.29%	-4.14%	-1.67%	+0.11%	+1.18%	+1.54%	+1.15%	0.00%
								+4.61%	+4.46%	+3.66%	+2.18%	0.00%

**Comparison of Recommended AE Reduction Factors vs. TRA Board Proposal:
Special Retirement Factors Implemented Over 5-Year Period Beginning July 1, 2015
For Members First Hired Beginning July 1, 1989
(Includes 3% Augmentation)**

Recommended 2014 AE Factors		Fixed Factors (Pre-2006 Hires)			62-and-30 (Pre-2006 Hires)		
Age	Final Factor	4% 55-58 7% 59-NRA	Augmentation Component	Final Factor	6% 62- NRA	Augmentation Component	Final Factor
55	0.46299	0.35000	x 1.38423	= 0.48448			
56	0.49401	0.39000	x 1.34392	= 0.52413			
57	0.52754	0.43000	x 1.30477	= 0.56105			
58	0.56385	0.47000	x 1.26677	= 0.59538			
59	0.60324	0.51000	x 1.22987	= 0.62724			
60	0.64603	0.58000	x 1.19405	= 0.69255			
61	0.69260	0.65000	x 1.15927	= 0.75353			
62	0.74339	0.72000	x 1.12551	= 0.81037	0.76000	x 1.12551	= 0.85539
63	0.79891	0.79000	x 1.09273	= 0.86325	0.82000	x 1.09273	= 0.89604
64	0.85972	0.86000	x 1.06090	= 0.91237	0.88000	x 1.06090	= 0.93359
65	0.92650	0.93000	x 1.03000	= 0.95790	0.94000	x 1.03000	= 0.96820
66	1.00000			1.00000			

Impact of 2018 Sustainability Bill

- Compounding market losses in 2001, 2002, 2008, and 2009 had a significant impact on financial health of Minnesota's statewide pension plans.
- TRA's experience study for the period from July 1, 2009 – June 30, 2014 revealed the need for significant mortality table adjustments, an investment return assumption reduction, and other changes that would drive costs.
- These and other factors created the need for significant sustainability measures in the 20-teens.



TRA's 2014 experience study recommended new mortality tables to recognize increasing longevity.

For example, a nearly 2-year longer life expectancy for female retirees aged 65.

- All three Minnesota statewide pension funds worked during the 2016, 2017, and 2018 legislative sessions to pass structural sustainability measures.
 - The 2016 bill was vetoed;
 - TRA was removed from the bill in 2017 and the proposal vetoed;
 - An omnibus bill finally became law in 2018.
- The 2018 bill received broad bipartisan and coalition support because of its shared-sacrifice approach to shoring up the pension funds.

Impact on Early Retirement Reduction Factors

- The 2018 bill prospectively eliminated augmentation from all pension funds' members' deferred account values. ("deferred augmentation"); and
- Removed augmentation from the plans' early retirement reduction factors.
 - *One exception across the Minnesota plans: augmentation was preserved in TRA's 62-and-30 level-formula reduction factors, and these factors were not impacted by the 2018 law.*

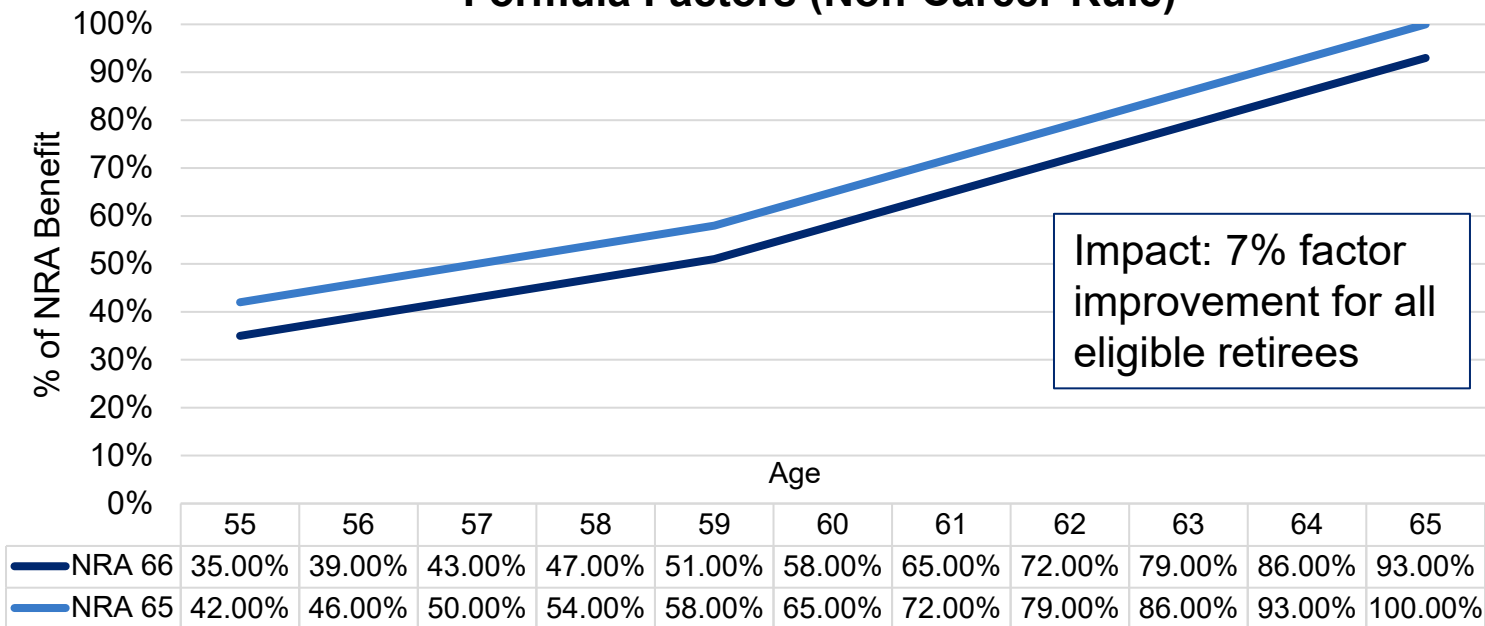
Level-Formula Factors – Summary

	Phased out beginning July 1, 2015	Not implemented	Phased in beginning July 1, 2015 as a result of 2013 legislation		Phased out beginning January 1, 2019 as a result of 2018 legislation	
Age	2013 AE	Recommended AE	Fixed (Pre-2006 Hires)	62-and-30 (Pre-2006 Hires)	Post-2018	Post-2018 62-and-30 (Pre-2006 Hires)
55	0.58557	0.46299	0.48448		0.35000	
56	0.61148	0.49401	0.52413		0.39000	
57	0.63910	0.52754	0.56105		0.43000	
58	0.66859	0.56385	0.59538		0.47000	
59	0.70014	0.60324	0.62724		0.51000	
60	0.73395	0.64603	0.69255		0.58000	
61	0.77026	0.69260	0.75353		0.65000	
62	0.80932	0.74339	0.81037	0.85539	0.72000	0.85539
63	0.85145	0.79891	0.86325	0.89604	0.79000	0.89604
64	0.89699	0.85972	0.91237	0.93359	0.86000	0.93359
65	0.94635	0.92650	0.95790	0.96820	0.93000	0.96820
66	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Impact of 2023 – 2025 Reforms

- Legislation enacted in 2023 reduced the normal retirement age for TRA members hired after June 30, 1989 from age 66 to 65, effective July 1, 2025.
- In 2024, a law change and coordinating State appropriation moved the effective date forward by one year, to July 1, 2024.

Impact of NRA Reduction on Level Formula Factors (Non-Career-Rule)



Impact: 7% factor improvement for all eligible retirees

Note: 62-and-30 factors shown for members first hired before July 1, 2006

Comparison of factors for members with 30 years of service

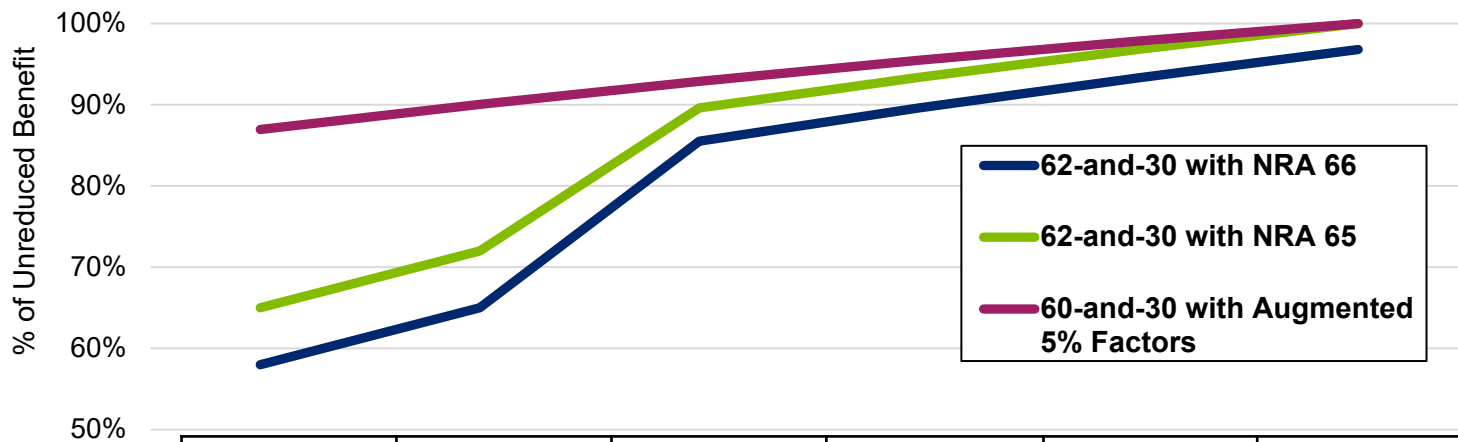
	NRA 66	NRA 65	Change
60	0.58000	0.65000	7.000%
61	0.65000	0.72000	7.000%
62	0.85539	0.89604	4.065%
63	0.89604	0.93359	3.755%
64	0.93359	0.96820	3.461%
65	0.96820	1.00000	3.180%

Note: 62-and-30 factors shown for members first hired before July 1, 2006

60-and-30 with 5% Augmented Factors

- Legislative action in 2025 focused on improving benefits for members with at least 30 years of service.
- The resulting law change replaced the former 62-and-30 factors with a new 60-and-30 threshold and a 5% augmented reduction per year.

Comparison of Level-Formula Early Retirement Factors with 30 Years of Service



Age:	60	61	62	63	64	65
Impact of NRA 65	7.00%	7.00%	4.10%	3.76%	3.52%	3.20%
Impact of 60-and-30	21.95%	18.04%	3.28%	2.12%	1.03%	---
Total Benefit Impact	28.95%	25.04%	7.38%	5.88%	4.55%	3.20%

Starting Benefit Comparison



■ 62-and-30 with NRA 66
 ■ 62-and-30 with NRA 65
 ■ 60-and-30 with Augmented 5% Factors

- In this example, a member retiring at age 60 under the new 60-and-30 law will receive nearly \$1,000 more per month than they would have under 62-and-30 with age 66 NRA.

Calculations assume a No Refund benefit for a person with a \$75,000 high-five average salary, 10 years of service at a 1.7% multiplier and 20 years of service at 1.9%.

- Early retirement reduction factors are an important piece of maintaining a pension fund's actuarial soundness while providing flexibility to retirees.
- In response to actuarial recommendations and legislative reforms designed to promote fund sustainability, TRA's level formula early retirement factors have changed significantly over time.
- Benefit changes enacted and implemented between 2023 and 2025 softened reduction factors for all eligible members between the ages of 55 and 65, regardless of years of service.
- The 2025 law change that created 5% augmented factors for eligible retirees aged at least 60 with at least 30 years of service significantly improved reduction factors for individuals aged 60 and 61.
- Today, early retirement reduction factors under the level formula for members aged 60–65 with at least 30 years of service are between 5.4% and 13.5% *improved* over the actuarially equivalent factors in effect in 2013.

Level-Formula Factors – Summary

Age	Fixed factors phased in beginning July 1, 2015		Augmentation phased out beginning January 1, 2019		NRA 65 effective July 1, 2024		Current Factors, effective June 30, 2025	
	Fixed	62-and-30	Post-2018	Post-2018 62-and-30	NRA 65	NRA 65 with 30 Years of Service		60-and-30 With 5% Augmented Factors
55	0.48448		0.35000		0.42000		0.42000	
56	0.52413		0.39000		0.46000		0.46000	
57	0.56105		0.43000		0.50000		0.50000	
58	0.59538		0.47000		0.54000		0.54000	
59	0.62724		0.51000		0.58000		0.58000	
60	0.69255		0.58000		0.65000		0.65000	0.86950
61	0.75353		0.65000		0.72000		0.72000	0.90040
62	0.81037	0.85539	0.72000	0.85539	0.79000	0.89600	0.79000	0.92880
63	0.86325	0.89604	0.79000	0.89604	0.86000	0.93360	0.86000	0.95480
64	0.91237	0.93359	0.86000	0.93359	0.93000	0.96820	0.93000	0.97850
65	0.95790	0.96820	0.93000	0.96820	1.00000	1.00000	1.00000	1.00000
66	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Questions and Discussion



Executive Director Performance Review



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Report from President





Report from Executive Director





Operational Update





Legislative Update





Teachers Retirement Association of Minnesota
60 Empire Drive, Suite 400, St. Paul, MN 55103

Date: February 27, 2026
To: TRA Board of Trustees
From: Holly Dayton, Legislative Liaison
Subject: 2026 Legislative Session Update

The 2026 Minnesota legislative session began February 17. The following is an update on legislative activities as of February 27.

Legislative Commission on Pensions and Retirement

The Legislative Commission on Pensions and Retirement (LCPR) held its first meeting Tuesday, February 24. The agenda included a brief presentation by the LCPR's retained actuary, VIA, and funding updates by the executive directors of the three statewide pension funds and the St. Paul Teachers' Retirement Fund Association. TRA's presentation is attached for your reference.

The LCPR will continue to meet Tuesday nights in Room G-15 of the state capitol.

TRA Bills

Administrative Bill

Upon our request, LCPR staff drafted language to permit licensed physician assistants to submit medical documentation for TRA disability applications. The Revisor of Statute's (Revisor's) office has the language now. We have commitments from one representative and one senator to author the bill.

Return-to-Work Bill

TRA and LCPR staff are collaborating on the board's requested return-to-work changes. As a reminder, those changes would:

- Reduce the age at which a member can enter into a return-to-work agreement from 62 to 59 ½ to better align reemployment policies with the recently enhanced 60-and-30 benefit; and
- Extend the current suspension of the \$46,000 earnings limitation for retirees who return to work in PreK–12 TRA-covered positions through 2030 to provide more flexibility to employers.

Once complete, the language will be sent to the Revisor's office for jacketing. The same representative and senator who agreed to author our administrative bill have also offered to author this bill.

Other Items

LCPR staff drafted language to move the statewide pension funds' joint and survivor interest assumptions into the LCPR Standards for Actuarial Work. They also drafted the request to clarify that Minnesota Paid Leave payments are not eligible salary for TRA pension purposes. Both bills are scheduled to be heard by the LCPR on March 3.

Introduced Bills

As of February 27, one bill has been introduced that would impact TRA:

Unreduced 62-and-30

Senate File 3547 (Westrom – R) proposes the following changes:

- Provide unreduced retirement benefits upon reaching age 62 and 30 years of service;
- Increase the employee contribution rate to 9.0%, effective July 1, 2026; and
- Increase the employer contribution rate to 10.01% effective July 1, 2026;

The bill does not currently have a companion bill in the House of Representatives.

Potential Legislation

Although they have not been introduced formally as bills, TRA staff members are aware of several proposals that will likely be introduced this legislative session:

Require Employer Contributions on Reemployed Annuitant Earnings

During conversations with TRA staff, three legislators have expressed their desire to require TRA-covered employers to pay contributions on behalf of reemployed annuitants. We do not know details such as the proposed contribution rate or effective date, nor whether there will be more than one bill on this subject.

Exclude J-1 Visa Holders from TRA Coverage

A bill will likely be introduced to exclude J-1 visa holders from TRA coverage. J-1 teacher visas permit qualified educators to teach in U.S. schools for up to five years while leading cross-cultural learning. Data provided to TRA states Minnesota had approximately 500 J-1 visa-holding teachers in 2024.

This idea is being proposed by an individual whose business facilitates the placement of visa-holding individuals in Minnesota schools. His reasons for the change are that it would save the employers 9.81% of pay for those employees, and it would prevent employees who are not intending or likely to stay in the U.S. long-term from paying into a Minnesota-based pension system. Additionally, individuals employed under J-1 visas are not generally eligible for coverage by the Minnesota State Retirement System or Public Employees Retirement Association, so this change would align TRA's statute with the other statewide funds.

February Budget Forecast

Minnesota Management and Budget (MMB) released the February budget forecast on February 27. The revised budget shows an improvement from the November forecast, although MMB cautioned that "significant economic uncertainty" remains. The 2026–27 biennium's projected balance is now \$3.7 billion, a \$1.3 billion change from November. Money that is not spent in the remaining 16 months of the 2026–27 biennium will help offset the projected structural imbalance in 2028–29 biennium. That imbalance begins with a base number of \$2.3 billion and grows to \$3.4 billion when discretionary inflation to maintain current government spending is realized.

The information contained in MMB's February forecast will help lawmakers and the governor set budget targets for the 2026 legislative session. It is unclear whether pensions will receive a spending target.



TRA Pension Fund Update

Tim Maurer, Executive Director
Holly Dayton, Legislative Liaison

February 24, 2026



Membership Overview

- **86,000** active fund members:
 - Educators, administrators, nurses, counselors, and others in public PreK-12 schools (excluding the Saint Paul Public School District);
 - TRA staff; and
 - Certain faculty of Minnesota State.
- **70,000** benefit recipients
- **62,000** inactive individuals, 20,000 vested.



Pension Benefits

- Median monthly benefit payment:
\$2,438

Fiscal Year 2025:

- Average starting benefit: **\$2,456**
- Average final monthly salary: **\$6,108**
- Income replacement ratio: **40%**



2025 Actuarial Valuation Results

Actuarial Value of Assets (AVA)

\$ in Billions Note: numbers may not add due to rounding	July 1, 2024	July 1, 2025
Actuarial Accrued Liability	\$35.4	\$37.0
Asset Value	<u>\$28.3</u>	<u>\$30.2</u>
Unfunded Liability	\$ 7.1	\$ 6.8
Funded Ratio (assets ÷ liabilities)	79.9%	81.6%

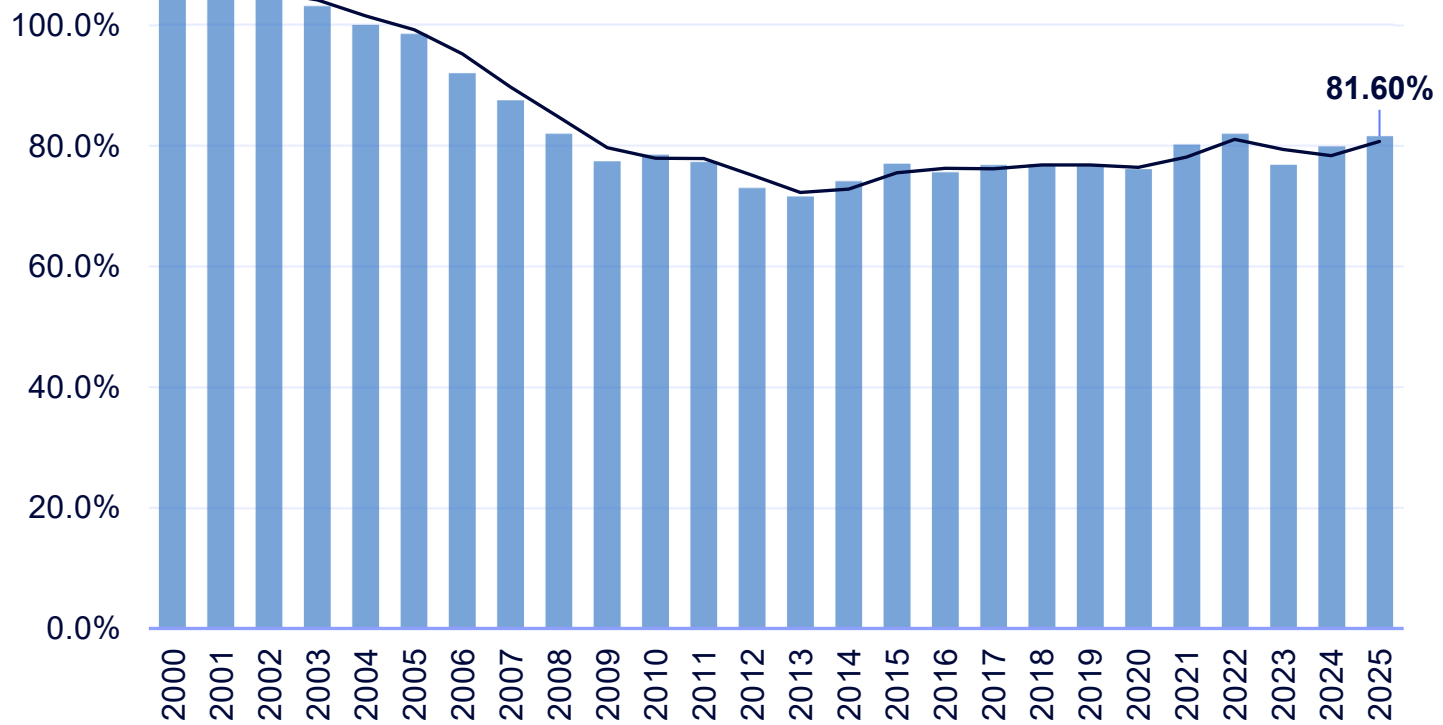
2025 Actuarial Valuation Results

Market Value of Assets (MVA)

\$ in Billions Note: numbers may not add due to rounding	July 1, 2024	July 1, 2025
Actuarial Accrued Liability	\$35.4	\$37.0
Asset Value	<u>\$29.1</u>	<u>\$31.3</u>
Unfunded Liability	\$ 6.4	\$ 5.7
Funded Ratio (assets ÷ liabilities)	82.1%	84.5%

Funding History (AVA)

Fiscal Years 2000 - 2025

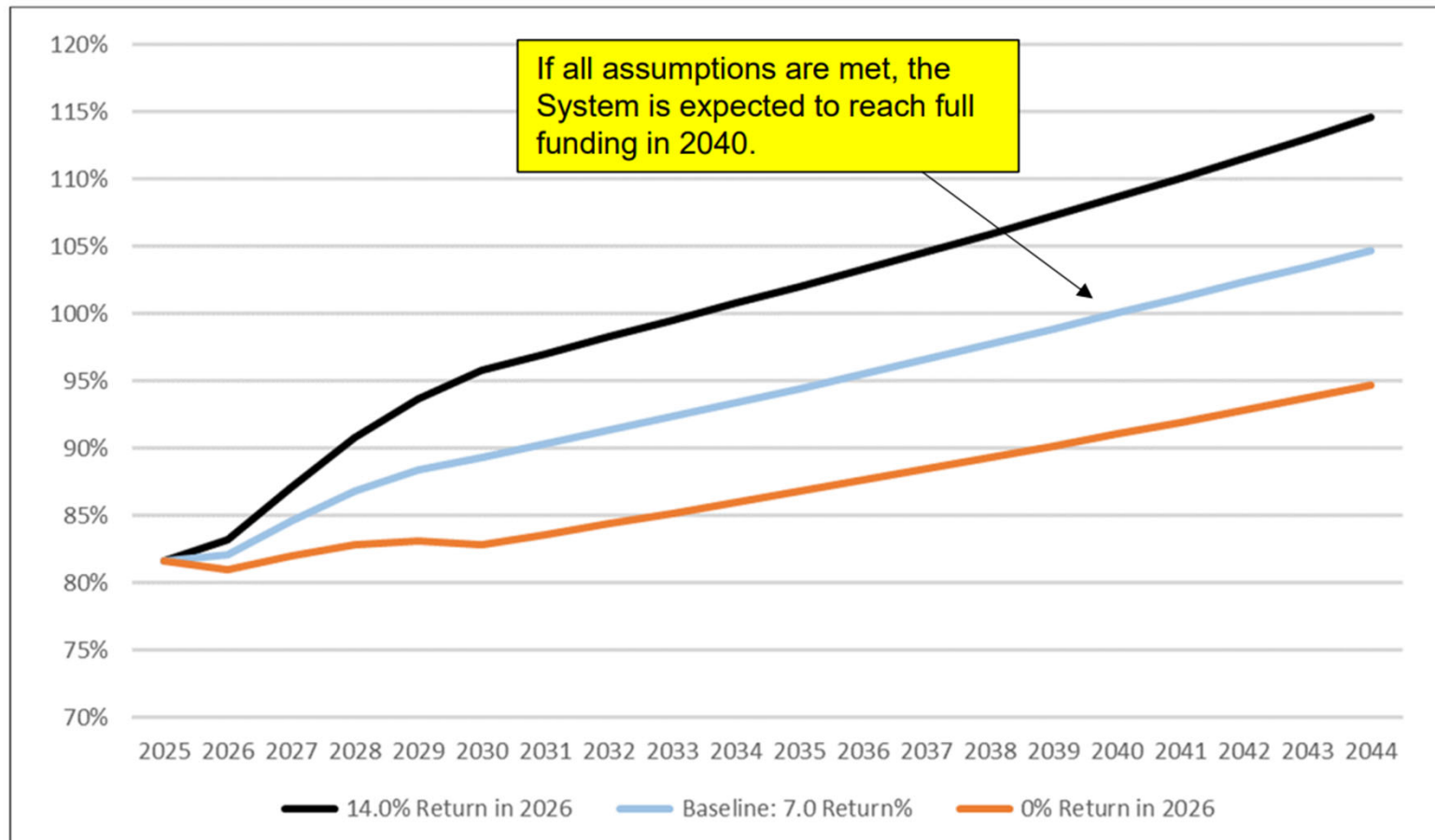


2025 Actuarial Valuation Results

Contribution Sufficiency/(Deficiency)

	2025 AVA	2025 MVA
Normal Cost (with expenses)	11.64%	11.64%
Amortization of UAAL	<u>6.41%</u>	<u>5.26%</u>
Total Required Contribution	18.05%	16.90%
Member plus Employer Contributions	18.49%	18.49%
Contribution Sufficiency/(Deficiency)	0.44%	1.59%

Funding Sensitivity



Layered Amortization

July 1, 2025 Actuarial Valuation

(\$ in Thousands) Amortization Bases	Original Amount	July 1, 2025 Remaining Payments	Outstanding Balance as of July 1, 2025	Annual Contribution
2024 UAAL Base (Legacy)	\$ 7,145,803	23	\$ 7,145,803	\$ 473,419
2025 Benefit Change (60-and-30 with 5% Augmented Factors)	413,417	23	413,417	27,389
2025 Contributions Below Actuarial Rate	84,059	15	84,059	7,467
2025 Experience	(843,174)	15	(843,174)	(74,899)
2025 Assumption Change	4,629	20	4,629	336
Total			\$ 6,804,734	\$ 433,712

2026 TRA Board Legislative Agenda

- Permit Physician Assistants to submit medical documentation for disability applications.
- Return-to-Work changes:
 - Suspend the reemployed annuitants' earnings limitation through 2030; and
 - Lower the age a retiring teacher can enter into a return-to-work agreement with their employer, from 62 to 59-1/2.
- Clarify ineligibility of Minnesota Paid Leave payments for pension salary purposes.
- Move the joint-and-survivor interest rate assumption from statute to the LCPR's appendix.



Questions?





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Assistant Attorney General Update



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Public Comments

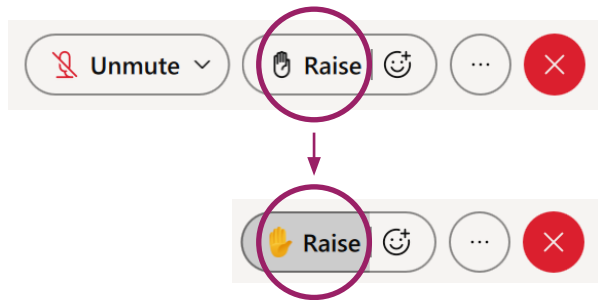


Public Comments Process

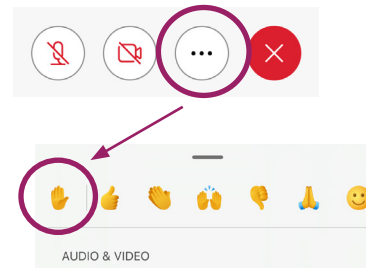
Near the end of the board meeting, public comments may be made. To indicate you have a comment to make to the board, please raise your hand in the Webex meeting. The TRA meeting moderator will request to unmute you. Once the moderator has requested to unmute you, please unmute yourself. Then you can make your comment. The following examples show what the raise hand and unmute request processes look like using different devices.

Raise hand:

Web or desktop application:



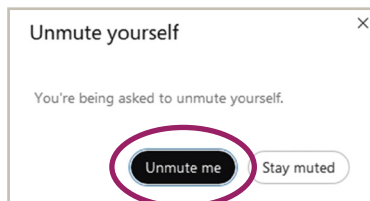
Mobile device:



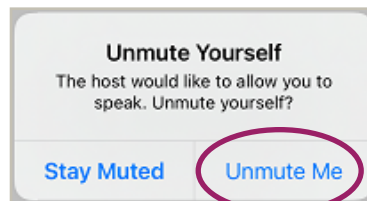
Receive unmute request:

When the moderator requests to unmute you, a window will display. Click "Unmute Me" and then your audio will turn on.

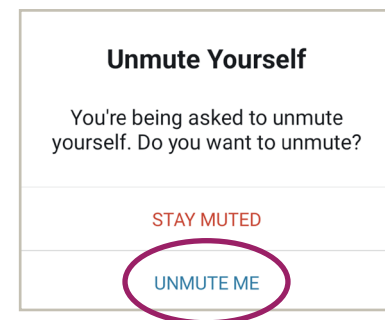
Web or desktop application:



iPhone:



Android:



Joining by telephone call:

Raise hand:

Press *3 → You will hear "You have raised your hand to ask a question. Please wait until the host calls on you."

Unmute yourself:

After the moderator has sent an unmute request, you will hear, "You are being asked to unmute yourself. To unmute, press *6." → press *6 → You will hear, "You're unmuted," at which time you can speak into your phone microphone to make the comment.