



SPECIAL BOARD MEETING

March 25, 2026

Board of Trustees Meeting

Wednesday, March 25, 2026 – 8:30 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

Special Meeting: Wednesday, March 25, 2026 – 8:30 a.m.

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

1. **Call to Order**
2. **Consideration of HF 4162 (O’Driscoll)**
3. **Consideration of HF 4272 (Olson)**
4. **Upcoming Meetings**

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

May 13, 2026

June 10, 2026

5. **Adjourn**

Board members may participate by telephone or virtually pursuant to Minn. Stat., § 13D.015.

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House Files 4162 and 4272

March 25, 2026

House File 4162, as amended (O'Driscoll)

Summary

- Amends Minnesota Statutes 354.44, 354.444, and 354.445.
- Requires employers to pay contributions on salary earned by reemployed annuitants.
 - Statutory rate of 9.81% (13.45% for the Minneapolis school district)
 - The A-1 amendment (adopted March 17, 2026) added Minnesota State as an employer for this purpose.
- Effective the day following enactment; prospective only

House File 4162, as amended, continued

Potential Revenue

- Based upon fiscal year 2025 data, we estimate that these new contributions could total approximately \$5.89 million in fiscal year 2027:
 - \$5.385 million from non-Minnesota State employers
 - \$506,000 from Minnesota State
- Actual revenue would vary by year and depend upon hiring practices and the salary earned by reemployed annuitants.

House File 4272 (Olson)

Summary

- Amends Minnesota Statutes 354.44
- Applies to individuals who terminated teaching service before June 30, 2025
- Eliminates the requirement that those individuals return to covered service and earn one-half year of credited service in order to qualify for an annuity calculated under the 60-and-30 provision, using a normal retirement age of 65
- Effective the day following enactment

House File 4272, continued

Projected Cost

- The bill does not propose a method of funding the benefit improvement.
- According to a cost estimate prepared by CavMac, the bill could:
 - Add \$26.467 million to TRA's unfunded liabilities;
 - Reduce the funded ratio by 0.05%; and
 - Increase the contribution required to pay off the unfunded actuarial accrued liability by 0.03%.
- The annual cost is estimated to be \$2.031 million per year, amortized over 15 years.

Discussion



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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. **4162**

03/12/2026 Authored by O'Driscoll and Perryman
The bill was read for the first time and referred to the Committee on State Government Finance and Policy

1.1 A bill for an act
1.2 relating to retirement; Teachers Retirement Association; requiring the employer
1.3 of a reemployed annuitant to make employer contributions to the teachers retirement
1.4 fund; amending Minnesota Statutes 2024, sections 354.44, subdivision 5; 354.444,
1.5 subdivision 5.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2024, section 354.44, subdivision 5, is amended to read:

1.8 Subd. 5. **Resumption of teaching service after retirement.** (a) Any person who retired
1.9 under the provisions of this chapter and has thereafter resumed teaching in any employer
1.10 unit to which this chapter applies is eligible to continue to receive payments in accordance
1.11 with the annuity except that all or a portion of the annuity payments must be deferred during
1.12 the calendar year immediately following the fiscal year in which the person's salary from
1.13 the teaching service is in an amount greater than \$46,000. The amount of the annuity deferral
1.14 is one-half of the salary amount in excess of \$46,000 and must be deducted from the annuity
1.15 payable for the calendar year immediately following the fiscal year in which the excess
1.16 amount was earned.

1.17 (b) If the person is retired for only a fractional part of the fiscal year during the initial
1.18 year of retirement, the maximum reemployment salary exempt from triggering a deferral
1.19 as specified in this subdivision must be prorated for that fiscal year.

1.20 (c) After a person has reached the Social Security normal retirement age, no deferral
1.21 requirement is applicable regardless of the amount of salary.

1.22 (d) The amount of the retirement annuity deferral must be handled or disposed of as
1.23 provided in section 356.47.

2.1 (e) For ~~the purpose~~ purposes of this subdivision, salary from teaching service includes
 2.2 all salary or income earned as a teacher as defined in section 354.05, subdivision 2, paragraph
 2.3 (a), clause (1). Salary from teaching service also includes; but is not limited to:

2.4 (1) all income for services performed as a consultant, independent contractor, or
 2.5 third-party supplier, or as an employee of a consultant, independent contractor, or third-party
 2.6 supplier, to an employer unit covered by the provisions of this chapter; and

2.7 (2) the greater of either the income received or an amount based on the rate paid with
 2.8 respect to an administrative position, consultant, independent contractor, or third-party
 2.9 supplier, or as an employee of a consultant, independent contractor, or third-party supplier,
 2.10 in an employer unit with approximately the same number of pupils and at the same level as
 2.11 the position occupied by the person who resumes teaching service.

2.12 (f) Notwithstanding other paragraphs of this subdivision, if the reemployed annuitant
 2.13 has a former spouse receiving a portion of the annuity under section 518.58, subdivision 1,
 2.14 the portion payable to the former spouse must not be deferred.

2.15 (g) During the period of reemployment, the employer of a reemployed annuitant must
 2.16 make employer contributions as specified in section 354.42, subdivision 3.

2.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.18 Sec. 2. Minnesota Statutes 2024, section 354.444, subdivision 5, is amended to read:

2.19 Subd. 5. ~~No Service credit or contribution and contributions.~~ Notwithstanding any
 2.20 law to the contrary;

2.21 (1) an eligible person under this section may not, based on employment to which this
 2.22 section applies, contribute to or earn further service credit in the ~~Teachers Retirement~~
 2.23 association; and

2.24 (2) the employer of an eligible person under this section must make employer
 2.25 contributions as specified in section 354.42, subdivision 3, during the period of employment
 2.26 to which this section applies.

2.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.1 moves to amend S.F. No.; H.F. No. 4162, as follows:

1.2 Page 2, after line 27, insert:

1.3 "Sec. 3. Minnesota Statutes 2024, section 354.445, is amended to read:

1.4 **354.445 NO ANNUITY REDUCTION.**

1.5 (a) The annuity reduction provisions of section 354.44, subdivision 5, do not apply to a
1.6 person who:

1.7 (1) retires from the Minnesota State Colleges and Universities system with at least ten
1.8 years of combined service credit in a system under the jurisdiction of the Board of Trustees
1.9 of the Minnesota State Colleges and Universities;

1.10 (2) was employed on a full-time basis immediately preceding retirement as a faculty
1.11 member or as an unclassified administrator in that system;

1.12 (3) was not a recipient of an early retirement incentive under section 136F.481;

1.13 (4) begins drawing an annuity from the Teachers Retirement Association; and

1.14 (5) returns to work on not less than a one-third time basis and not more than a two-thirds
1.15 time basis in the system from which the person retired under an agreement in which the
1.16 person may not earn a salary of more than \$62,000 in a fiscal year through employment
1.17 after retirement in the system from which the person retired.

1.18 (b) Initial participation, the amount of time worked, and the duration of participation
1.19 under this section must be mutually agreed upon by the president of the institution where
1.20 the person returns to work and the employee. The president may require up to one-year
1.21 notice of intent to participate in the program as a condition of participation under this section.
1.22 The president shall determine the time of year the employee shall work. The employer or
1.23 the president may not require a person to waive any rights under a collective bargaining
1.24 agreement as a condition of participation under this section.

1.25 (c) Notwithstanding any law to the contrary, a person eligible under paragraphs (a) and
1.26 (b) may not, based on employment to which the waiver in this section applies, earn further
1.27 service credit in a Minnesota public defined benefit plan and is not eligible to participate
1.28 in a Minnesota public defined contribution plan, other than a volunteer fire plan governed
1.29 by chapter 424A. No employer or employee contribution to any of these plans may be made
1.30 on behalf of such a person, except that if a person returns to work under this section, the
1.31 employer of the person must make employer contributions to the fund as specified in section
1.32 354.42, subdivision 3, during the period of reemployment.

2.1 (d) For a person eligible under paragraphs (a) and (b) who earns more than \$62,000 in
2.2 a fiscal year through employment after retirement due to employment by the Minnesota
2.3 State Colleges and Universities system, the annuity reduction provisions of section 354.44,
2.4 subdivision 5, apply only to income over \$62,000.

2.5 (e) A person who returns to work under this section is a member of the appropriate
2.6 bargaining unit and is covered by the appropriate collective bargaining contract. Except as
2.7 provided in this section, the person's coverage is subject to any part of the contract limiting
2.8 rights of part-time employees.

2.9 **EFFECTIVE DATE.** This section is effective the day following final enactment."

2.10 Amend the title accordingly

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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 4272

03/12/2026

Authored by Olson and Nadeau

The bill was read for the first time and referred to the Committee on State Government Finance and Policy

1.1 A bill for an act
1.2 relating to retirement; modifying election of a member's retirement annuity for
1.3 deferred vested members; amending Minnesota Statutes 2024, section 354.44,
1.4 subdivision 9.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2024, section 354.44, subdivision 9, is amended to read:

1.7 Subd. 9. **Determining applicable law.** (a) Unless paragraph (b) applies to a member
1.8 applying for retirement under this section:

1.9 ~~An~~ (1) a member's retirement annuity under this chapter must be computed under the
1.10 law in effect as of the date of termination of teaching service; and

1.11 (2) a former teacher who returns to covered service following a termination and who is
1.12 not receiving a retirement annuity under this section must have earned at least one-half year
1.13 of credited service following the return to covered service to be eligible for improved benefits
1.14 resulting from any law change enacted subsequent to that termination.

1.15 (b) This paragraph applies to a member who terminated teaching service before June
1.16 30, 2025. The member may elect a retirement annuity calculated under subdivision 6,
1.17 paragraph (e), as in effect on July 1, 2025, and using a normal retirement age of 65. The
1.18 member is not required: (1) to return to covered service on or after June 30, 2025, to be
1.19 entitled to elect the retirement annuity calculated under subdivision 6, paragraph (e), using
1.20 a normal retirement age of 65; or (2) to return to covered service on or after July 1, 2024,
1.21 to be entitled to have the retirement annuity calculated under subdivision 6, paragraph (e),
1.22 using a normal retirement age of 65.

2.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

March 2, 2026

Mr. Tim Maurer
Executive Director
Teachers Retirement Association of Minnesota
60 Empire Drive, Suite 400
St. Paul, MN 55103

Re: Proposed Benefit Improvements for Deferred Members with 30 Years of Service

Dear Tim:

As you requested, we have determined the cost impact on the required contribution rate and the funded status of the Teachers Retirement Association of Minnesota (TRA or System) for the proposed changes to expand current special early retirement reductions and normal retirement age 65. Currently, special early retirement is available at age 60 with at least 30 years of service (5% factors with augmentation) to all active members. The proposal is to extend this subsidized early retirement to deferred members with 30 or more years of service. Further, the normal retirement age for active members hired on or after July 1, 1989 was lowered from age 66 to 65, effective for members who terminate employment after May 24, 2023. Under this proposal, normal retirement age 65 would be extended to those who terminated employment prior to that date, provided they have earned at least 30 years of service.

Cost Analysis

In general, very few members who have 30 or more years of service terminate employment prior to retirement. As of July 1, 2025, only 198 out of 21,701 deferred members, or 0.9%, had enough service to be impacted by these proposed changes. Furthermore, because deferred members account for a small portion of the System's liabilities, the changes are not expected to have a large impact on the System's funded status or contribution requirements.

Currently, we assume that deferred vested members commence retirement at their normal retirement age. This is partly because under current provisions, there is little incentive for a member to commence earlier, and no real cost impact should they do so. These proposed changes provide some incentive for, and cost of, earlier commencement, so it is possible that behavior would change.



Mr. Tim Maurer
 March 2, 2026
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To quantify the potential cost impact to the System, we analyzed two scenarios:

- Scenario 1: Deferred members wait until their normal retirement age to commence benefit payments (i.e., current valuation assumptions).
- Scenario 2: Deferred members commence benefit payments as soon as they're eligible for the subsidized early retirement factors. This scenario is intended to represent the highest potential cost to the System, given that all other assumptions are met.

The following table shows key funding measures, as of July 1, 2025 (snapshot measurement), under the baseline scenario (current provisions and funding) and the proposed plan changes described above. This summary of results is based on the assumptions and methods used in the July 1, 2025 actuarial valuation, including the statutorily required 15-year amortization period for funding long-term inactive benefit changes. Actual behavior and results would be somewhere between these two scenarios.

(\$ in Thousands)	Improved Benefits for Deferred Members with 30 Years of Service		
	July 1, 2025 Valuation (Baseline)	Scenario 1 (Valuation Assumptions)	Scenario 2 (High Cost Scenario)
Actuarial Accrued Liability (AAL)	\$36,992,230	\$36,993,519	\$37,018,697
Actuarial Value of Assets	<u>30,187,496</u>	<u>30,187,496</u>	<u>30,187,496</u>
Unfunded AAL	\$6,804,734	\$6,806,023	\$6,831,201
Difference Compared to Baseline		+\$1,289	+\$26,467
Funded Ratio	81.60%	81.60%	81.55%
Difference Compared to Baseline		0.00%	(0.05%)
Required Contribution Rate			
Normal Cost	11.33%	11.33%	11.33%
Supplemental Contribution (UAAL)	6.41%	6.41%	6.44%
Administrative expenses	<u>0.31%</u>	<u>0.31%</u>	<u>0.31%</u>
Total	18.05%	18.05%	18.08%
Difference Compared to Baseline		0.00%	+0.03%
Statutory Contribution	18.49%	18.49%	18.49%
Contribution (Deficiency)/Sufficiency	0.44%	0.44%	0.41%
Contribution (Deficiency)/Sufficiency in Dollars	\$29,787	\$29,787	\$27,756
Difference Compared to Baseline		0	(2,031)

Note: The increase in the unfunded AAL is being amortized over a closed, 15-year period.



Mr. Tim Maurer
March 2, 2026
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As shown in the table above, under Scenario 1 the unfunded AAL increases by \$1.3 million, but the change is small enough that there is no impact to the System's required contribution rate and the contribution sufficiency remains at 0.44% of payroll. However, if we assume that members maximize the value of their benefits by taking advantage of the subsidized early retirement factors (Scenario 2), then the unfunded AAL increases by \$26.5 million and the required contribution rate increases by 0.03% of payroll, resulting in a contribution sufficiency of 0.41%. As we can see, even under the high-cost scenario the estimated impact to the System's funded status and required contributions is quite small.

Risk Analysis

The proposed changes to the TRA benefit structure in this study increase the unfunded actuarial accrued liability without any new corresponding increase in contributions or other revenue, resulting in increased funding risk. Because the impact of these provisions is small, we do not believe the risks faced by the System are significantly changed.

Disclaimers, Caveats, and Limitations

The results that comprise this cost study are based on the July 1, 2025 valuation results, the actuarial assumptions and methods used in that valuation, unless otherwise noted, prepared by the System's actuary, CavMac.

In order to prepare the results in this letter, we have utilized appropriate actuarial models and related software that in our professional judgment has the capability to provide results that are consistent with the purpose of this study and have no material limitations or known weaknesses. We performed analysis to ensure the model reasonably represents that which is intended to be modeled. These models use assumptions about future contingent events, along with recognized actuarial approaches, to develop the necessary results. Significant items are noted below with additional detail provided in the attached exhibits. We believe the assumptions and methods are individually, and in aggregate, consistent and reasonable (taking into account the experience of the Plan and reasonable expectations).



Mr. Tim Maurer
March 2, 2026
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We, Patrice A. Beckham, Brent A. Banister, and Ben Mobley are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are available to answer any questions on the material in this letter or to provide explanations or further details as appropriate. Ms. Beckham and Dr. Banister also meet the requirements of “approved actuary” under Minnesota Statutes, Section 356.215, Subdivision 1, Paragraph (c).

Sincerely,

Patrice A. Beckham, FSA, EA, FCA, MAAA
Consulting Actuary

Brent A. Banister, PhD, FSA, EA, FCA, MAAA
Chief Actuary

Ben Mobley, ASA, FCA, MAAA
Consulting Actuary