2022 Legislative Session Issue Brief

Educator pensions and retirement

Teachers are leaving the profession in droves and more and more college students are opting for different careers. Minnesota’s school staffing shortage was already a growing problem before COVID-19 hit, but now it’s at crisis levels. We need competitive compensation packages that attract the best educators to the profession and keep them in our schools.

The Minnesota Legislature needs to examine the breadth of options available to make teaching attractive. That includes enhanced retirement benefits that recognize and reward teachers’ hard work on behalf of students.

Minnesota’s pension plans for educators

Pension plans are funded by both worker and employee contributions. The pension system invests that money and uses the returns to help support reliable, stable retirements for public employees.

Minnesota teachers have two paths to full retirement depending on the date they were hired. Employees who were hired before July 1, 1989, have their retirement benefits calculated under both Tier 1: Rule of 90 and Tier 2 and receive the greater of the two benefits. All other employees will receive benefits under Tier 2.

The big difference between the two: Rule of 90 allows many teachers to retire earlier, while Tier 2 retirees typically receive higher monthly pension payments while retiring later.

Retirement plans as a recruitment and retention tool

Pension plans were designed as a tool for employers to attract skilled workers and get them to stay with that same employer until they retire. They have been a particularly important tool for public employers since they often cannot pay skilled workers as high of a salary as private companies.

These plans have always been intended to augment Social Security benefits and personal savings and are designed to encourage employees to continue working until they are eligible for Social Security and Medicare so they have a secure, sustainable retirement.

There are three bills the Minnesota Legislature could consider that would improve retirement packages and elevate teaching as a profession.

• HF3771: Ensures a secure retirement by increasing the cost-of-living adjustment for retirees in all pension plans to 2.5 percent a year starting on Jan. 1, 2023.
• HF3773/SF3558: Provides 24 months of service credit for every 12 months of service for public school employees for 2020, 2021 and 2022. This makes it more affordable for school employees to retire earlier if they choose.
• HF3942/SF3649: Brings back Rule of 90. This allows an educator to retire when the employee’s age plus the number of years of eligible service amount to 90, without a reduction in retirement benefits.

Minnesota students deserve stability in their schools, but there are no signs school staffing shortages will end any time soon. They will only get worse unless the Minnesota Legislature acts now. Enhanced pension benefits that honor the work of teachers is one way to recruit and retain the best educators for our students.

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www.educationminnesota.org

Education Minnesota is an affiliate of the American Federation of Teachers, the National Education Association and AFL-CIO.