Teacher Pension Policy in Minnesota

A report card on the sustainability, flexibility and fairness of state teacher pension systems

Minnesota’s pension system ratings

**Sustainability**
Pension system is stable and well-funded.

**Flexibility**
Pension system is flexible and fair to all teachers.

**Neutrality**
Retiree benefits to teachers accrue uniformly with each additional year of work.

- fully meets goal
- nearly meets goal
- meets goal in part
- meets a small part of goal
- does not meet goal

Snapshot of Minnesota’s pension system

- Teacher pension system is well-funded (at least 90%).
- Teachers have the option of a fully portable primary pension plan.
- Teachers vest in three years or less.
- Teachers leaving early can take at least a partial employer contribution with them.
- Teacher and employer contribution rates are reasonable.
- Retirement eligibility is based on age only.
- Pension benefits accrue in a way that treats each year of work uniformly.

Minnesota’s pension system characteristics

<table>
<thead>
<tr>
<th>Feature</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of plan</td>
<td>Defined benefit (DB)</td>
</tr>
<tr>
<td>Unfunded liabilities (percent of system funded)</td>
<td>$6,644,003,000 (71.6%)</td>
</tr>
<tr>
<td>Vesting period</td>
<td>3 years</td>
</tr>
<tr>
<td>Teacher contribution rate (percent of salary)</td>
<td>7.5%</td>
</tr>
<tr>
<td>Employer contribution rate (percent of salary)</td>
<td>14.7%</td>
</tr>
<tr>
<td>Basis for retirement eligibility</td>
<td>Age only</td>
</tr>
<tr>
<td>Cost of living adjustments</td>
<td>Fixed (automatic)</td>
</tr>
<tr>
<td>Participation in Social Security</td>
<td>Yes</td>
</tr>
<tr>
<td>Contributions teachers may withdraw from plans if they leave after 5 years</td>
<td>Own with interest</td>
</tr>
<tr>
<td>Policy for purchasing time for prior teaching or approved leave</td>
<td>Not permitted (prior teaching); Limited (approved leave)</td>
</tr>
<tr>
<td>Cost per teacher of allowing retirement before age 65</td>
<td>$0</td>
</tr>
</tbody>
</table>

For more information about Minnesota and other states’ teacher retirement policies, including full narrative analyses, recommendations and state responses, see www.nctq.org/statePolicy
Teacher pension trends in the U.S.

Just seven states offer a fully or nearly fully portable primary pension plan for teachers.

Other indicators also reflect worrisome trends.

- **Number of states where pension funding ratios have decreased since 2008**: 43
- **Number of states that require excessive contributions of teachers, employers or both**: 43
- **Number of states that have increased teacher contribution rates since 2008**: 29
- **Number of states that have ten-year teacher vesting periods**: 15

Teacher pension system debt has reached a half trillion dollars.

![Graph showing teacher pension system debt from 2012 to 2014 with $394 billion in 2012 and $499 billion in 2014.](image-url)