

# **Suggested GASB 68 Pension Footnotes for Employers Financial Statements for the Fiscal Year Ended June 30, 2026**

[Using TRA Valuation/Measurement Date 6/30/2025]

## **Summary of Significant Accounting Policies**

*Pensions.* For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in 2015.

## **Note x. General Information about the Plan**

### **A. Plan Description**

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

### **B. Benefits Provided**

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any consecutive 60 months of formula service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed **before July 1, 1989**, receive the greater of the Tier I or Tier II benefits as described.

### *Tier I Benefits*

| Tier I      | Step Rate Formula                                                     | Percentage    |
|-------------|-----------------------------------------------------------------------|---------------|
| Basic       | First ten years of service                                            | 2.2% per year |
|             | All years after                                                       | 2.7% per year |
| Coordinated | First ten years if service years are up to July 1, 2006               | 1.2% per year |
|             | First ten years if service years are July 1, 2006 or after            | 1.4% per year |
|             | All other years of service if service years are up to July 1, 2006    | 1.7% per year |
|             | All other years of service if service years are July 1, 2006 or after | 1.9% per year |

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 60 with 30 or more years of allowable service.
- (b) 3% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% per year for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

### *Tier II Benefits*

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 65 effective July 1, 2024. An early retirement reduction is applied to members retiring before age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

Six different types of annuities are available to members upon retirement. The No Refund Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

### C. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The «Entity»'s contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$\_\_\_\_\_. The «Entity»'s contributions were equal to the required contributions for each year as set by state statute.

### D. Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| Key Methods and Assumptions Used in Valuation of Total Pension Liability |                                                                                                     |
|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Actuarial Information                                                    |                                                                                                     |
| Experience studies                                                       | August 2, 2023 (demographic and economic assumptions) *                                             |
| Actuarial cost method                                                    | Entry Age Normal                                                                                    |
| Actuarial assumptions:                                                   |                                                                                                     |
| Investment rate of return                                                | 7%                                                                                                  |
| Price inflation                                                          | 2.5%                                                                                                |
| Wage growth rate                                                         | 2.85% before July 1, 2028 and<br>3.25% after June 30, 2028                                          |
| Projected salary increase                                                | 2.85% to 8.85% before July 1, 2028 and<br>3.25% to 9.25% after June 30, 2028                        |
| Cost of living adjustment                                                | 1% for January 2019 through January 2023, then<br>increasing by 0.1% each year up to 1.5% annually. |

| Key Methods and Assumptions Used in Valuation of Total Pension Liability, <i>continued</i> |  |                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality assumptions                                                                      |  |                                                                                                                                                                     |
| Pre-retirement:                                                                            |  | PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.                   |
| <i>Healthy Retirees:</i>                                                                   |  | <i>PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.</i>            |
| <i>Beneficiaries:</i>                                                                      |  | <i>Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.</i> |

*\*The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class          | Target Allocation | Long-Term Expected Real Rate of Return<br>(Geometric Mean) |
|----------------------|-------------------|------------------------------------------------------------|
| Domestic Equity      | 33.5%             | 5.10%                                                      |
| International Equity | 16.5%             | 5.30%                                                      |
| Fixed Income         | 25.0%             | 0.75%                                                      |
| Private Markets      | 25.0%             | 5.90%                                                      |
| <b>Total</b>         | <b>100%</b>       |                                                            |

#### Changes in actuarial assumptions since the 2023 valuation:

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

#### E. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2025 contribution

rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **F. Net Pension Liability**

On June 30, 2026, «Entity» reported a liability of \$xxx for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. «Entity»'s proportion of the net pension liability was based on «Entity»'s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was xx% at the end of the measurement period and xx% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the district as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the district were as follows:

| District's proportionate share of net pension liability                               | Net Pension Liability |
|---------------------------------------------------------------------------------------|-----------------------|
| State's proportionate share of the net pension liability associated with the district | \$x,xxx               |
| Total                                                                                 | \$                    |

For the year ended June 30, 2026, the district recognized pension expense of \$x,xxx. It also recognized \$x,xxx as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$28,462,000 to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$28,462,000 in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The [entity] recognized \$x,xxx for the year ended June 30, 2026 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

At June 30, 2026, «Entity» reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                             | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                                          | \$x,xxx                           | \$x,xxx                          |
| Net difference between projected and actual investment earnings on pension plan investments | \$x,xxx                           | \$x,xxx                          |
| Changes of assumptions                                                                      | \$x,xxx                           | \$x,xxx                          |
| Changes in proportion                                                                       | \$x,xxx                           | \$x,xxx                          |
| District Contributions Subsequent to the Measurement Date                                   | \$x,xxx                           | \$x,xxx                          |
| <b>Total</b>                                                                                | <b>\$xxx,xxx</b>                  | <b>\$xxx,xxx</b>                 |

The \$x,xxx reported as deferred outflows of resources related to pensions resulting from District Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

| <u>Year ending June 30,</u> | <u>Pension Expense</u> |
|-----------------------------|------------------------|
| 2027                        | \$x,xxx                |
| 2028                        | \$x,xxx                |
| 2029                        | \$x,xxx                |
| 2030                        | \$x,xxx                |
| 2031                        | \$x,xxx                |

#### **G. Pension Liability Sensitivity**

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate (*preparer instructions: multiply the allocation % by TRA's sensitivity footnote info*).

#### **Sensitivity of Net Pension Liability (NPL) to changes in the discount rate**

| <b>1% decrease<br/>(6%)</b> | <b>Current<br/>(7%)</b> | <b>1% increase<br/>(8%)</b> |
|-----------------------------|-------------------------|-----------------------------|
| \$x,xxx                     | \$x,xxx                 | \$x,xxx                     |

## H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at <https://minnesotatra.org>, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

## Schedules of Required Supplementary Information

### Schedule of Employer's Share of Net Pension Liability

| Source                                                                                             | Measurement Date<br>June 30, 2025 |
|----------------------------------------------------------------------------------------------------|-----------------------------------|
| District's proportion of the net pension liability                                                 | xx%                               |
| District's proportionate share of the net pension liability                                        | \$x,xxx                           |
| State's proportionate share of the net pension liability associated with district                  | <u>\$x,xxx</u>                    |
| <b>Total</b>                                                                                       | <b>\$xx,xxx</b>                   |
| District's covered payroll                                                                         | \$x,xxx                           |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | xx%                               |
| Plan fiduciary net position as a percentage of the total pension liability                         | 84.51%                            |

### Schedule of Employer's Contributions

| Source                                                             | 2026            |
|--------------------------------------------------------------------|-----------------|
| Statutorily required contribution                                  | \$x,xxx         |
| Contributions in relation to the statutorily required contribution | <u>-\$x,xxx</u> |
| Contribution deficiency (excess)                                   | <b>\$x,xxx</b>  |
| District's covered payroll                                         | \$x,xxx         |
| Contributions as a percentage of covered payroll                   | 9.81%           |

**Note:** District covered payroll was calculated by dividing total employer contributions reported to TRA by the required contribution rate (9.81%). Consult with your auditor to review the definition of covered payroll (GASB 68 Implementation Guide, question 210 and GASB 82 paragraph 5).

## Notes to Required Supplementary Information for the Fiscal Year Ended June 30, 2026

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at <https://minnesotatra.org/employers/tools-and-guidance/gasb>.