

2009 MASA Legislative Position Paper **School Pension System**

Why

The Teachers Retirement Association system (TRA) is an important component in the compensation of educators. Teachers participate as partners with employers and the State. This system is now under significant stress due to the recent downturn in the financial markets. We need a system that is fully funded and provides fair benefits to all participants.

How

- 1) **INCREASE PAYMENTS TO ENSURE FUNDING SUFFICIENCY:** The recent losses to the TRA fund are significant and an increased level of contributions are needed to bring the fund back to a level of sufficiency. The rates of contribution for both employers and employees need to be increased immediately.
 - a. Require an increase of ½% by employers and employees in each of the next two years and a ¼% increase in the following four years to restore funding sufficiency and to fund new retirement rules as they pertain to persons hired after 1989.
 - b. Provide the TRA Board with responsibility to continue appropriate increases, with legislative oversight. Increases should be continued annually until the fund has a sufficiency. In the event that the legislature feels that the fund has overreached its needs, the legislature may negate a funding increase on an annual basis.
 - c. Complete a re-evaluation of historic pension adjustments and fund roll-ins to TRA to determine if any adjustments should be considered.
 - d. Have the State provide the employers' share of increased pension funding directly to TRA.

- 2) **ADDRESS THE POST 1989 RETIREMENT ISSUE:** MASA supports legislation to provide post 1989 hires with a modified retirement option. Such an option would provide a 'rule of 90' retirement level for employees hired after 1989.

- 3) **BALANCE NEW EDUCATION REVENUE AND TRA CONTRIBUTION INCREASES:** The employer contribution must not exceed one fourth of the new basic formula funding provided to schools annually.