



Governor Pawlenty Signs 2010 Pension Bill

Important: Benefit Changes That Affect You

On May 15, 2010, plan provision changes affecting all TRA benefit recipients, active members and employer units were signed into law (Laws of Minnesota (2010) Chapter 359).

Like most retirement plans, TRA's funding condition was weakened due to substantial investment losses incurred during 2008 and early 2009. This law, authored by Senator Don Betzold (DFL-Fridley) and Representative Mary Murphy (DFL-Hermantown) contains changes designed to stabilize and improve TRA's future funding stability.

All TRA members should be aware that this legislation includes major changes to TRA benefit provisions. The following provisions are included in Chapter 359:

- ▶ Member and employer contribution rates, which are currently 5.5 percent, will each rise by 0.5 percent annually over a four-year period beginning July 1, 2011. On July 1, 2014, the employee and employer rate will each be 7.5 percent. A contribution rate stabilizer will be implemented that allows further changes to the contribution rates, if needed, after 2014.
- ▶ Retirees who divorce after retirement may, in certain specific circumstances, rescind an optional joint annuitant (OJA) designation.
- ▶ A temporary two-year suspension of post-retirement annual increases for benefit recipients will occur in calendar years 2011 and 2012. Beginning January 1, 2013, annual increases will be 2.0 percent. Upon reaching a market value funding ratio of 90 percent, the annual increase would be restored back to 2.5 percent.
- ▶ Members who leave teaching and opt to receive a refund of their member contributions from TRA will receive a lower interest rate of 4 percent annually, a 2 percent decrease, on their contributions beginning July 1, 2011.
- ▶ Retired members who have returned to teaching and have an Earnings Limitation Savings Account (ELSA) will receive no additional interest on their account balance beginning January 1, 2011. Account balances will earn 6 percent interest until December 31, 2010.
- ▶ Members who are not currently teaching (inactive), who have left their contributions with TRA

and who are deferring receipt of their monthly annuity benefits will receive a lower interest rate of 2 percent on their deferred benefit beginning July 1, 2012. (Previous interest rates varied depending on date of initial employment.)

- ▶ The executive directors of the three statewide retirement systems (Minnesota State Retirement System, the Public Employees Retirement Association, and TRA) are directed to jointly conduct a study of defined benefit, defined contribution and other alternative retirement plans for Minnesota public employees. The report is due to the Legislature by June 1, 2011.

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Lawsuit Filed: Retiree Benefit Changes

On May 17, 2010, two retired public employees filed a class action lawsuit against the State and the three statewide retirement systems, including TRA. The lawsuit challenges the newly-passed changes to the post-retirement annual increase provisions. The state Attorney General's Office will defend the retirement systems. The fall issue of this newsletter will include an update.

President's c o r n e r



Martha Lee (Marti) Zins, President

Significant Steps Forward

With Governor Pawlenty's signature, the 2010 Omnibus Pension bill became law on May 15. Various proposals approved by the TRA Board of Trustees were enacted with only minor modifications. The overall goal of the package is to strengthen and sustain the TRA pension system over the long term. I do acknowledge that these changes can be tough medicine to swallow. A large portion of the financial solution for TRA in the bill will come from increased employee contributions and reduced post-retirement benefit increases.

In general, this new law will produce a two-year freeze to retired members' monthly benefits. The 2.5 percent annual post-retirement annual increases normally paid in January 2011 and January 2012 will be suspended, and increases paid after that will be lowered to 2.0 percent beginning January 1, 2013. Active members and their employers will see higher contribution rates beginning July 1, 2011. Members not teaching, but deferring the start of their retirement benefits will receive a smaller deferred increase. Members leaving teaching and accepting a refund of their contributions will receive a lower interest rate beginning July 1, 2011. All these changes combined will establish a sound footing that will strengthen TRA's funded status.

You should know that a class action lawsuit has been filed against TRA over the changes to the post-retirement annual increase, and

is discussed on page 1. We will keep you informed as that lawsuit progresses.

A wide array of TRA stakeholder groups lined up in support of these financial sustainability reforms. Throughout this process, the proposals were supported by a broad, bipartisan group of legislators who recognized a straight-forward pension principle: fixing pension problems sooner is cheaper than waiting until a crisis develops. Developing strategies to adequately fund pensions requires long-range, visionary thinking, and these individuals and groups were courageous in taking this position. The TRA Board especially wishes to thank Senator Don Betzold and Representative Mary Murphy for their sponsorship of these important pension reform measures and their undying determination and guidance throughout the legislative process.

Some have asked if the investment market returns have improved TRA's funding situation. Yes, investments have improved, but as of mid-May, the markets lost some ground and have been very volatile. The actuarial valuation report calculating TRA's funded status is only determined annually, as of June 30. While we will not have preliminary June 30, 2010 results until late August, we know that a sizable funding deficiency will still remain. We expect TRA's unfunded actuarial liability to improve somewhat from the \$9.3 billion recorded on June 30, 2009. However,

without the changes enacted, a large and growing unfunded liability would remain and still need to be resolved. One year of very good investment performance helps, but only goes part way toward resolving the deficit. These changes are critical elements for restoring TRA's financial sustainability.

It will take several years before we can analyze the full impact of these pension plan changes. TRA began the fiscal year at about 60 percent funded, on a market basis. The Board of Trustees is continually monitoring funding levels. Additional fine-tuning of plan provisions may be necessary if investment performance does not meet expectations. Realistically, achieving the 100 percent funded ratio will take many years. We are confident that the 2010 changes were a significant step toward stabilizing and sustaining the fund for all members – current and future.

The changes to TRA plan provisions are significant, and I encourage all members – active and retired – to closely study how this new law affects you. Additional materials explaining the plan changes will be available on our web site. The Fall newsletter will also help remind members of the individual impact the new law will have on them.

If you wish to discuss the new law with one of our Member Services Representative, call 800-657-3669 or 651-296-2409 weekdays between 7:30 am 4:30 pm (Central Time).

The TRA Board of Trustees appreciates the support and work of all members, retirees, employers, stakeholder groups, legislators and the Governor in this effort. When faced with clear evidence that a problem exists, Minnesotans did what was necessary and became willing participants in the solution.

Welcome new retirees

The Teachers Retirement Association (TRA) would like to congratulate you on your retirement. You and almost 1,600 other members retiring this summer, join the ranks of over 50,000 retirees and beneficiaries.

You will now begin to receive the retiree edition of the *TRIB* newsletter. Although the newsletter will continue to provide information pertinent to all members, articles of specific interest to retirees will be added. It is now important to remember that in January, you will receive a 1099-R form that includes the information you will need to prepare your taxes.

Be assured that the same services available to you as an active member are still available now that you have retired.

Remember to use the TRA web site as a guide to member services. Refer to the article, *Online and in touch*, to view a list of the many account information and management features you, as a retiree, will have at your fingertips when you access your TRA online account.

If at any time you have questions about your account, contact TRA Member Services, Monday through Friday, 7:30 am through 4:30 pm (Central Time).

Congratulations!

www.tra.state.mn.us
651.296.2409 or 800.657.3669
651.297.5999 (Fax)
info.tra@state.mn.us (Email)



Online and in touch

Signing up for a TRA online account is quick and easy. Just go to www.tra.state.mn.us and complete the short registration process. If you were already registered before you retired, your login and password will remain the same, only the online options available to you will change. By establishing your online account, as a retiree, you will gain access to a wealth of information, such as:

- ▶ Payment Detail and History
- ▶ Direct Deposit and Tax Withholding Designations
- ▶ Beneficiary Change Form
- ▶ Earnings Limitation Savings Account information
- ▶ Account Value and Income Verification Letter for Lender
- ▶ 1099-R Tax Form
- ▶ Address and Email updates

No more waiting until Monday morning to call TRA. Access your account information from 6:00 am to 11:55 pm, at your convenience.

Stay in touch online!

Pension Bill *(continued from page 1)*

The bill also included an administrative change to the service credit calculation method. Beginning July 1, 2012, service credit will be calculated using a teacher's salary relative to a base salary established for each district.

Additional information regarding these changes will be published on our web site (www.tra.state.mn.us) and in the fall issue of this newsletter. If you have any questions, please contact a Member Services Representative at 651-296-2409 or 800-657-3669. You may also email TRA at: info.tra@state.mn.us.

Retirement reminders

Accelerated annuity — At retirement, a member may elect to receive a greater “accelerated” monthly retirement annuity payment until age 62, 65 or normal retirement age, as defined by Social Security. This is called an accelerated annuity and is made up of two parts: 1) the lifetime monthly portion (lifetime annuity) that continues for the duration of your benefit, and 2) the accelerated monthly portion (temporary annuity) that **ends** at age 62, 65 or normal retirement age. A decision to choose an accelerated benefit means that you realize that **at the age chosen, your payment amount will drop and only consist of the lifetime annuity amount.**

Bounceback — When you retired, if you chose one of the survivor plans (100 percent, 75 percent or 50 percent), keep in mind that you need to contact TRA if your optional joint annuitant predeceases you. These plans contain a **bounceback feature** that permits your monthly payment to be increased to the greater No Refund plan amount. You will need to contact TRA as soon as possible and submit a certified death certificate for your optional joint annuitant so an adjustment can be made to your benefit without delay.



Teachers Retirement Association

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800.657.3669 | 651.296.2409

www.tra.state.mn.us

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For use ONLY if you wish to report a name or address change. Updates can be made online at www.tra.state.mn.us. You also may call TRA Member Services at 651.296.2409 or 800.657.3669, or mail the form below to TRA. Be sure to include the above printed mailing address with your request.

Please check all boxes that apply: Name change Address change

Present Last Name (Please Print)	First Name	Middle Name	Birth Name
Address			Member Number
City	State	Zip	

TRA Responds

Are my earnings limited if I return to work after I retire?

If you resume service in a TRA-covered position after retirement, and are under normal retirement age (NRA) as defined by Social Security, you may be subject to an annual earnings limitation. If you are under NRA and are retired for only a portion of the year, the earnings amount is prorated.

In 2000, legislation changed the way post-retirement earnings were handled and redirected earnings that exceeded the annual limitation to an Earnings Limitation Savings Account (ELSA) for later distribution. Earnings limitation rules for Social Security are different. If you are receiving Social Security and have not reached normal retirement age,

you may want to check Social Security earnings limitation rules.

If you earn over the limit applicable to you, then beginning the next calendar year, \$1 in benefits will be deducted from your pension for each \$2 above the limit and deposited to your ELSA account. The \$46,000 earnings limitation is applied on a fiscal year basis (July 1 to June 30) rather than a calendar year basis.

Account balances will earn 6 percent until December 31, 2010. A provision included in the 2010 Omnibus Pension Bill states that no additional interest will be paid on ELSA account balances after January 1, 2011.

You may apply for a refund of your ELSA account, if it has been at least one year after the last deferred amount was redirected to this account. Application for a refund may be submitted online, by logging on to your TRA account, or by calling TRA and requesting an application.

Minnesota Teachers Retirement Association

Executive Director, Laurie Fiori Hacking

The *TRIB* is published three times a year. If differences develop between the information provided and the laws of TRA, the laws will govern.

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