

# T E A C H E R S R E T I R E M E N T I N F O R M A T I O N B U L L E T I N

Retiree Edition ■ Winter 2018



## Want to talk TRA? Try our web chat!

TRA recently launched a web chat feature at [MinnesotaTRA.org](http://MinnesotaTRA.org) to give you a convenient way to get your retirement questions answered. Simply click on the “chat” box on the lower part of the page, and you’ll be connected to one of TRA’s benefit counselors.

It’s safe and secure. Web chat is also a convenient way to communicate with TRA if you have a hearing or speech impairment. Maybe you just prefer to not use the phone. We’re available Monday through Friday 7:30 a.m. to 4:30 p.m. Give it a try!

## Board reaffirms support for remedies to strengthen TRA

The TRA Board of Trustees in December reaffirmed strong support for legislation that will address TRA’s financial challenges.

The board has been working for the past two years to secure a package, but legislators and the governor were unable to reach agreement on a plan. The board took a position that contribution increases should be funded, and that any legislative proposal should reflect the board’s guiding principles:

- ▶ **Shared commitment.** All stakeholders – members, retirees, employers and state – share in the solution to funding issues.
- ▶ **Long-term financial stability.** Maintain TRA’s financial sta-

bility and make progress toward full funding in a reasonable time period in order to preserve the defined-benefit pension for future generations of teachers.

- ▶ **Intergenerational equity.** Avoid creating or exacerbating benefit and contribution imbalances among generations of members and retirees.
- ▶ **Maintain recruitment/retention value of TRA pension.** Experienced teachers benefit students and create a high-quality education system. Pension changes should not undermine the recruitment and retention value of TRA’s defined benefit pension.

(Continued on page 2)

**2018**  
**direct**  
**deposit**  
**schedule**



January 2  
February 1  
March 1  
April 2  
May 1  
June 1

July 2  
August 1  
September 4  
October 1  
November 1  
December 3

# President's c o r n e r

*Maitha Lee Jones*  
TRA Board



## Board reaffirms support for sustainability measures

(Continued from page 1)

In related action, the board endorsed moving forward with TRA's administrative bill and updating actuarial assumptions used to assess the financial health of the plan. The most significant of these is a lowering of the assumed rate of return on investments from the current 8.5 percent to 7.5 percent.

The assumed rate of return is a powerful mechanism; lowering it by one full point increases TRA's liabilities and lowers the plan's funded ratio. The board endorsed updating related economic assumptions for future price inflation, wage inflation and payroll/salary growth.

The Legislative Commission on Pensions and Retirement (LCPR) was scheduled to meet on Jan. 12 to hear updates from the public pension plans: TRA, the Public Employees Retirement Association (PERA), the Minnesota State Retirement System (MSRS), and St. Paul Teachers Retirement Fund Association (SPTRFA).

Visit [MinnesotaTRA.org](http://MinnesotaTRA.org) for news about pension-related developments during the 2018 session. The June TRA newsletter will contain a full recap.



## Partners in a healthy economy

In December, USA Today named Minnesota the best-run state in the nation, citing credit rating, low unemployment, income, rainy-day fund, and pension health.

That's right: pension health.

Our public pension plans contribute mightily to the state's economy. Pensions are relatively low cost. Only 14 cents of every dollar paid in benefits come from taxpayers (school districts), 13 cents come from employees and 73 cents from investment returns. And benefits are modest: TRA's average monthly pension for Social Security-covered retirees is \$2,175.

Retired teacher spending helps create jobs and generate tax revenue. Some stats on Minnesota public pensions:

- ▶ \$7 billion impact on state economy
- ▶ 46,581 jobs
- ▶ \$1.2 billion annually in federal, state and local revenue
- ▶ 87 percent of TRA retirees live and pay taxes in Minnesota

And then there are the positives for the state's workforce development. Pensions help recruit and retain teachers at a time when the teacher shortage grows ever more serious. Studies show:

- ▶ Defined benefit (DB) pensions give schools a recruitment and retention tool to attract and retain committed teachers who become increasingly effective

with experience. Lower turnover among teachers translates into more effective teachers, a critical component for student success. (National Institute on Retirement Security, 2017)

- ▶ Among workers under age 40, 63 percent say the offer of a pension is important in accepting the job, up from 28 percent just two years before. (Towers Watson, 2012)
- ▶ Teacher turnover – recruitment, hiring, orientation, productivity loss – is costly. (Alliance for Excellent Education, 2005; National Institute on Retirement Security, 2011)
- ▶ Pensions help fill the teacher pay gap. Teacher salaries lag those of comparably educated professionals by 17 percent. (Allegretto and Mishel, 2016) Most Americans (81 percent) support pensions for teachers to offset lower pay. (National Institute on Retirement Security, 2017)

As fiduciaries, trustees serve with an eye on continually monitoring the plan and proposing adjustments to keep TRA on sound footing far into the future. It was heartening to see Minnesota's public pensions get a positive mention by a major national newspaper. The nature of public pension management means that there will rarely be a "mission accomplished" moment.

Our work continues.

# It was a strong year for pension investments

The period from July 1, 2016, to June 30, 2017, saw a strong increase in TRA assets. The assets TRA uses to pay benefits were approximately \$21.25 billion, up from \$19.42 billion in 2016. This information and more is now available in TRA's 2017 Comprehensive Annual Financial Report. View it at [www.MinnesotaTRA.org/forms-pub/2017annualrpt.html](http://www.MinnesotaTRA.org/forms-pub/2017annualrpt.html).

**Investments:** Investments experienced excellent returns. All TRA assets are invested by the Minnesota State Board of Investment (SBI).

The TRA fund posted a return of 15.1 percent during the fiscal year, compared to a -0.1 percent return the previous year. During fiscal year 2017, domestic stocks returned 19.4 percent and international stocks returned 20.2 percent.

The fixed income (bond) portfolio rose 0.9 percent. The private markets class, including real estate and private equity, posted a return of 19.7 percent for the fiscal year.

**Revenue:** The TRA investment portfolio experienced net investment income for the fiscal year of \$2.86 billion. Total employee and employer contributions were \$764 million. Total net operating revenue was \$3.62 billion.

**Expenses:** Benefit payments made during fiscal year 2017 were \$1.77 billion, or about \$148 million per month. During the fiscal year, \$11.2 million in refunds were paid to members who left teaching and chose to withdraw their contributions plus interest.

Total administrative expenses for the year were \$11.7 million. Total operating expenses were \$1.79 billion.

**Funding status:** TRA's official actuarial valuation report uses the statutory investment growth assumption of 8.5 percent over time. On June 30, 2017, the actuarial value of TRA assets was \$21.1 billion. Actuarial liabilities were \$27.4 billion, resulting in a funded ratio of 76.8 percent. The contribution rate deficiency was 2.50 percent of active member payroll.

TRA's actuarial consultant is recommending lowering the annual investment assumption to 7.5 percent. Under the lower assumption, TRA's liabilities at June 30, 2017, would have risen to \$30.3 billion and the unfunded actuarial liability would have been \$9.1 billion. The funded ratio would decline to 70.1 percent. The contribution rate deficiency would rise to 7.14 percent of active member payroll.

## TRA news briefs

### 2% COLA was effective Jan. 1

A post-retirement increase of 2 percent went into effect on Jan. 1. Members who started receiving a benefit on or before July 1, 2016, received a 2 percent increase. Members who started receiving a benefit between July 2, 2016 and June 1, 2017, got a prorated increase (see chart at [www.minnesotatra.org/memberinfo/r-pradjust.html](http://www.minnesotatra.org/memberinfo/r-pradjust.html)). If you were eligible for a post-retirement increase on Jan. 1, you received a letter detailing the increase to your monthly benefit, along with current tax information. Tax tables are available on our website under Forms and Publications.

### Protect your data

It seems that every week there's a news story about a data breach or identity theft. TRA takes seriously its duty to protect your personal information. You can help by using strong passwords to protect your account and by not sharing your TRA number. For more information about protecting your data, go to [www.identitytheft.gov](http://www.identitytheft.gov).

### About your 1099

If you set up an online account, you'll get an e-mail when your 1099-R tax form is available online. 1099-R forms will be available at [www.minnesotatra.org](http://www.minnesotatra.org) before you receive it by mail. The form will be mailed by Jan. 31, 2018, and is needed for your 2017 tax returns. You may change your tax withholding designation at any time. If you reduce or revoke the amount of tax withheld, you will be responsible for any penalty incurred. The 2018 tax tables will be posted at [www.minnesotatra.org](http://www.minnesotatra.org) when they become available.

If you move out of state permanently, you must notify TRA to cancel your Minnesota tax withholding. Questions? Call 800-657-3669 or 651-296-2409.

### Snowbird alert

Flying south for the winter? Provide TRA with a temporary address so you don't miss important news. Update your address in your MyTRA account or call 800-657-3669 or 651-296-2409.



## Teachers Retirement Association

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[www.minnesotatra.org](http://www.minnesotatra.org)

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Please check all boxes that apply:  Name change  Address change  Email address addition/change

Present Last Name (Please Print)	First Name	Middle Name	Birth Name
Address			TRA Member Number
City, State and Zip Code		Email Address	

# About post-retirement work

Are you thinking about working as a part-time teacher during retirement? Here's what you need to know about working after you begin receiving pension benefits.

- ▶ TRA retirees may return to work with a TRA-covered employer and earn up to the \$46,000 earnings limit without deferring the receipt of a portion of their TRA pension benefit. The earnings limitation is applied on a fiscal year basis (July 1 to June 30).
- ▶ MnSCU participants in the annuitant employment program have a \$62,000 earnings limit while on the program.
- ▶ If you are under Social Security's normal retirement age and retired for only part of the year, the earnings limitation amount will be

prorated. The earnings limitation does not apply once you reach Social Security's normal retirement age or return to work in a position not covered by TRA.

- ▶ If you earn over the limit, \$1 in benefits will be deducted/offset from your pension for each \$2 of earnings above the limit. The offset amounts are redirected to a separate earnings limitation savings account (ELSA). No interest is earned on account balances. You may apply for a refund of your ELSA account at any age if it has been at least one year after the last amount was redirected to your ELSA account. You may receive direct payment of your refund or have all or a portion of your ELSA refund rolled over to a traditional IRA or an eligible employer plan.

### Minnesota Teachers Retirement Association

Executive Director, Jay Stoffel

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

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