

# TEACHERS RETIREMENT INFORMATION BULLETIN

Retiree Edition ■ Winter 2017



## 2 percent COLA granted 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, 2015, received a 2 percent increase. Members who started receiving a benefit between July 2, 2015 and June 1, 2016, will get a prorated increase (see chart at [www.minnesotatra.org/member/info/r-pradjust.html](http://www.minnesotatra.org/member/info/r-pradjust.html)).

If you were eligible for a post-retirement increase on Jan. 1, you already 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.

## Vote for retiree board rep!

Details about the TRA Board of Trustees election on **page 5**.



## TRA board OKs 2017 financial proposal

### Poor investment year, longer life spans impact fund

Due to concerns expressed by groups representing retirees, the TRA Board of Trustees on Dec. 14 approved a modified 2017 legislative proposal that would reduce TRA's cost of living adjustment (COLA) to 1 percent for five years and 1.5 percent thereafter, and raise the employer contribution rate by 2 percent (from 7.5 percent to 9.5 percent), phased in incrementally and offset by state aid.

The employee contribution rate would remain at 7.5 percent.

In November, the board passed a 1 percent COLA cut for 10 years, which retiree groups denounced as too severe. The revised package was approved on a 5-2 vote, with representatives of Minnesota Management and Budget and the Minnesota School Boards Association voting no. The proposal will be presented to the Legislative Commission on Pensions and Retirement when the panel convenes for the 2017 session.

When considering cost-saving changes to the TRA plan, trustees strive for measures that reflect a shared commitment from all parties. The COLA change will affect both current retirees and current active teachers who will retire in the future with lower COLAs.

Minnesota teachers pay a 7.5 percent contribution rate toward their pensions, a higher amount than the 6 percent nationwide average. Minnesota school districts currently contribute 7.5 percent to TRA for their teachers' pensions, compared to an average 12.9 percent nationally.

The need for a 2017 financial proposal was prompted in part by an experience study that projects longer life expectancies and by pressure to lower the fund's assumed rate of return on investments. Changing this assumption has the effect of lowering TRA's funded status and prompting the need for lower benefits and higher contributions.

(Continued on page 4)

# President's c o r n e r

*Maitha Lee Jones*  
TRA Board



## No magic for tough choices

Albus Dumbledore, headmaster of Hogwarts School of Witchcraft and Wizardry, once said that “there will be a time when we must choose between what is easy and what is right.” We love that quote from the wise old (fictional) wizard.

No one ever said that being a TRA trustee would be easy – and we sure wish we had magic wands and some useful spells to improve TRA’s funding status right about now.

The combination of a down investment year for fiscal 2016 and additional liabilities due to longer member life spans means that those of us on the Board of Trustees have had to wrestle with difficult decisions about benefits, contribution rates and the assumed rate of return on investments.

As you see from our front-page story, we decided to lower retiree cost-of-living adjustments, raise employer contribution rates, and temporarily lower the assumed rate of return on investments pending a thoughtful, data-driven study on what that number should be.

As important as the investment assumption is, we don’t want to succumb to pressure to lower it without having reliable data to support that decision. The pension business operates on a very long-term horizon, and we believe it’s capricious to make guesses about that number during periods of invest-

ment market volatility.

TRA staff now will take this proposal to the legislature. And although no one is happy with the package, we ask for your support in the interest of preserving the TRA defined-benefit pension plan for current and future retired teachers.

As fiduciaries of the fund, the TRA board is compelled to make periodic adjustments to plan benefits and contributions to reflect the realities of real-world demographic and economic experience.

The fact is, Minnesota’s contribution rates differ markedly from national averages. For example, the national average employer contribution rate is about 12.9 percent; the TRA employer contribution rate is 7.5 percent. And Minnesota’s teachers pay higher contribution rates compared to their peers in other states – 7.5 percent compared to the 6 percent national average.

We believe that a healthy pension plan is an essential component of the total compensation package and helps attract and retain quality teachers to do the essential work of educating Minnesota’s future workforce.

As we come to this new crossroad and have to make the difficult choice, know that it will rarely be easy. But the aim is, as the old headmaster said, to do what is right.

## How to authorize someone to receive your account info

Occasionally you may need a helping hand with your TRA account. Please remember that no one is authorized to inquire about your account on your behalf unless you do one or more of the following:

- If you provide permission to our phone counselors we are happy to help with any questions. But you must be available to speak with us at that time.
- You can give permission for us to release account information to whomever you choose for a period up to one year by completing a Release of Information form. This form covers the release of information only and can be renewed annually. Designees cannot make changes to your personal account information.
- For a more permanent solution you might consider a Power of Attorney document. This could allow another party to make changes to your mailing address, taxes, and payment deposit information. Call our Member Service Contact Center at 1-800-657-3669 so that we may advise you on what is required.

### 2017 DIRECT DEPOSIT SCHEDULE

January 3	July 3
February 1	August 1
March 1	September 1
April 3	October 2
May 1	November 1
June 1	December 1

## 2016 financial status update

# Disappointing year for TRA investments

The 2016 TRA Comprehensive Annual Financial Report is now available for viewing at [www.minnesotatra.org/formspub/2016annualrpt.html](http://www.minnesotatra.org/formspub/2016annualrpt.html).

The period from July 1, 2015, to June 30, 2016, reflected a decrease in TRA assets, largely the result of lackluster investment returns. The assets TRA uses to pay benefits were \$19.42 billion on June 30, 2016, down from \$20.45 billion the previous year.

**Investments:** During fiscal year 2016, domestic stocks returned zero. International stocks declined 9.7 percent for the fiscal year. The fixed income (bond) portfolio produced a return of 5.9 percent. Alternative investments, including real estate and private equity, posted a return of 0.2 percent for the fiscal year.

**Revenue:** Total employee and employer contributions were \$737.8 million during fiscal year 2016. With a slight investment loss, total net operating revenues for the year were \$719.7 million.

**Expenses:** Benefit payments made during fiscal year 2016 were \$1.72

billion, or about \$142 million per month. During the fiscal year, \$11.3 million in refunds were paid to members who left teaching and chose to withdraw their contributions plus interest.

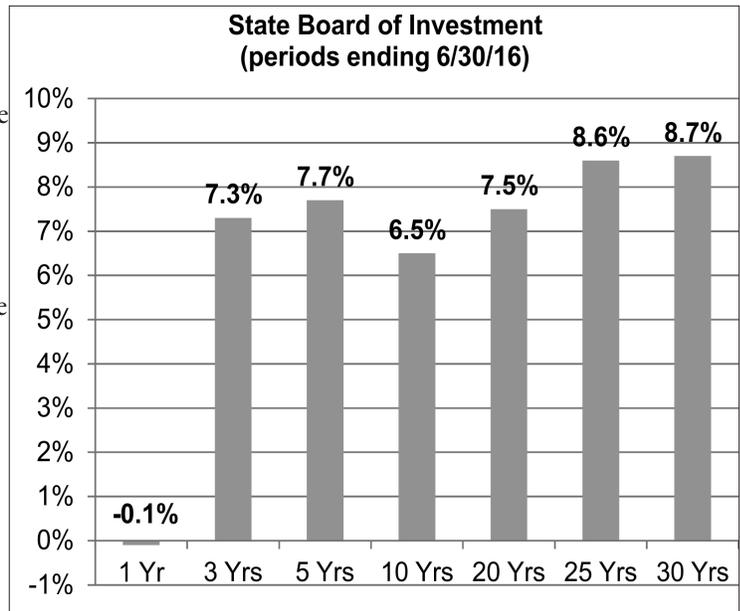
Total administrative expenses for the year were \$11.3 million.

Total operating expenses were \$1.74 billion.

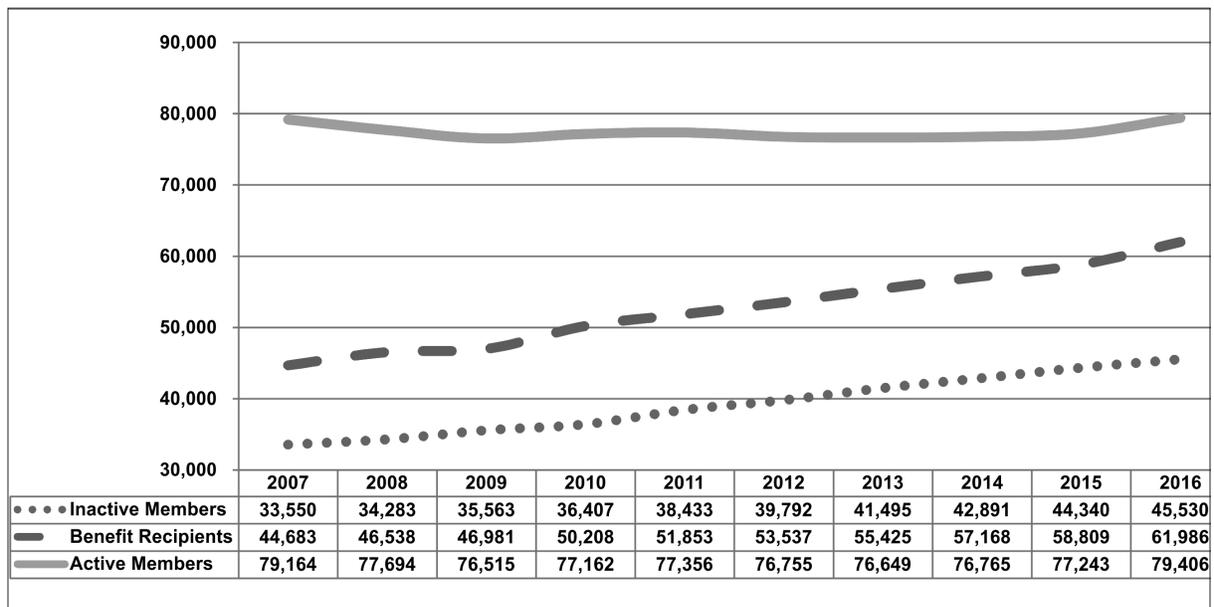
**Funding status:** When calculating funded ratios, TRA investment gains and losses are smoothed over five years. Using this method, TRA's funded ratio was 75.6 percent. On June 30, the actuarial value of TRA assets was \$20.2 billion and the actuarial liability (the amount needed to pay benefits) was \$26.7 billion, producing an unfunded liability of \$6.5 billion. TRA's contri-

bution deficiency was 2.8 percent of active-member salaries.

These results were calculated using the statutory investment assumption of nearly 8.5 percent annually in future years. The TRA Board of Trustees has recommended to the legislature that this assumption be lowered. A lower assumption will produce a higher contribution deficiency and lower funded ratio than presented in the fiscal year 2016 results.



### TRA 10-year member stats



# TRA board OKs 2017 financial proposal

(Continued from page 1)

In October, the board discussed the investment return assumption, which is used to project TRA's long-term financial trends. The board voted to lower the investment return assumption to 7.5 percent for three to five years while a study is conducted; then the rate reverts to 8 percent.

The study also would evaluate processes and governance structures for changing the investment return assumption to avoid overreactions to short-term market conditions.

A proposal last winter that had the support of all of TRA's stakeholder groups failed to win legislative approval – in part because of the lack of state funding to cover increased



costs to school districts. A stopgap bill that would have cut the retiree COLA without any contribution rate increases was vetoed by Gov. Dayton. Shortly thereafter, the fiscal year ended with a poor investment return logged into the books.

Although pension fund financial projections use a 50- to 60-year funding

horizon and the State Board of Investment has a 30-year return average of 8.7 percent, recent market volatility has led some to call for a lowering of the assumed rate of return. The board has expressed frustration over “knee-jerk” reactions to current market gyrations.

## Understanding retirement earnings limitations

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.

### Snowbird alert

Flying south for the winter? Provide TRA with a temporary address so you don't miss important news. Update your address at [www.minnesotatra.org](http://www.minnesotatra.org), or call 800-657-3669 or 651-296-2409.

# 3 candidates for TRA Board of Trustees

TRA retired members soon will choose representatives for the Board of Trustees from a field of three candidates for a four-year term that begins July 1, 2017.

Go to [www.minnesotatra.org/administration/candidates](http://www.minnesotatra.org/administration/candidates) to read full biographies of the candidates.

In late February, you will receive election instructions for voting by mail or online. Votes must be received by March 24, 2017.

Results will be published on the TRA website on April 12, 2017, and in the June TRIB. The candidates are:

The candidates are:



**Peter Grant**

Superintendent  
Owatonna Public  
Schools



**Karen U. Kilberg**

Past exec. director  
Duluth Teachers  
Retirement Fund



**Martha Lee Zins**

Retired  
Hopkins Public  
Schools

**March 24, 2017:** Voting deadline.

**April 12, 2017:** Results announced at Board of Trustees meeting.

**July 1, 2017:** New trustees begin four-year term.

## Getting ready

Last net  
pension  
amount

E-mail address

Then see  
what's new  
inside [MyTRA!](#)



## How to set up a MyTRA online account

Haven't set up your TRA online account? Make it a New Year's resolution to get that done!

The TRA website provides immediate access to the most up-to-date information about your account. To register, go to [www.minnesotatra.org](http://www.minnesotatra.org) and click MyTRA Login. Then, click the register button and follow the steps to register.

Your last name, Social Security number, date of birth, and your last net pension

amount are used to verify your identity. Once that is done, a username, password, and contact information, along with the selection of security questions and answers, will be needed to complete the registration. This information will verify your identity should you forget your username or password.

Now you can view your account information and update your e-mail and physical addresses.

## About your 1099 form

If you set up an online account, you'll receive an e-mail when your 1099-R tax form is available online. 1099-R forms will be available online at [www.minnesotatra.org](http://www.minnesotatra.org) before you receive your copy by mail.

Make sure your address is up to date. The form will be mailed by Jan. 31, 2017, and is needed for your 2016 tax returns. You may initiate, renew, or revoke your current tax withholding designation at any time. If you reduce or revoke the amount of income tax withheld, you will be responsible for any penalty incurred under federal tax laws if the amount withheld is inadequate.

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



## Teachers Retirement Association

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800.657.3669 | 651.296.2409  
[www.minnesotatra.org](http://www.minnesotatra.org)

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Twin Cities, MN

Return Service Requested

For use ONLY if you wish to report a name, address or email address change. Updates can be made online at [www.minnesotatra.org](http://www.minnesotatra.org). 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 mailed request.

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	

# TRA member service fiscal year in review

**I**t was a banner year for retirement conversations! About 2,580 of you retired during fiscal year 2015-2016. Here are more details about our member interactions:

In-person counseling stats (7/1/15-6/30/16)	
Attendance at group sessions	1,707
Individual counseling sessions	4,431
<b>Total members counseled</b>	<b>6,138</b>
Contact center stats (7/1/15-6/30/16)	
Calls answered	43,876
E-mails answered	2,083
Estimates generated for members by TRA staff	24,614
Estimates generated by members via MyTRA online calculator	72,459

### 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 governing TRA, the laws prevail.

#### Board of Trustees, Statutory Members

Brenda Cassellius, Commissioner  
Department of Education

Myron Frans, Commissioner  
Minnesota Management & Budget

Tiffany Rodning, Deputy Executive Director  
Minnesota School Boards Association

#### Board of Trustees, Elected Members

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Retiree Representative  
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Robert J. Gardner, Active Representative  
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