

TEACHERS RETIREMENT INFORMATION BULLETIN

Retiree Edition ■ Winter 2019



Progress made toward funding goals

A favorable investment year and the passage of sustainability legislation during the legislative session combined to make fiscal year 2018 a very good one for TRA's finances.

The TRA investment portfolio earned a strong return of 10.3 percent for the 12-month period ending June 30, 2018. The TRA assets at fair value that are used to pay benefits increased during the period from \$21.25 billion to \$22.35 billion, as of June 30, 2018. More information is available in TRA's Comprehensive Annual Financial Report. View it at

TRA ANNUAL REPORT

MinnesotaTRA.org/financial/annual-reports.

Investments: All TRA assets are invested by the Minnesota State Board of Investment (SBI). During fiscal year 2018, domestic stocks returned 15.4 percent and international stocks provided a return of 7.5 percent. The fixed income (bond) portfolio rose just 0.1 percent. The private markets class, including real estate and private equity, posted a return of 14.8 percent for the fiscal year.

Revenue: The TRA investment portfolio produced net income for the fiscal year of \$2.16 billion. Total employee and employer contributions were \$791 million. Total net operating revenue was \$2.95 billion.

Expenses: Benefit payments for the year were \$1.82 billion or about \$152 million/month. During the fiscal year, TRA paid refunds of member contributions of \$13.1 million to members who left teaching and chose to withdraw their contributions plus interest.

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TRA to conduct audit of benefit recipients



TRA is required to verify the accuracy of our member records periodically.

This year, TRA will be sending out an Affidavit of Personal Information form to a selected group of members. In 2020, the mailing will expand to include more of our members.

These personal information verification forms must be signed in the presence of two witnesses and be returned to TRA expeditiously in order to avoid any unnecessary interruption in your benefit.

President's c o r n e r

Maitha Lee Jones
TRA Board



Here's to a job well done in '18

The unsung heroes who safeguard pension assets and investments or make sure retirees' checks go out on time don't often get the kudos they deserve, but the turn of the new year provides an opportunity for a look back at the accomplishments that took place in the Retirement Services Building in 2018.

One of our heroes is State Board of Investment Executive Director Mansco Perry. Gov. Dayton proclaimed Dec. 13 Mansco Perry Day, coinciding with an event in New York at which Perry received a Lifetime Achievement award at the annual Chief Investment Officer Innovation Awards dinner.

Perry oversees the investment management of pension and other state assets totaling over \$97 billion. In his proclamation, Dayton mentioned Perry's implementation of operational improvements and development of innovations to enhance investment returns while mitigating risk. Dayton described Perry as a skillful, thoughtful leader and long-term strategic investor.

Perry is president of the National Association of State Investment Officers and a board member of the Minnesota Worker's Compensation Reinsurance Association. He also has served on the boards of William Mitchell College of Law, Minnesota Philanthropy Partners, Catholic Charities of St. Paul and Minneapolis, the Investment Advisory Council of the New York State Teachers Retirement System, the Investment

Committees of the Sisters of St. Joseph Carondelet, and the University of Baltimore Foundation.

For TRA staff, 2018 was about ensuring that the plan is sustainable for future generations of retiring educators as well as completing initiatives to improve the member experience.

- Major bipartisan sustainability legislation passed after three years of effort at the state capitol by agency staff and dedicated stakeholder groups, putting TRA on track to reach full funding in 30 years.
- Staff completed a years-long transition from an antiquated member data system to a secure and highly functional online account management system.
- TRA freshened up its logo and public-facing website to provide members with engaging, relevant content and attractive web pages.
- Experienced staff assumed leadership roles in member services, further enhancing TRA's already top-notch retirement counseling and education efforts.
- TRA security, audit and information tech staff continued implementing new ideas to mitigate risk and keep sensitive data safe.

The TRA Board of Trustees and TRA staff wish you a happy New Year, and we look forward to another year of continuing work together to make your pension plan the best it can be.

TRA news briefs

Watch for your 1099-R form

TRA mails 1099-R tax forms in late January. This form discloses the total amount and taxable portion of your annuity payments plus federal and state income tax withheld for 2018. You will need this information for your tax returns.

To get an e-mail alert when the forms are available online, you must set up a MyTRA account.

If you have moved or plan on moving, please update your address with TRA. The post office will not forward tax forms. Call us at 651-296-2409 or 800-657-3669 or log in to MyTRA to update your home and e-mail addresses.

Privacy 101: Your account

No one is authorized to receive information about your account unless you do one of the following.

- If you give permission to our phone counselors and you are available to speak with us at that time, we're happy to help.
- Another option is a power of attorney allowing another party to handle your account. Call 1-800-657-3669 for assistance.

Attention, snowbirds! Let us know where you are

Provide us with your temporary address to ensure that you get important mail without delay. You may manage permanent and temporary addresses by calling us or entering it in your MyTRA online account.

TRA FUND FACTS



ACTIVE members	82,515
HIRED before July 1, 1989	8,188 (10%)
HIRED after July 1, 1989	74,327 (90%)
FEMALE	61,200 (74%)
MALE	21,315 (26%)
AVERAGE age	43.7
AVERAGE TRA service	11.9 years
NOT currently teaching	49,311



Retiree stats



BENEFIT recipients	64,028
OLDEST benefit recipient	113.4 years
DURATION of longest retiree benefit payment	48.5 years
AVERAGE number of years a member retiring in 2018 will receive benefits	28 years
AVERAGE lifetime benefits paid to a member retiring in 2019	\$772,800



Then & now

	1931*	2018
BENEFIT recipients	710	64,028
TOTAL membership	18,226	190,389
ANNUAL benefit payments	\$65,000	\$1.82 billion
FUND assets	\$74,000	\$22 billion

*TRA established in its present form

TRA makes progress toward funding goals

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Total administrative expenses for the year were \$15.7 million. Total operating expenses were \$1.85 billion.

Funding Status: The 2018 legislature enacted significant changes to TRA actuarial assumptions and plan provisions. TRA's long-term investment assumption was lowered from 8.5 percent to 7.5 percent. Other economic assumptions were modified. Several plan provisions, such as a permanent reduction in the retiree cost of living adjustment and stronger reductions for retiring prior to normal retirement age also were enacted. Employer contribution increases, phased in over six years, began July 1, 2018, and an employee increase will begin in 2023.

On June 30, 2018, the actuarial value of TRA assets was \$22 billion. Actuarial liabilities were \$28.6 billion, producing a funded ratio of 76.9 percent. This was a slight improvement from the prior year funding ratio of 76.8 percent.

The contribution deficiency was calculated at 1.08 percent of active member payroll. However, future contribution rate increases passed by the 2018 legislative are not considered in this calculation until they are implemented. If those contribution rate increases had been included, the contribution deficiency would have reversed and produced a slight contribution rate sufficiency.

At current projections and if all actuarial assumptions are met, TRA will achieve a 100 percent funded ratio in 30 years.

1% COLA effective Jan. 1

The 2018 pension legislation contained a provision changing the retiree cost-of-living adjustment to 1 percent beginning Jan. 1, 2019, through 2023. From 2024 to 2028, the COLA will increase by 0.1 percent per year until reaching 1.5 percent.

TRA SUSTAINABILITY MEASURES

COLA: 1.0% for 5 years (2019-2023), then increase by 0.1% per year in each of next five years (2024-2028) to 1.5%

COLA delay to age 66: Effective 7/1/2024. Exempt: Rule of 90, disability, survivors, age 62/30 years.

Early retirement: Changes calculations, 5-year phase-in beginning 7/1/2019, age 62/30 years exempt.

Employee contribution increase: +0.25% beginning 7/1/2023 (7.5% to 7.75%)

Employer contribution increases: +1.25% phased in over 6 years beginning 7/1/2018 (7.5% to 8.75%)

HELP US KEEP IN TOUCH WITH YOU

Moving? Changing email providers? Update your physical and email addresses by logging in to your MyTRA account at MinnesotaTRA.org or by calling Member Services at 651.296.2409 or 800.657.3669.



2019 TRA DIRECT DEPOSIT SCHEDULE

JAN — 2*	FEB — 1	MAR — 1	APR — 1
MAY — 1	JUN — 3*	JUL — 1	AUG — 1
SEP — 3*	OCT — 1	NOV — 1	DEC — 2*

* First business day of the month.

Need an income verification letter?

You can print one from your MyTRA account! These requests verify the gross monthly benefit amount, not your teaching salary.

Teachers Retirement Association

Jay Stoffel, Executive Director

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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