

# TEACHERS RETIREMENT INFORMATION BULLETIN

Retiree Edition ■ Summer 2018



## Gov. Dayton signs 2018 pension bill

Gov. Mark Dayton has signed the 2018 Omnibus Retirement Bill into law.

The bill includes sustainability measures for all four of Minnesota's public employee pension systems: the Teachers Retirement Association (TRA), the Public Employees Retirement Association (PERA), the Minnesota State Retirement System (MSRS), and the St. Paul Teachers Retirement Fund Association (SPTRFA).

For TRA, the law calls for reducing the retiree cost of living adjustment from 2 percent to 1 percent for five years

(2019-2023), then increasing by 0.1 percent per year in each of the following five years (2024-2028) to 1.5 percent. The law also includes a provision to delay the initial COLA to age 66 (effective July 1, 2024). This provision exempts those who retire under Rule of 90, age 62 with 30 years of service, disability benefits or survivor benefits.

The 2018 law includes a 0.25 percent employee contribution increase beginning July 1, 2023 (from 7.5 percent to 7.75 percent) and an employer contribution increase of 1.25 percent, from 7.5 percent to 8.75 percent, phased in over six years (fiscal years 2019-2024).

The law also changes reduction calculations for early retirement over a five-year phase-in period (fiscal years 2020-2024). Those who retire at age 62 with 30 years of service are exempt.

These measures reduce liabilities by \$2.0 billion for TRA alone.

Upon passage in the Senate in March, pension bill co-author and chair of the Legislative Commission on Pensions and Retirement (LCPR) Sen. Julie Rosen praised the engagement of those who have worked for three years on a pension sustainability package with "significant benefit reforms" as well as

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## Good 'cents' planning advice for younger educators

A comment that TRA staff often hear from teachers who are in the process of retiring goes something like this: "I wish I'd known this when I was younger."

We took to Facebook recently to ask our senior TRA members what advice they have for working teachers about retirement planning.

Their answers reflect much of what we hear from teachers every day: how to ensure that there's enough to live on in retirement, thoughts about how to fill their time, and ambivalence about leaving the classroom.



Allen Beaton says there is no right way to retire well. "Just make sure you have put away enough. I was very happy teaching, but I also wanted to do other things. I love to travel and now I have the freedom to do it when I want," Beaton said.

Bill Haring recommended visiting with a TRA retirement counselor early. "They are very helpful in planning an early exit strategy," he said.

"Be sure you understand every part of it – TRA, [Social Security], Medicare, etc.," Sue Westegaard cautioned. "It is very easy to make a mistake."

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# President's c o r n e r

*Maitha Lee Jones*  
TRA Board



## It takes a village to pass our bill

One thing that never ceases to amaze me is the ability of TRA's stakeholder groups to dig deep each time we need to make tough decisions to preserve our teacher pension plan. It's always deeply inspiring to see people fighting to keep something of value for those who will come after us.

It's easy to get discouraged when we work so hard to achieve consensus from so many of our invested groups – school boards, working teachers, retirees – only to see our earnest efforts to do the right thing sidetracked or shelved at the Capitol. That's what happened in 2016 and again in 2017 with our sustainability proposals.

It takes hard-headed determination to bounce back and go through it all again, especially since TRA trustees and administrators ask all of us to set aside our personal stake and act for the sake of the fund and the future.

No one ever said that shared sacrifice was easy. It took the better part of three years to push a "clean" (no "poison pill" veto bait) bill across the finish line.

I'd like to thank our stakeholder groups: Minnesota School Boards Association, Retired Educators Association of Minnesota, Education Minnesota, Committee of 13, Education Minnesota Retired, Minnesota Association of School Administrators, Minnesota State Universities, Association of Metropolitan School Districts, Minnesota Association of

Secondary School Principals, Minnesota Elementary School Principals Association, MESPA Retired, Minnesota Association of School Business Officials, Minneapolis Federation of Teachers, Minnesota Rural Education Association, and Schools for Equity in Education.

Thanks also go to the Public Employee Pension Coalition (PEPC), a diverse group of stakeholders from law enforcement and public employee unions who came together to help get legislators' backing for the 2018 pension bill.

Obviously, we couldn't have gotten this bill through without the support of legislators who came together in a good old-fashioned Minnesota bipartisan way to do what it takes to stabilize the pension plans that a half-million of the state's public employees depend upon or will one day depend upon.

Year in and year out, Legislative Commission on Pensions and Retirement (LCPR) House and Senate members and committee staff take on the thankless job of research and oversight in order to do the right thing.

Those of us who serve on the TRA Board of Trustees are grateful to all of you for your hard work in helping push this legislation along its path from the TRA board room to the various legislative committees and ultimately to the governor's desk. You've helped make TRA stronger for future generations of Minnesota educators.

## TRA news briefs

### Do the TRA two-step

The most important thing you can do to secure your private data with TRA is to set up a MyTRA online account with a strong, unique password. TRA now offers an optional two-step verification enhancement for your online account to make it even more secure.

With two-step verification, once you log on to your MyTRA account, you will be prompted to enter a security code. You can choose either to have the code sent to you via mobile phone app, text message or voice call. This ensures that even if your password were compromised, a criminal would also have to have your phone to be able to access your account.

To take advantage of two-step verification, you must opt in. Log on to your MyTRA account, click "My Profile," then select "Two-Step Verification" to get set up.

### Welcome, new retirees!

Congratulations on your retirement. You and more than 1,500 other members retiring this summer join some 60,000 TRA retirees and beneficiaries.

Your initial payment is calculated using anticipated salary and service for the current year (normally assumed to be the same as the previous year). After retirement, your account will be reviewed to verify all salary and service credit, and a new calculation of benefits will be produced. If an adjustment to your monthly payment is required, you will be notified and the adjustment will be made retroactive to your benefit effective date.

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contribution rate increases for employers and employees. Rosen said the effort reflects “true shared sacrifice.”

The bill reduces liabilities by about \$3.4 million (all four systems) immediately, lowers the rate of return on investments to 7.5 percent, puts the plans on the path to full funding, provides funding to schools to offset increased pension contributions, ensures that unfunded liabilities won't weigh down bond ratings, and safeguards the retirement security of public employees for the future.

Minnesota Management and Budget Commissioner Myron Frans earlier this year described the effort as a “very important sustainability package” that would improve the financial health of the pension funds and the state.

“We couldn't have done it without the support of all stakeholder groups,” said TRA Executive Director Jay Stoffel. “This is a great step forward for the retirement security of the members, for

## KEY TRA PENSION BILL PROVISIONS

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

**COLA delay:** First COLA granted at age 66 (effective 7/1/2024) (Exempt: Rule of 90, disability, survivors, age 62/30 years of service)

**Early retirement:** Changes reduction calculations for those retiring before age 66, phased in FY 2020-2024; age 62/30 years exempt

**Employee contribution increase:** +0.25% beginning 7/1/2023

**Employer contribution increases:** +1.25% phased in over 6 years, FY 2019-2024 (7.5% to 8.75%)

the health of the pension fund and for the state of Minnesota.”

Passage of a pension sustainability package comes after failed attempts in 2016 and 2017 to address funding issues resulting from changes in public employee longevity and lower anticipated investment returns.

The TRA Board of Trustees endorsed the sustainability measures with the stipulation that contribution increases be funded, and that legislation reflect the board's guiding principles: shared com-

mitment, long-term financial stability, intergenerational equity and maintaining the recruitment and retention value of the TRA pension.

Among the administrative provisions affecting TRA are updates to actuarial assumptions used to assess the plan's financial health. 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 increases TRA's liabilities and lowers the plan's funded ratio.

## Financial planning advice for younger educators

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Several retirees said that they had used fee-based financial planners. Karen Berger made a detailed plan – income, expenses, distributions – with a financial planner and was pleasantly surprised to learn that she needn't worry. Deb Neher advises younger teachers to maximize savings to a deferred compensation account to supplement their eventual TRA pension and Social Security income.

Some retirees' advice was specific about what it means to get your financial house in order, drilling down on some essential nuts-and-bolts bits of wisdom.

“Two to five years before you retire, fix

all the things around the house, make sure your vehicles are in good shape, and pay off all credit cards,” said Scott Coffman.

Though many are joyful and positive about retirement – “There is much outside of the classroom to enjoy!” “Find your next passion!” – others caution against leaving the classroom too soon.

Sue Rolfson said she misses the feeling of life purpose as well as the income. Tom Dalen and Ruth Koehler agreed.

“Don't jump too soon. If you love your job, you will never have to go to work,” Dalen said.

“If you still love teaching, stay in it as long as you can,” Koehler added.

Larry Klueh suggested substitute work to “help offer continuity to wonderful young teachers.”

“Remember that it meant a load of extra work to take a day off – but if a teacher can give the class to a competent sub, the load is less! And the kids are great!” Klueh said.

Great advice from teachers who've been schooled about retirement issues. And then there are the TRA Facebook followers who, perhaps with a bit of wistful 20/20 hindsight, couldn't resist responding with tongue planted in cheek. There's this, from Tim Sheie:

“Start saving aggressively 20 years ago.”



## Teachers Retirement Association

60 Empire Drive Suite 400  
St Paul Minnesota 55103-4000  
800.657.3669 | 651.296.2409

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

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## 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

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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