

TEACHERS RETIREMENT INFORMATION BULLETIN

Retiree Edition ■ Winter 2021



TRA investment fund returns 4.2% for FY20

Investment volatility due to the COVID-19 pandemic and the continuing positive impact of 2018 sustainability legislation combined to make fiscal year 2020 a slightly weaker one for TRA's finances.

The TRA investment portfolio earned a return of 4.2 percent for the 12-month period ending June 30, 2020. The TRA assets at fair value that are used to pay benefits decreased during the period from \$22.88 billion to \$22.74 billion, as of June 30, 2020. More information is available in TRA's 2020 Comprehensive Annual

TRA ANNUAL REPORT

Financial Report. View it at MinnesotaTRA.org/financial/annual-reports.

INVESTMENTS: All TRA assets are invested by the Minnesota State Board of Investment (SBI). During fiscal year 2020, domestic stocks returned 6.2 percent and international stocks produced a return of -4.2 percent. The fixed income (bond) portfolio rose 13.0 percent. The private markets class, including real estate and private equity, posted a return of -2.6 percent for the fiscal year.

REVENUE: The TRA investment portfolio produced net income for the fiscal year of \$940 million. Total employee and employer contributions were \$857.5 million. Total net operating revenue was \$1.8 billion.

EXPENSES: Benefit payments for the year were \$1.9 billion. During the fiscal year, TRA paid refunds of member contributions of \$13.8 million to members who left teaching and chose to withdraw their contributions plus interest. Total administrative expenses for the year were \$15.4 million.

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Meet the candidates for TRA Board of Trustees



Martha Lee Zins



Joel Larsen

TRA retired members soon will choose a representative for the Board of Trustees in 2021. The term for this elected member will begin on July 1, 2021.

The candidates are retired Minnesota Department of Education agriculture program specialist Joel Larsen, who taught in Belle Plaine schools, and incumbent board member Martha Lee Zins, who retired from Hopkins School District. Read full bios and statements from the candidates at MinnesotaTRA.org

Make your voice heard by voting for the person you believe will best represent you on pension matters. You will receive instructions by mail in March for voting by mail or online.

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President's c o r n e r

Maitha Lee Jones
TRA Board



TRA investment fund returns 4.2% for fiscal year 2020

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FUNDING STATUS: The 2018 legislature enacted significant changes to TRA actuarial assumptions and plan provisions. TRA's long-term investment return assumption was lowered from 8.5 percent to 7.5 percent. Other economic assumptions were modified. Several plan provisions, such as a reduction in the retiree cost of living adjustment and increased 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 increase in the employee contribution rate from 7.5 percent to 7.75 percent will begin in 2023.

On June 30, 2020, the market value of TRA assets was \$22.74 billion. Actuarial liabilities were \$30.13 billion, producing a funded ratio of 75.48 percent. This was a decrease from the prior year funding ratio of 78.21 percent.

The contribution deficiency was calculated at 1.19 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 are considered, the contribution deficiency would have narrowed and produced a contribution rate deficiency of -0.32 percent.

TRA's funded ratio is expected to slope upward in the long term, but using current assumptions it is not projected to reach 100 percent by 2048 as specified in state statute.

NCTR talk highlights marketing

Every year, a few of us on the Board of Trustees attend the National Council on Teacher Retirement (NCTR) conference. Like every other gathering in 2020, the fall conference was held virtually. But the format certainly did not take the "zoom" out of Wharton School marketing professor Americus Reed.

Let's put it this way: No one would ever accuse Reed of sleepy lectures on RateMyProfessor.com.

Reed spoke on the ways in which pension systems can ensure that their brand carries positive associations in the minds of teachers. He used examples of ad campaigns by Nike, Apple and Red Bull to demonstrate how multinational companies have stamped their identities onto our collective conscience. While TRA is not selling tennies or phones, Reed had some takeaways for public pension systems.

Defined-benefit pensions are often misunderstood, and as a sector we might be guilty of allowing others—such as those selling fee-based retirement savings products—to define us negatively. Reed used the example of the famous Mac vs. PC ads of the early '00s to demonstrate how Apple defined Microsoft as hopelessly stodgy, to devastating effect. (The ads can be found on YouTube.)

As a nonprofit entity for whom membership is mandatory, we don't undertake expensive image marketing

campaigns. We do, however, work hard to educate and inform members about TRA benefits. We use our website, social media, newsletter, and counseling sessions to explain how TRA benefits work and how a pension differs from a 401(k) or 403(b) retirement plan.

Ever seen those ads from the National Pork Board touting "the other white meat"? In the world of defined-benefit pensions vs. defined-contribution 403(b) plans, Reed suggested that pension systems are "the other white meat." (To learn how TRA differs from fee-based retirement savings plans, read our popular "Pension Basics" explainer at <https://minnesotatra.org/members/pension-basics/>.)

Something that really sticks with me about Reed's talk were his comments about how teachers perform a labor of love every day, and our role as a pension system is to reward that labor of love. Because you contribute to your pension from the beginning of your teaching career to the end, TRA's relationship with you is especially long and meaningful.

We have a slogan on the home page of MinnesotaTRA.org: "TRA is the defined-benefit pension plan for Minnesota educators. We've got you covered for life." I like this slogan because it not only speaks to what we are, but also to our bond with you and the profound responsibility with which we are entrusted. It's a far cry from marketing a laptop or pork chop, but that's OK with us.

1% COLA was effective Jan. 1

A post-retirement increase of 1 percent was effective Jan. 1.

Each January, if specified by law, TRA benefit recipients receive an increase in their monthly payment amount. Benefit recipients who have received an annuity or benefit for at least 12 full months as of June 30 of the calendar year before the increase receive a 1.0 percent increase. Benefit recipients who have received an annuity or benefit for at least one full month, but less than 12 months, as of June 30 of the calendar year before the increase will receive a prorated increase.

Increase notification letters typically are mailed in December. You can view your annual increase letter by logging in to your MyTRA account at MinnesotaTRA.org.

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



How to change your beneficiary information with TRA

If you selected a no refund, guaranteed refund or 15-years guaranteed TRA plan when you retired, you may change your beneficiary designation at any time. Simply call to request a Post Retirement Beneficiary Designation form.

If you selected a 100 percent, 75 percent, or 50 percent plan at the time of retirement, you cannot change your

beneficiary unless you subsequently divorce or have named a non-spouse as the beneficiary. If you would like more information, please contact TRA.

Contact TRA as soon as possible if your beneficiary predeceases you so an adjustment can be made to your benefit.

Beware of financial firms claiming TRA affiliation

TRA is not affiliated with, nor do we endorse, any commercial companies selling retirement savings products.

Occasionally, financial planning companies will use “TRA” in their advertising or presentation materials or otherwise imply that they represent TRA or can provide you with your personal TRA retirement information. If you receive any solicitations from third parties that appear to indicate that they have a connection with us, beware.

TRA never grants permission for the use of our name or materials in any sales solicitations or presentations by financial planners or commercial entities. When we learn of the unauthorized use of our name or materials, we immediately contact the offender and advise them to modify their materials so that they in no way suggest that the information has been supplied, approved, sponsored or endorsed by us.

TRA does not share your personal data with financial planners or firms. Your account data is confidential; we

will provide it only to you or someone authorized by you, and only after we have verified your identity or your representative’s identity. TRA may only provide retiree name, gross benefit amount and benefit type to the public, according to Minnesota public data laws governing TRA.

If you ever receive a solicitation from a company offering to sell you financial services and claiming to have a connection with TRA or have access to your personal TRA data, first, be cautious. Second, call us at 800-657-3669.

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.



Meet the candidates for TRA Board of Trustees

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Votes must be received by April 23, 2021. The board will certify the results of the election in June, and the results will be published on MinnesotaTRA.org and in the June issue of this newsletter.

The new trustees begin their terms on July 1, 2021.

The board consists of five elected trustees and three statutory members. Four of the five elected trustees are active members of TRA and one is a TRA retiree. The statutory members are the Commissioner of Education, the Commissioner of Minnesota Management and Budget, and a representative of the Minnesota School Boards Association. There are no term limits for board members. The administrative management of TRA

is the responsibility of the executive director, who is appointed by the Board of Trustees.

Although the State Board of Investment manages all retirement investments, the trustees are required to become knowledgeable in both pension administration and investments under state law. The trustees annually elect a president and a vice president. As fiduciaries, trustees are held to a standard called “the prudent person rule,” under which they must exercise their decisions in the same careful manner that they would use in making their own retirement decisions.

Trustees are also obligated to consider the benefit needs of all pension fund participants regardless of any individual constituency that may have been instrumental in their election.

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.

Board of Trustees, Statutory Members

Mary Cathryn Ricker, Commissioner
Department of Education

Jim Schowalter, Commissioner
Minnesota Management & Budget

Joel Stencel, Director of Finance
Minnesota School Boards Association

Board of Trustees, Elected Members

Martha Lee Zins, President
Retiree Representative
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Will Baumann
Active Representative
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Noel Raph
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