

TEACHERS RETIREMENT INFORMATION BULLETIN

Retiree Edition ■ Fall 2017



2 percent increase effective Jan. 1

A post-retirement cost-of-living adjustment of 2 percent will go into effect on Jan. 1, 2018.

Retired TRA members who started receiving a benefit on or before July 1, 2016, will receive the 2 percent increase.

Members who started receiving a benefit between July 2, 2016, and June 1, 2017, will receive a prorated increase (see chart at www.minnesotatra.org/memberinfo/r-pradjust.html).

If you are eligible for a post-retirement increase on Jan. 1, you will receive a letter detailing the increase to your monthly benefit, along with current tax information.

State and federal tax tables are available on our website under Forms and Publications.

Work begins on 2018 sustainability proposal

As part of the preparations for the 2018 legislative session, the TRA Board of Trustees and plan administrators have resumed gathering input from stakeholder groups representing active members, retired members, and employers.

The board's discussions on sustainability measures began at their Sept. 20 meeting and deliberations will continue at the Nov. 15 and Dec. 13 board meetings. These meetings are open to the public.

Among the factors the board will consider is whether proposed plan changes meet its standards on strengthening the TRA fund for current and future active and retired educators, achieve a measure of intergenerational equity and fairness, and preserve the recruitment/retention value of TRA's defined-benefit pension.

In addition, the board will hear from TRA's actuaries on the results of the most recent actuarial valuation report, which analyzes the financial health of

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TRA names new director

After a months-long nationwide search, the Teachers Retirement Association Board of Trustees selected Deputy Executive Director Jay Stoffel to succeed Laurie Hacking as executive director of TRA, a \$20 billion public pension plan serving nearly 190,000 active, retired or deferred Minnesota public school educators.



Stoffel's appointment was effective Sept. 1, 2017, allowing for a transition before Hacking retires at the end of the year.

"I'm honored to be chosen for this important role," Stoffel said. "To me, it's all about the retirement security of TRA members and preserving the defined-benefit pension plan for

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President's c o r n e r

Maitha Lee Jones
TRA Board



Anti-pension rhetoric ramps up

The hysteria about public pensions hit a crescendo last month when the Center of the American Experiment made some outrageous allegations about Minnesota's pension systems in a Sept. 10 Star Tribune commentary ("Minnesota's Public Pension System is in Crisis, New Data Shows").

First, there's no crisis – so our critics' incendiary allegations need debunking.

MYTH: Pensions are "a Ponzi scheme."

FACT: A very serious assertion and completely false. People who perpetrate Ponzi schemes (e.g., Bernie Madoff) go to prison. A Ponzi scheme is an investment scam that pays existing investors out of money invested by new investors, giving the appearance of earnings and profits where there are none. Now consider that the State Board of Investment (SBI) has \$64 billion in pension fund assets that generated earnings of 15.1 percent for fiscal year 2017. The legislative auditor reviews SBI financials annually. This does not fit the definition of a Ponzi scheme.

MYTH: Pension debt is "off the books."

FACT: Information about our assets and liabilities is reported in myriad, transparent ways. Pension debt is disclosed in our financial report each year. Pension debt is allocated proportionately to local government units and disclosed on their financial reports. Audits are conducted by government auditors and CPA firms. Annual reports disclosing pension debt are posted on the TRA and Legislative

Commission on Pensions and Retirement (LCPR) websites.

MYTH: States and taxpayers can't afford defined-benefit pensions.

FACT: Government spending on pensions is only 2.3 percent of total state and local spending here compared to 4.5 percent nationally. Minnesota taxpayers pay only about 14 cents on the dollar for public pensions and benefit from millions of dollars in pension fund assets invested in our economy. Retirees typically spend their pension checks locally, supporting businesses and job creation.

MYTH: It would be best to switch public employees to 401(k)-style accounts.

FACT: In 2011, a retirement system study found that closing the pension plans and switching to a 401(k)-type system would cost the state \$3 billion. Benefits would still be paid to those in the legacy plan even as contributions are diverted to private accounts. Studies show that America has a retirement crisis as workers reach retirement age without adequate savings. We believe that switching public employees to a wholly private savings system would be bad for Minnesota and its workforce.

Crisis-mongering and ideological hyper-ventilating isn't productive. Minnesota has a long history of taking appropriate corrective action with its public pensions when necessary. We urge lawmakers and the governor to act on our proposed reforms in 2018 to secure Minnesota's public pension plans for the long haul.

TRA news briefs

1099 forms go out late January

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 2017. You need this information for your tax returns. To get an e-mail alert when the forms are available online, you must set up an online account. If you have moved or plan on moving, update your address with us. The post office will not forward tax forms. Call us at 651-296-2409 or 800-657-3669 or log in to your MyTRA account to update your home and e-mail addresses.

Benefit adjustments

If you recently retired, a preliminary estimate of salary and service for the current year is used to determine your initial payment. After you retire and receive at least four payments, your account will be reviewed to ensure that the benefit calculation reflects accurate data. If the review results in an adjustment, you will be notified by letter of the new amount. The adjustment will be retroactive to your benefit effective date, so the letter will also specify any one-time additions or subtractions on the next monthly payment.

Fiscal year 2017 trends

- ▶ The number of teachers retiring at or over age 67 is up 30 percent over the previous year.
- ▶ Retirements for fiscal year 2017 were down 7 percent.
- ▶ Survivorship plans are the most popular choice for retirees, with 67 percent choosing one of three survivorship plan options.
- ▶ The average retirement age is gradually increasing each year, up to 63.05 from 62.4 last year.

Work begins on '18 sustainability proposal

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the plan, and a “mini experience study” that examines the reasonableness of the assumptions about future investment returns, inflation and salary growth.

The state legislature and the governor have failed to reach agreement two years in a row on reform proposals that were prompted by an increase in liabilities due to longer member lifespans and lower expected investment returns. TRA proposed \$1.6 billion in benefit reductions and \$92 million in annual contribution increases. While not in crisis, TRA must make adjustments periodically to keep the fund on a positive trajectory.

Without statutory changes, retiree cost-of-living adjustments (COLAs) remain at 2 percent annually and teacher and employer contribution rates remain unchanged at 7.5 percent. In addition, the assumed rate of return on investments remains at 8.5 percent for TRA, which is

higher than most other systems nationally. Without changes, TRA’s funded ratio is expected to decline.

The original TRA reform proposal went through a number of permutations at the legislature during the 2017 session. As time ran out on the session, these provisions were on the table:

- Lower the COLA from 2 percent to 1 percent for five years, then increase the COLA by 0.1 percent per year for the next five years until it reaches 1.5 percent.
- Increase early retirement penalties, phased in over five years. Career teachers (age 62 with 30 years of service) keep the favorable treatment stated in current law.
- Delay payment of first full COLA until normal retirement age (66) effective in 2023. Career teachers who retire under Rule of 90 provi-

sions or at age 62 with 30 years of service would be exempt.

- Discontinue adding interest to the benefits payable to members who quit teaching and leave their contributions with TRA until they are eligible to receive a benefit.
- Increase TRA employee contribution rate from 7.5 percent to 7.75 percent in fiscal year 2023 and employer contribution from 7.5 percent to 8.75 percent over six years.

Had this proposal been enacted, TRA would approach 85 percent to 90 percent funded in 30 years. The delay in passing sustainability solutions has costly consequences: \$10 million to \$22 million annually in foregone contribution increases, \$18 million annually in cost savings lost due to paying higher COLAs, and loss of investment gains on foregone revenue and cost savings.

TRA names Jay Stoffel new executive director

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our retirees, career educators, young teachers and those who join Minnesota’s education workforce in the future.”

Stoffel has an extensive track record managing pension plans in Minnesota, including 25 years of experience with teacher pension plans. He has served as TRA’s deputy executive director since January 2014, providing analysis to the board and executive director on all operational, financial and actuarial matters.

From 1992 to 2014 Stoffel was executive director of the Duluth Teachers Retirement Fund Association, which was merged into the TRA fund three years ago. He also worked at the Public Employees Retirement Association and the state Office of the Legislative Auditor.

Stoffel is a member of the executive committee of the National Council on Teacher Retirement and active in the Government Finance Officers Association. He holds a bachelor’s degree in Business Administration – Accounting from the University of St. Thomas.

Hacking has been TRA’s executive director since March 2006. Before that, she spent six years as executive director of the Ohio Public Employees Retirement System, the tenth largest statewide public pension system in the U.S. From 1991 through 1996, she was executive director of the Minnesota Public Employees Retirement Association (PERA).

Hacking served as president of the National Association of State Retirement Administrators (NASRA) and chaired the board of directors of the Nation-

al Institute on Retirement Security. Hacking spent most of her 30-year career in the pension field, including 12 years working in Washington, D.C., for AARP and the late Sen. Daniel Patrick Moynihan as senior analyst for pensions, Social Security, and welfare issues.

“I have greatly enjoyed the privilege of serving Minnesota educators over the years in a multi-faceted partnership working to do the best by the TRA fund,” Hacking said.

“I’m confident TRA will be in good hands under Jay Stoffel’s leadership.”





Teachers Retirement Association

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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	

Understanding the survivorship ‘bounceback’

If you selected a survivorship plan (50, 75 or 100 percent) that provides coverage for a survivor upon your death, you must contact TRA if your chosen survivor predeceases you. The survivorship cannot be transferred to another party, but there is a “bounceback” provision that permits your monthly payment to be increased to the higher single-life annuity amount.

TRA can make up to a one-year retroactive change to the benefit from the date we receive the death certificate, so contact TRA as soon as possible so an adjustment can be made without delay.

If you are divorced, your annuity can be changed to the higher single-life plan if you and your former spouse go to court to revoke the survivorship election. Your former spouse will waive

all rights to a survivorship benefit after retirement. You may not elect another survivor. Legislation passed in 2013 allows a member and non-spousal survivor to revoke the plan election and waive any rights to a survivorship annuity. The plan would bounce back to the higher single-life annuity.

If you receive a survivor benefit, the bounceback doesn't apply to you.

Attention, snowbirds!

Providing TRA with your temporary address will ensure that you receive important documents without delay. You may store both a permanent and temporary address on your record by calling us or entering it in your online account at www.minnesotatra.org.

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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