

# TEACHERS RETIREMENT INFORMATION BULLETIN

Retiree Edition ■ Winter 2016



## 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, 2014, received a 2 percent increase. Members who started receiving a benefit between July 2, 2014 and June 1, 2015, 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 are eligible for a post-retirement increase on Jan. 1, you already may have received 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.

### 2016 DIRECT DEPOSIT SCHEDULE

January 4	July 1
February 1	August 1
March 1	September 1
April 1	October 3
May 2	November 1
June 1	December 1

## TRA board OKs sustainability plan

### Longer lifespans, lower investment projections prompt action to shore up plan's finances

After months of discussion, careful consideration and input from stakeholder groups, the TRA Board of Trustees on Dec. 16 approved recommending to the legislature a sustainability package to put the pension fund on track for full funding and a stronger future for the state's teacher retirement system.

Using shared sacrifice as its guiding principle, the board settled on a package that increases employer contribution rates by 1 percent (from 7.5 percent to 8.5 percent) and reduces the 2 percent cost-of-living adjustment to 1 percent for five years beginning Jan. 1, 2017, and to 1.75 percent beginning Jan. 1, 2022.

Employee contribution rates remain at 7.5 percent. The COLA change would impact both current and future retirees (today's active teachers).

The recommendations are subject to review and approval by the state legislature and governor.

These changes are expected to result in the TRA fund approaching full funding by 2044. Without the changes the board is recommending, TRA's funded ratio is projected to drop to 73 percent and remain there rather than attain full funding in 30 years.

"These are the kind of adjustments that must be made periodically as TRA staff and trustees exercise our fiduciary duties," said Laurie Hacking, TRA's executive director.

"Adjusting contribution rates and COLAs are difficult decisions, and we believe the board's recommendations will preserve defined-benefit pension income for our current and future retired teachers."

The changes were necessary following an actuarial study that indicated adjustments to TRA's economic and demographic assumptions are needed to match expected investment and member life expectancy experience.

(Continued on page 4)

# President's c o r n e r

*Maitha Lee Jones*  
TRA Board



## Tough choices for our 'family'

**W**e all know what it's like to sit down with family and have a difficult conversation about whipping the household finances into shape.

Many of you might be suffering from a holiday spending hangover. Some of you may have resolved to be more financially responsible in 2016 by paying down debt, relying more on cash than credit, getting disciplined about "needs" versus "wants," and looking for big and small ways to be more frugal.

You consider the options: Shop around for cheaper insurance, cell plans, cable packages. Learn to make your favorite coffee drink at home. Pack lunches, eat out less. Maybe get a cheaper car.

Perhaps you have a budget; perhaps part of the conversation involves creating one. Chances are, no one in the family is eager to confront financial realities, but at some level everyone knows that long-term financial well-being depends on making tough choices.

We know the feeling, because that's where members of the TRA Board of Trustees found ourselves last summer when we received the results of an important actuarial study full of fascinating – yet sobering – data about our members. You're living longer, which is great news and it means your pension will be paid out for more years than our actuarial experts previously predicted.

If we do nothing, the plan's costs will steadily increase and its funding status

flat-lines at around 73 percent and could decrease, never reaching the 100 percent mark. That would make TRA vulnerable financially and vulnerable to demands to get rid of our valuable defined-benefit pension plan.

As fiduciaries, we believe we have to act. So in the fall and early winter, TRA staff fanned out to explain the implications of this study to retiree, active teacher, and employer groups. This was a difficult message to hear. After all, TRA just sought employer and active-teacher contribution increases and retiree cost-of-living decreases in 2010 as a result of the Great Recession's investment market downturn. How could we be going through this painful process again?

Thing is, fiscal responsibility is rarely a one-and-done deal. Periodic changes are necessary and should be expected.

TRA members weighed in:

- ▶ "I would support a 0.5% decrease in retiree increases and an increase in employee contribution, but not an increase in employer contribution. I trust that the TRA board would come up with the proper numbers to ensure our fund for the present and the future. Hurt? Those of us in the fixed-income category. ... Yet, I feel most seniors would make the same sacrifices for the fund again."
- ▶ "Any shortfall in the money that is required to fulfill this

[employment] contract should come from the employer (school district/taxpayers). It should not become the retiree's responsibility to accept less than was promised."

- ▶ "Realizing the extreme wealth gaps that now exist in our nation, we believe we with strong finances must adjust our finances to make TRA sustainable in the future. We believe that freezing our TRA monthly benefit for three years is the best way to meet this challenge."
- ▶ "We should not ask active employees to contribute a higher percentage. They are already contributing 7.5 percent of payroll, which is above the national average of 6.0 percent."
- ▶ "Teachers always have to think in the long term, and that makes sense not only in the classroom, but also in planning for our own financial security."

TRA trustees listened to all vested parties: school districts, retirees, active teachers and state government finance professionals. With our constituencies in mind, we debated, deliberated, argued and analyzed the options with the help of TRA staff and the actuaries who provided a dizzying array of cost estimates and funding projections.

Like the family wrestling with the household budget, our process wasn't easy. There were thorough debates. There were disagreements. But we are tasked with preserving the defined-benefit pension plan, so we have to think big. Fortunately, many of you do, too. As one member wrote, "Making sure retirement benefits are secure for the long term is the most important thing we can do."

Indeed. Please think big and support the sustainability package. We're in this together.

## Lackluster year for TRA investments

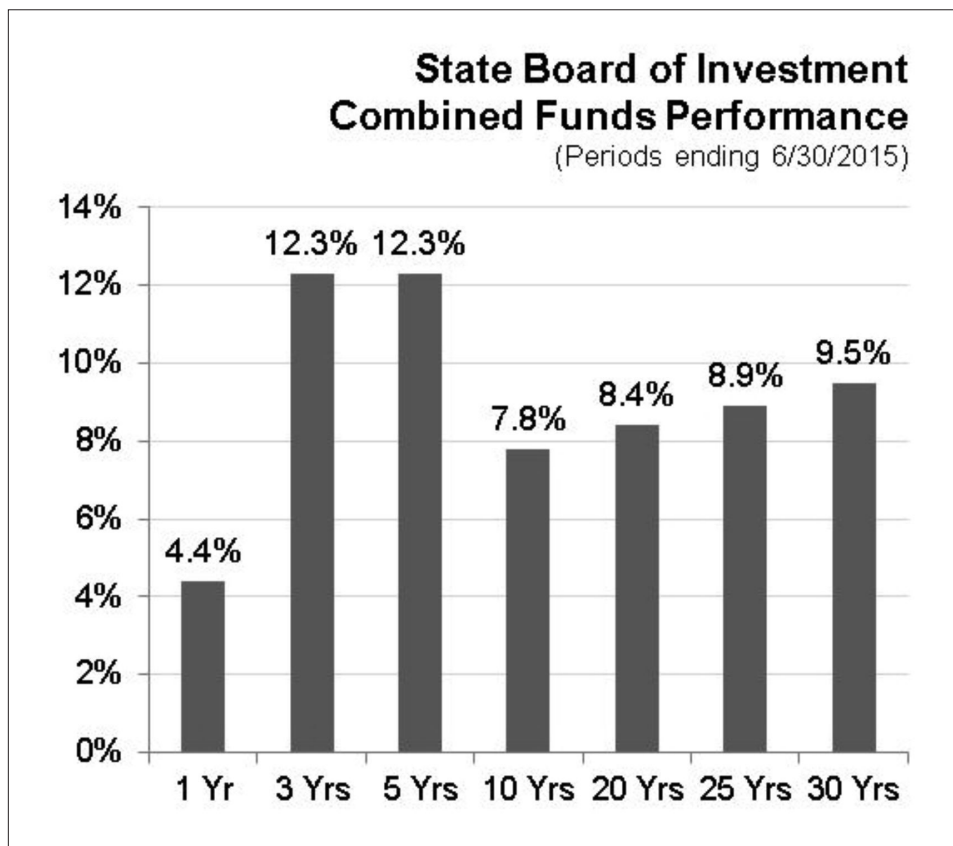
The 2015 TRA Comprehensive Annual Financial Report is now available for viewing at [www.minnesotatra.org/formspub/2015annualrpt.html](http://www.minnesotatra.org/formspub/2015annualrpt.html).

The period from July 1, 2014 to June 30, 2015, saw an increase in TRA assets due to the addition of assets from the newly-merged Duluth Teachers Retirement Fund Association. The assets TRA uses to pay benefits were approximately \$20.45 billion, up from \$20.29 billion the previous year.

**Investments:** Investments fell short of the benchmark. All TRA assets are invested by the Minnesota State Board of Investment (SBI).

The TRA Fund posted a return of 4.4 percent during the fiscal year, compared to an 18.6 percent return the previous year. During fiscal year 2015, domestic stocks returned 7.7 percent. International stocks declined 3.8 percent for the fiscal year.

The fixed income (bond) portfolio rose 2.1 percent. Alternative investments, including real estate and private equity, posted a return of 7.6 percent for the fiscal year.



**Revenue:** The TRA investment portfolio experienced net investment income for the fiscal year of \$887 million. Total employee and employer contributions were \$717 million. Total net operating revenue was \$1.61 billion.

**Expenses:** Benefit payments made during fiscal year 2015 were \$1.66 billion, or about \$138 million per month. During the fiscal year, \$11.9 million in refunds were paid to members who left teaching and chose to withdraw their contributions plus interest.

Total administrative expenses were \$11.5 million. Total operating expenses were about \$1.68 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 77.0 percent as of June 30, 2015. On June 30, the actuarial value of TRA assets was \$19.7 billion and the actuarial liability (the amount needed to pay benefits) to both active and retired members was \$25.6 billion, producing an unfunded liability of \$5.9 billion. TRA's contribution deficiency was 1.9 percent of active-member salaries.

Using a market value of assets measure (with no smoothing of losses or gains), TRA's funded status was 80.0 percent. Under this method of assessing funding health, TRA's unfunded liability was \$5.1 billion and the contribution deficiency was 0.75 percent of active member salaries.

# TRA board OKs sustainability plan

(Continued from page 1)

TRA's actuaries periodically perform this "experience study" to test assumptions to determine whether they continue to be accurate and reasonable. This is an important exercise and a key financial control, because it helps assure that TRA is accurately reporting the system's long-term projected costs and has an adequate plan to fund those costs.

The most recent experience study covered the period from July 1, 2008, through June 30, 2014. It found that Minnesota's active and retired teacher population is expected to live much longer than previously predicted, a development that has significant implications for the financial status of the fund.

TRA's active-member population is 75 percent female, and where once the average life expectancy of an age 65 female TRA member was 88.6, it is now age 90.3. For an age 65 male, it was once 86; today, it is 87.7. TRA has about 500 benefit recipients age 95 and older, and 86 are centenarians.

What all of this means is that pension benefits are being paid – and are

**Benefits are being paid for a longer period of time, and adjustments must be made to ensure that the pension fund remains financially healthy.**



going to be paid in the future – for a longer period of time than ever before, and that adjustments must be made to ensure that the pension fund remains financially healthy for future retirees. Adjusting the life expectancy assumption to reflect longer lifespans will add costs to the TRA system.

Another significant factor analyzed by TRA's actuaries is the investment return assumption. The annual return that TRA expects to earn on investments is critical because investment returns pay for over 70 percent of pension costs. Because investment

returns are expected to be lower in the future, TRA's actuary recommends a decrease in the long-term investment return assumption from 8.5 percent to 8 percent – with a corresponding decrease in the inflation and wage growth assumptions. These changes have a negative financial impact on the TRA plan.

The board, as fiduciaries, is recommending changes designed to address TRA's funding deficiency and put the fund on track to attain full funding.

With those goals in mind, TRA staff spent last summer and fall presenting information about the experience study and its ramifications to groups representing active teachers, retirees and employers. The board took into account views expressed by all of TRA's stakeholder groups and reviewed comments submitted by members via e-mail.

Despite strong and sometimes conflicting views on all sides, most TRA stakeholders expressed a strong sense of collective responsibility to help keep the fund sustainable for future retired educators.

The sustainability recommendations next will be presented to the Legislative Commission on Pensions and Retirement (LCPR) in preparation for the legislative session, which begins in March. The board's recommendations must garner support of the LCPR, both houses of the state legislature, and the governor in order to move forward.

The Public Employees Retirement Association (PERA) and Minnesota State Retirement System (MSRS) also are affected by longer life expectancies and are expected to present similar sustainability plans to lawmakers.

## SUSTAINABILITY PLAN: Portion of solution borne by each group



# Enhanced measures to protect your data

**T**RA continues to enhance efforts to keep your private data safe.

The agency buttoned down its data privacy policy in 2015, and as part of a highly detailed review, TRA identified the handling of e-mail, data storage, data destruction, data transportation, and data breach reporting as areas needing more in-depth procedures. TRA staff attended mandatory training last spring.

In 2016, TRA's internal audit and security staff will perform data privacy/clean desk checks to ensure staff compliance with the new policies.

In addition, TRA will begin remodeling the reception area in the St. Paul office to improve data security and to create more space near the front doors. The plans include new kiosks for visitors to access their online accounts.

Construction is expected to begin the first part of 2016, so visitors will encounter some construction mess.

You can help secure your personal information by registering for an online account at [www.minnesotatra.org](http://www.minnesotatra.org). If you already have a MyTRA account, you should verify that we have your current contact information so your private mailings go to the correct address.

## TRA news briefs

### Set up your online account today

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 create a user ID and password.

Next you'll enter your Social Security number, choose a security question and answer, and enter your e-mail address. Your SSN or TRA number, date of birth and security question/answer will be used to verify your identity should you forget your user ID or password.

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

### Essential info for tax time

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 so you get your 1099. The form will be mailed by Jan. 31, 2016, and is needed for your 2015 tax returns. Duluth retirees will receive two 1099-R forms – one reflecting DTRFA income and one reflecting TRA income.

You may initiate, renew, or revoke your current tax withholding designation at any time. If you decide to 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.

### TRA recognized for excellence

TRA's 2014 Comprehensive Annual Financial Report received the Government Finance Officers Association award for Excellence in Financial Reporting for the 17th consecutive year. In addition, the agency received the Public Pension Coordinating Council's Recognition Award for Administration.

### 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.





## 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)

PRSRT STD  
U.S. Postage  
**PAID**  
Permit No. 3844  
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 customer service year in review

**W**hat a year! About 2,766 of you retired between Jan. 1 and Dec. 31, 2015. Here's more about our interaction with you last year:

Member education stats (7/1/14-6/30/15)	
Attendance at 25 pre-scheduled group sessions (in-office, webinars, road trips)	404
Attendance at 48 requested group sessions (ad hoc)	1,392
Individual counseling sessions (in-office)	4,071
Individual counseling sessions (road trips)	274
<b>Total members counseled</b>	<b>6,141</b>
Member services stats (7/1/14-6/30/15)	
Calls answered	40,399
E-mails answered	2,042
Web chats	1,596
Estimates generated (online and in-office)	24,309

### 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

Martha Lee Zins President Retiree Representative 17509 Saddlewood Ln Minnetonka MN 55345	Robert J. Gardner Active Representative 3002 Virginia Ave N Crystal, MN 55427
--	--

Mary Broderick Vice President Active Representative 1003 - 31st Ave N St. Cloud, MN 56303	Mary B. Supple Active Representative 7300 Oakland Ave Richfield, MN 55423
---	--

Marshall Thompson  
Active Representative  
7421 W. Lake St.  
St. Louis Park, MN 55426