TEACHERS RETIREMENT INFORMATION BULLETIN

Retiree Edition ■ Fall 2023

ADDITIONAL PAYMENT COMING TO RETIREES

ELIGIBLE MEMBERS TO RECEIVE ONE-TIME PAYMENT IN JANUARY

The 2023 Pension Omnibus Budget Bill authorized a one-time, lump sum payment for eligible benefit recipients that will be paid on January 1, 2024. This payment is non-compounded and in addition to the 1.1 percent post-retirement adjustment.

Eligible benefit recipients with Coordinated benefits will receive a 1.4 percent lump sum payment and those with Basic benefits will receive a 2.9 percent lump sum payment. Accounts with both Basic and Coordinated service will receive a blended one-time, lump sum payment based on the proportion of Basic and Coordinated service credit used to calculate the initial monthly annuity payment.

Who is Eligible?

The one-time, lump sum payment will be applied to accounts with benefit effective dates on or before July 1, 2022. Eligible benefit recipients will receive a letter in December detailing the type (Coordinated or Basic) and amount of their one-time, lump sum payment.

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AM I BASIC OR COORDINATED?

BASIC

If you made contributions only to TRA for a period of employment, your benefits are "Basic."

COORDINATED

If you made contributions to both TRA and Social Security for the same period of employment, your benefits are considered "Coordinated" with Social Security.

Investment Return Assumption: What is it?

Legislative action recently reduced the investment return assumption used by all of Minnesota's public pension plans from 7.5% to 7.0%. This adjustment reflects the national trend of public pension plans lowering their respective assumptions to more closely align with market indicators.

The reduction in the assumption is intended to help TRA's actuaries more accurately project plan assets and inform plan administrators and policymakers in their work to maintain the longer-term financial sustainability of the fund.

In defined benefit pension plans like TRA, contributions and investment income flow in, while benefit payments and administrative expenses flow out. Experts develop actuarial assumptions based on a plan's actual and expected demographic and economic experience, which are then used to determine whether there projects to be sufficient income flowing in compared to the anticipated expenses flowing out. The most powerful assumption in the equation is the investment return assumption, because it considers how much money the plan expects to gain each year

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Message from The Executive Director

A Career Working for Teachers

For many years this President's Corner has been reserved for Martha Lee Zins, known to her colleagues and friends as Marti, as TRA Board president. We were informed recently of her resignation from the TRA Board.

Marti has had a long and distinguished career as an educator and as a TRA Board member. She was a contributing member of TRA since her employment as a media specialist in 1967. She eventually became active in the teacher's union and served as President of the Minnesota Education Association, and as Director of the National Education Association.

Martha Lee Zins advocating for Minnesota Public Education at a 1985 Senate Subcommittee Hearing

In that capacity, in 1985, she testified at a Congressional hearing in Washington DC before a committee chaired by Minnesota Senator David Durenberger. In 1989 she was elected to the TRA board as an active teacher representative and was re-elected to that position several times until 2009. Then, in 2009 she was elected to the TRA Board as the retiree representative on the Board. She has served as TRA Board President since that time. She has spent almost her entire career working on behalf of Minnesota public school educators.

We have been very fortunate to have had Marti on the TRA Board for the last 34 years, working tirelessly for the active and retired public school educators in Minnesota.

Martha Lee Zins

She has led the board with dedication, professionalism, fairness, and grace. She has been a staunch steward of the fund, always focused on her duties as a fiduciary. She was determined to enhance the retirement security of all TRA members while maintaining the sustainability of the pension fund.

TRA is in a good position today thanks to the hard work of the TRA Board, led by Marti. The TRA Board, staff and all TRA members will be forever grateful for her leadership, accomplishments and her friendship.

We sincerely thank her for her service and wish her all the best in the future.

J. Michael Stoffel
Executive Director

STATE TAX CHANGES

Changes have been made to the Minnesota Department of Revenue tax withholding requirements.

TRA will transition to the new Form W-4MNP starting on November 18, 2023. Future Minnesota state tax withholding elections will no longer be based on marital status and number of allowances. Instead, benefit recipients will be able to request the default rate of 6.25%, a different specified percentage, a specific dollar amount, or no withholding.

Prior tax withholding elections on file with TRA will remain in effect unless a new election is made.

To facilitate the transition to the new state tax withholding requirements, TRA will only accept the new Form W-4MNP starting on November 18, 2023, but will not update any tax withholding amounts on member annuity accounts from November 18, 2023 through January 1, 2024. Therefore, if you anticipate a need to update your tax withholding designations for the December or January monthly annuity payments, complete and submit your tax withholding change requests to TRA before November 17, 2023.

To obtain copies of Form W-4P for federal tax withholding, or Form W-4MNP, go to www.MinnesotaTRA.org and click on Resources/Forms. Complete and submit forms to TRA by mail, or login to your myTRA account and use the Document Upload Portal.

PLEASE NOTE

TRA staff are unable to provide tax advice. Consult with a professional tax advisor if you are not sure how to complete your tax withholding forms or if you have any tax withholding questions.

ONE-TIME, LUMP SUM PAYMENT

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How is the payment calculated?

The one-time, lump sum payment will be determined based on the projected monthly annuity payments for 2024 (excluding the 1.1 percent post-retirement adjustment), multiplied by either 1.4 percent for recipients with Coordinated benefits, or 2.9 percent for those with Basic benefits.

Recipients of accelerated or term annuities that expire in 2024 will receive prorated one-time, lump sum payments based on the period of time the benefits are projected to be paid in 2024.

> **EXAMPLE**
>
> **If you are an eligible benefit recipient with Coordinated benefits receiving a lifetime monthly annuity of $1,200 before factoring in the 1.1 percent post-retirement adjustment, your one-time, lump sum payment would be:**
>
> **$1,200 x 12 months x 1.4 percent = $201.60**

When will the payments be issued?

Eligible benefit recipients will receive the one-time, lump sum payment amount with their January 1, 2024 annuity payment. Normal monthly annuity payment amounts will resume on February 1, 2024.

INVESTMENT RETURN ASSUMPTION

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from investment earnings, which is the main source of TRA's income.

Minnesota's public pension plans' investment return assumption is set in statute and, therefore, can only be changed by the state legislature. Based on expert recommendations from the pension plans' actuaries, investment professionals, and administrators, the legislature reduced the assumption from 8.5% to 7.5% in 2018, and then from 7.5% to 7.0%, effective July 1, 2023.

The State Board of Investment (SBI) manages TRA, MSRS, and PERA plan assets in a pooled fund called the Combined Funds. Professional managers work to earn the highest annual investment return possible, while balancing risk and the liquidity necessary to pay ongoing pension benefits. Pooling assets and risk allows the SBI to focus on a long-term investment strategy.

Since investment returns account for the majority of TRA's funding, the investment return assumption plays a crucial role in projecting TRA's assets and measuring the overall health of the fund.

During your career, you and your employer make mandatory payroll contributions to TRA. The funds are pooled and managed by the State Board of Investment to pay your eventual benefit.

If the investment return assumption is too high, anticipated investment income will be overstated compared with the actual investment returns. This could result in a delayed recognition of funding problems, an unanticipated increase in the actual unfunded liability, premature reduction in other contributions, a shift in costs from one generation to the next, and a need for benefit reductions and other sustainability measures to protect the fund.

An investment return assumption that is too low is also problematic. Understating investment income shifts pension costs to current employees and employers, artificially inflates the perceived cost of the pension plan, and can cause policymakers to unnecessarily reduce benefit provisions for members and pensioners.

Although it is impossible to predict exact market returns, the investment return assumption is based upon reasonable future expectations of the Combined Funds' investment portfolio performance. It is an educated estimation that helps inform plan administrators and policymakers about TRA's health and funding projections.

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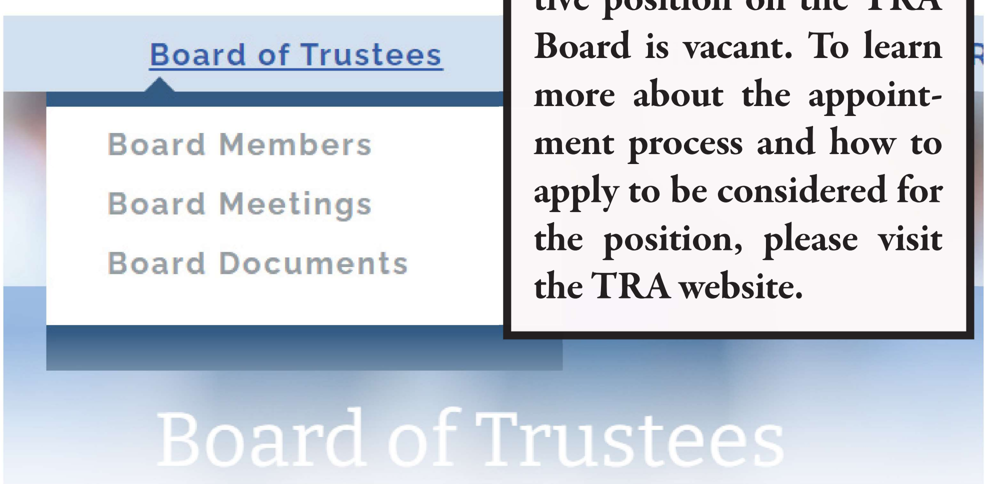
Please check all boxes that apply: ☐ Name change ☐ Address change ☐ Email address addition/change

Present Last Name (Please Print)	First Name	Middle Name	Birth Name
Address			TRA Member Number
City, State and Zip Code		Email Address	

BOARD VACANCY TO BE FILLED

The retiree representative position on the TRA Board is vacant. To learn more about the appointment process and how to apply to be considered for the position, please visit the TRA website.



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