

TEACHERS RETIREMENT INFORMATION BULLETIN

Active Edition ■ Winter 2018



Want to talk TRA? Try our web chat!

TRA recently launched a web chat feature at MinnesotaTRA.org to give you a convenient way to get your retirement questions answered. Simply click on the “chat” box on the lower part of the page, and you’ll be connected to one of TRA’s benefit counselors.

It’s safe and secure. Web chat is also a convenient way to communicate with TRA if you have a hearing or speech impairment. Maybe you just prefer to not use the phone. We’re available Monday through Friday 7:30 a.m. to 4 p.m. Give it a try!

Board reaffirms support for remedies to strengthen TRA

The TRA Board of Trustees in December reaffirmed strong support for legislation that will address TRA’s financial challenges.

The board has been working for the past two years to secure a package, but legislators and the governor were unable to reach agreement on a plan. The board took a position that contribution increases should be funded, and that any legislative proposal should reflect the board’s guiding principles:

- **Shared commitment.** All stakeholders – members, retirees, employers and state – share in the solution to funding issues.
- **Long-term financial stability.** Maintain TRA’s financial stability and make progress toward full funding in a reasonable time period in order to preserve the defined-benefit pension for future generations of teachers.
- **Intergenerational equity.** Avoid creating or exacerbating benefit and contribution imbalances among generations of members and retirees.

- **Maintain recruitment/retention value of TRA pension.** Experienced teachers benefit students and create a high-quality education system. Pension changes should not undermine the recruitment and retention value of TRA’s defined benefit pension.

In related action, the board endorsed moving forward with TRA’s administrative bill and updating actuarial assumptions used to assess the financial health of the plan. 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 by one full point increases TRA’s liabilities and lowers the plan’s funded ratio. The board endorsed updating related economic assumptions for future price inflation, wage inflation and payroll/salary growth.

The Legislative Commission on Pensions and Retirement (LCPR)

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President's c o r n e r

Martha Lee Jones
TRA Board



Partners in a healthy economy

In December, USA Today named Minnesota the best-run state in the nation, citing credit rating, low unemployment, income, rainy-day fund, and pension health.

That's right: pension health.

Our public pension plans contribute mightily to the state's economy. Pensions are relatively low cost. Only 14 cents of every dollar paid in benefits come from taxpayers (school districts), 13 cents come from employees and 73 cents from investment returns. And benefits are modest: TRA's average monthly pension for Social Security-covered retirees is \$2,175.

Retired teacher spending helps create jobs and generate tax revenue. Some stats on Minnesota public pensions:

- ▶ \$7 billion impact on state economy
- ▶ 46,581 jobs
- ▶ \$1.2 billion annually in federal, state and local revenue
- ▶ 87 percent of TRA retirees live and pay taxes in Minnesota

And then there are the positives for the state's workforce development. Pensions help recruit and retain teachers at a time when the teacher shortage grows ever more serious. Studies show:

- ▶ Defined benefit (DB) pensions give schools a recruitment and retention tool to attract and retain committed teachers who become increasingly effective

with experience. Lower turnover among teachers translates into more effective teachers, a critical component for student success. (National Institute on Retirement Security, 2017)

- ▶ Among workers under age 40, 63 percent say the offer of a pension is important in accepting the job, up from 28 percent just two years before. (Towers Watson, 2012)
- ▶ Teacher turnover – recruitment, hiring, orientation, productivity loss – is costly. (Alliance for Excellent Education, 2005; National Institute on Retirement Security, 2011)
- ▶ Pensions help fill the teacher pay gap. Teacher salaries lag those of comparably educated professionals by 17 percent. (Allegretto and Mishel, 2016) Most Americans (81 percent) support pensions for teachers to offset lower pay. (National Institute on Retirement Security, 2017)

As fiduciaries, trustees serve with an eye on continually monitoring the plan and proposing adjustments to keep TRA on sound footing far into the future. It was heartening to see Minnesota's public pensions get a positive mention by a major national newspaper. The nature of public pension management means that there will rarely be a "mission accomplished" moment.

Our work continues.

TRA news briefs

Have you designated a beneficiary?

As a TRA member, certain benefits are available to your survivor(s) if you die before retiring with TRA benefits. Beneficiary designation options vary for married members and single members, vested and non-vested. Call us at 800-657-3669 or 651-296-2409 to request assistance with your beneficiary designation or to request a beneficiary form.

Protect your data

It seems that almost every week there's a news story about a data breach or identity theft. TRA takes seriously its responsibility for protecting your personal information. You can help by using strong passwords to protect your account and by not sharing your TRA number. For more information about protecting your data, we urge you to read up on the issue at www.identitytheft.gov.

Board reaffirms principles

(Continued from page 1)

was scheduled to meet on Jan. 12 to hear updates from the public pension plans: TRA, the Public Employees Retirement Association (PERA), the Minnesota State Retirement System (MSRS), and St. Paul Teachers Retirement Fund Association (SPTRFA).

Visit MinnesotaTRA.org for news about pension-related developments during the 2018 session. The June TRA newsletter will contain a full recap.

It was a strong year for pension investments

The period from July 1, 2016, to June 30, 2017, saw a strong increase in TRA assets. The assets TRA uses to pay benefits were approximately \$21.25 billion, up from \$19.42 billion in 2016. This information and more is now available in TRA's 2017 Comprehensive Annual Financial Report. View it at www.MinnesotaTRA.org/forms-pub/2017annualrpt.html.

Investments: Investments experienced excellent returns. All TRA assets are invested by the Minnesota State Board of Investment (SBI).

The TRA fund posted a return of 15.1 percent during the fiscal year, compared to a -0.1 percent return the previous year. During fiscal year 2017, domestic stocks returned 19.4 percent and international stocks returned 20.2 percent. The fixed income (bond) portfolio rose

0.9 percent. The private markets class, including real estate and private equity, posted a return of 19.7 percent for the fiscal year.

Revenue: The TRA investment portfolio experienced net investment income for the fiscal year of \$2.86 billion. Total employee and employer contributions were \$764 million. Total net operating revenue was \$3.62 billion.

Expenses: Benefit payments made during fiscal year 2017 were \$1.77 billion, or about \$148 million per month. During the fiscal year, \$11.2 million in refunds were paid to members who left teaching and chose to withdraw their contributions plus interest.

Total administrative expenses for the year were \$11.7 million. Total operating expenses were \$1.79 billion.

Funding status: TRA's official actuarial valuation report uses the statutory investment growth assumption of 8.5 percent over time. On June 30, 2017, the actuarial value of TRA assets was \$21.1 billion. Actuarial liabilities were \$27.4 billion, resulting in a funded ratio of 76.8 percent. The contribution rate deficiency was 2.50 percent of active member payroll.

TRA's actuarial consultant is recommending lowering the annual investment assumption to 7.5 percent. Under the lower assumption, TRA's liabilities at June 30, 2017, would have risen to \$30.3 billion and the unfunded actuarial liability would have been \$9.1 billion. The funded ratio would decline to 70.1 percent. The contribution rate deficiency would rise to 7.14 percent of active member payroll.

How to start your TRA pension benefit

Here's what you need to know in order to begin your benefit with TRA:

• **You must submit a TRA**

Retirement Annuity Application either on paper or by logging in to MyTRA. Your application may be submitted up to 120 days before your last day of employment.

• **You must officially end employment with all TRA**

employers (independent school districts, Minnesota State, charter schools) and submit a Last Day of Employment form, signed by you and your employer.

• **Your application must be submitted within six months after your last day of employment in**

order to receive retroactive payments. Otherwise, your pension benefit becomes effective on the date you submit the application.

• **If you work for any TRA employer after you have ended your employment, but before you have submitted your application, you may lose pension payments. This includes substitute teaching.**

• **You cannot have a written agreement to go back to work at**



a TRA-covered employer prior to ending your employment and submitting your application. One exception: If you are over 62, you and your employer may submit a return-to-work agreement along with your application.



Teachers Retirement Association

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For use ONLY if you wish to report a name, address or email address change. Updates can be made online at 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	

2018 counseling road trips

If you're within five years of retirement, a one-on-one meeting with a TRA retirement professional might be right for you.

A TRA benefit counselor can explain the process, discuss your options, and help you submit your application. The counselor can also explain the effects that divorce, job change, leaves of absence, and other life changes have on your pension.

Sessions are by appointment. This enables the counselor to review your account and prepare material specific to your situation, such as service credit, salary information, and other factors.

To make an appointment for one of the following dates, log into your MyTRA account or call 1-800-657-3669. Check www.minnesotatra.org this spring for webinar dates.

Alexandria	Mon., March 5
Brainerd	Thurs., March 29
East Grand Forks	Thurs., Feb. 15
Ely	Thurs., Feb. 15; Fri, Feb. 16
Fergus Falls	Thurs., Jan. 25
Grand Rapids	Wed., March 28; Thurs., March 29
Hibbing	Thurs., March 15
Hutchinson	Tues., March 27
International Falls	Thurs., April 5
Marshall	Wed., March 7
Mora	Thurs., Feb. 15
Pine City	Mon., March 5
Rochester	Wed., March 14; Wed., April 11
Rockford	Thurs., Feb. 22
Thief River Falls	Thurs., March 29
Virginia	Wed., Feb. 28
Willmar	Mon., April 2
Winona	Wed., Feb. 28
Worthington	Wed., March 28

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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