

# TRA Handbook of Benefits and Services

For all the stages



THE EARLY-CAREER TEACHER



THE MID-CAREER PROFESSIONAL



NEARING RETIREMENT



THE RETIRED EDUCATOR

of *your* life



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## Introduction

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TRA is a defined-benefit (“DB”) pension plan that’s more similar to Social Security than to a 401(k) or 403(b) defined-contribution (“DC”) plan. 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.

Your TRA defined benefit plan provides a predictable retirement benefit based on age, length of service and high-five average salary – not on just an accumulated account balance, as with a defined-contribution plan.

As a TRA member, you can look forward to a lifetime pension benefit regardless of stock market performance. You do not have to be an investment expert or bear the investment risk. Defined benefit plans are the most efficient means of providing modest but stable retirement income that you cannot outlive.

In addition to employee and employer contributions, investment earnings account for about three-fourths of the total revenue that pays for TRA members’ benefits.



## Communication

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### Newsletter

The *TRIB* newsletter is published three times a year and mailed to all teaching and retired members.

The *TRIB* contains information about benefits as well as legislative developments affecting the TRA plan.

### Website

MinnesotaTRA.org features up-to-date information about our benefits and services as well as educational background about defined-benefit pension plans. When you create an online account with MyTRA, you can use the online benefit calculator to get estimates of your future pension benefit. You can also review your account history, print forms, submit a variety of applications, and schedule counseling and workshop appointments.

### Social media

TRA is on Facebook at [Facebook.com/MinnesotaTRA](https://www.facebook.com/MinnesotaTRA). “Like” us to get updates in your feed. TRA is also on Twitter at [Twitter.com/MinnesotaTRA](https://twitter.com/MinnesotaTRA). No account is needed, but if you have a Twitter account, follow us to stay informed.

### Video library

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Member videos and recorded webinars enable you to learn about TRA at your convenience. Our videos provide an overview of TRA and your benefits. Go to [MinnesotaTRA.org/videos](https://www.MinnesotaTRA.org/videos).

### Chat

Start a web chat with a TRA counselor from our website. Chat enables you to communicate in real time through your web browser. It is simple and does not require any specialized software.

### Call

TRA counselors are available to answer general or specific questions from 7:30 am until 4:30 pm.

Telephone	651.296.2409
Toll-Free	800.657.3669
Fax	651.297.5999

### Email

TRA will answer general questions and send you general information via [info@MinnesotaTRA.org](mailto:info@MinnesotaTRA.org). However, email is not secure, so do not send personal information (such as TRA number and Social Security number) to TRA via email.

## Counseling services

We offer a variety of counseling services to answer questions about your TRA pension benefits.

All sessions are by appointment. This enables the counselor to review your account and prepare material specific to your situation, such as,

- Your service credit and salary information
- Refunds, combined service annuities (CSA)
- Retirement benefit estimates
- Factors that impact your retirement (age, eligibility)
- Working after retirement

Counseling options include:

Type	When	Where
<b>Group</b>	Fall, Winter	Select locations throughout Minnesota
<b>Focus:</b> Members age 50 and older who are thinking about retirement. Answers questions about your pension and the decisions you must make. Learn about the benefit formula, beneficiary designation, plan options, acceleration, and much more!		
<b>Individual</b>	All year	TRA offices
<b>Focus:</b> Covers same information as a group session, but also addresses a member's specific situation and questions.		
<b>Individual</b>	Summer	Select locations throughout Minnesota
<b>Focus:</b> Covers same information as a group session, but also addresses a member's specific situation and questions.		
<b>Webinars</b>	Periodically	Online
<b>Focus:</b> Covers same information as a group session, but is conducted online through a member's internet browser.		

You may also contact TRA by telephone, as well as by fax and e-mail.

Toll-free telephone 800.657.3669  
 Metro telephone 651.296.2409  
 Fax number 651.297.5999  
 E-mail [info@minnesotatra.org](mailto:info@minnesotatra.org)  
 Website [www.minnesotatra.org](http://www.minnesotatra.org)

## Your MyTRA online account

Members may access personal TRA account information by logging in to or creating a MyTRA account at [MinnesotaTRA.org](http://MinnesotaTRA.org)

### What's online?

Online account capabilities vary depending on whether you are an active or retired member. If you have more than one account with TRA – for example, if you are a retired teacher and a beneficiary on another member's account – you will be asked to choose the account you wish to access.

From 6 a.m. to 11:55 p.m., the following functions are available:

	Active Members	Benefit Recipients
Generate estimates for <ul style="list-style-type: none"> <li>▪ Retirement</li> <li>▪ Survivor benefits</li> </ul>	✓	
Apply for <ul style="list-style-type: none"> <li>▪ Retirement</li> <li>▪ Refunds</li> </ul>	✓	
Print application forms for <ul style="list-style-type: none"> <li>▪ Retirement</li> <li>▪ Refunds</li> <li>▪ Beneficiary designation</li> <li>▪ Release of information for disability</li> </ul>	✓	
View your account information <ul style="list-style-type: none"> <li>▪ Personal Statement of Pension Benefits</li> <li>▪ Leave of absence history</li> <li>▪ Account value letter</li> <li>▪ Account information and service credit</li> </ul>	✓	
Make an appointment for <ul style="list-style-type: none"> <li>▪ an individual counseling session</li> <li>▪ a group workshop</li> <li>▪ a webinar</li> </ul>	✓	
Change addresses: <ul style="list-style-type: none"> <li>▪ Permanent mailing</li> <li>▪ Temporary mailing (snowbird)</li> <li>▪ Email</li> </ul>	✓	✓
Change: <ul style="list-style-type: none"> <li>▪ Direct deposit</li> <li>▪ Federal and state tax withholding designation</li> </ul>		✓



	Active Members	Benefit Recipients
Print application forms for <ul style="list-style-type: none"> <li>▪ Beneficiary change form (No Refund, Guaranteed Refund or 15-Year Guaranteed plans only)</li> <li>▪ Earnings Limitation Savings Account (ELSA) refund</li> <li>▪ Earnings Limitation Savings Account (ELSA) beneficiary designation</li> <li>▪ Income verification letter for lender</li> <li>▪ ELSA account value letter</li> <li>▪ Release of information form</li> </ul>		✓
View account information <ul style="list-style-type: none"> <li>▪ Payment detail</li> <li>▪ Earnings Limitation Savings Account (ELSA) annual statement</li> <li>▪ 1099-R</li> <li>▪ Payment history</li> </ul>		✓

## How do I get started?

To register for a user ID, go to [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org) and click on the [MyTRA account login button](#). Under the heading, *I wish to set up my TRA online account*, click the **Register** button. You must agree to the terms in the disclaimer to proceed.

Proceed with the registration process as follows. Be sure to write down this information!

**Choose a User ID** — User IDs must be a minimum 8 alpha/numeric characters. This field is not case sensitive.

**Choose a Password** — Passwords must be a minimum of 8 characters. They **must** include at least one (1) number **and** at least one (1) special character. Special characters include one of the following:

! @ # \$ ^ \* ( ) \_ - = ` ~ , ' { } [ ] |

*This field is case sensitive.*

**Enter your Social Security number (SSN) and date of birth** — Your SSN and date of birth must match what TRA has on file to verify your identity.

**Select a question and provide an answer** — The question and your answer are used to verify your identity should you forget your user ID or password.

**Enter your email address** — Alerts and announcements will be sent to your email address. We

do not share your address – or any of your information – with outside parties.

## Forgot your user ID or password?

Just choose the “Forgot Password” link under the login box. If you cannot provide the information requested or are experiencing other issues with the MyTRA online account management system, call TRA at 800-657-3669, Monday through Friday, 7:30 a.m. to 4:30 p.m. for assistance.

## Security measures

TRA is committed to ensuring its personnel take all reasonable steps to protect the data privacy of members. TRA responds to all requests for member data in accordance with Minnesota Statutes. This policy ensures a consistent response that protects the data privacy of members.

We implemented the following procedures and technology to protect your private data:

- TRA access to member information is limited to those who have a business reason to access the information.
- Private data transmitted to/from TRA is sent using encryption.
- Physical security and technological security measures have been put in place to prevent unauthorized access to your information.
- Policies and procedures to maintain the proper security of information databases, applications, networks, and physical records have been implemented.

You are responsible for maintaining security and control of any and all IDs, passwords, and identification challenge responses. You are responsible for the use of your account and all activity under your account, whether used by yourself or any other third party and for ensuring full compliance with this agreement by all users of the account. You are responsible for keeping your contact information including mailing address, phone number and email address up to date in your Account Profile.

If you receive a letter, email or other message about your TRA account that seems suspicious please contact TRA using the contact information on our website to verify that the information is correct.

TRA staff will never ask you for your password.

## The early-career or mid-career teacher

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Early in your teaching career, retirement seems too far off to be relevant. But it is never too soon to plan for the future. A financially secure retirement requires advance planning and wise money management. An important ingredient in your retirement planning is an understanding of your TRA pension plan.

### Your TRA benefits

Go to our website and click on *The Early Career Teacher* or *The Mid-Career Professional* for TRA benefit information relevant to your life stage such as

- survivor coverage
- disability benefits
- leaves of absence
- service credit purchase for part-time teaching

### Address changes

When you inform your employer of a mailing address change, it is important that you provide that same information to TRA. Submit mailing and email address changes online by logging in your MyTRA account or by calling TRA.

### Vested after three years of TRA service

As a Minnesota teacher covered by TRA, you begin building your retirement benefit your very first day in the classroom. Vesting simply means you have earned enough service credit to be eligible for a monthly lifetime benefit.

Those hired after May 15, 1989, are vested after three years of teaching service in a TRA covered position. Those hired between June 30, 1987, and May 15, 1989, are vested after five years of service. If you have not performed TRA-covered service since June 30, 1987, the vesting requirement is 10 years.

You may be eligible for a combined service annuity (CSA) upon retirement if you have met the vesting requirements and have at least one-half year of allowable service credit with one or more of the other Minnesota public pension funds (see *Combined Service Annuity*, page 14). Your combined service credit can be used to meet your vesting requirement of three, five or 10 years.

### Contribution rates

Both the member and employer contribution rates are 7.5 percent of your eligible salary.

On July 1, 2018, the employer contribution rate increased to 7.71 percent of your eligible salary.

### Tax-sheltered status

Your TRA contributions are tax-sheltered for federal and state purposes at the time of withholding, but become taxable when received as a retirement benefit or a refund.

TRA is a 501(a) Trust and a “qualified plan” under section 401(a) of the Internal Revenue Code with Section 414(h)(2) employer “pickup” of member contributions. Because of this federal tax status, your membership in TRA could limit or completely eliminate the amount you are allowed to deduct on your federal income tax return for contributions to an Individual Retirement Account (IRA). Consult the [Internal Revenue Service](#) (IRS) or review IRS requirements with your tax adviser *before* deducting IRA contributions on your federal income tax return.

### Service credit

Service credit affects your eligibility for benefits and the amount of your benefits. Paid sick leave, vacation days and all required paid attendance days and hours (such as workshops) are counted toward service credit.

Service credit is calculated using your salary relative to an “annual base salary.” If you are a K-12 teacher, “annual base salary” is the lowest Bachelor of Arts (BA) level, full-time teacher base contract salary in your district.

Your service credit is calculated by dividing your monthly salary by your employer unit’s monthly base salary. This number is then multiplied by .111 to determine your monthly service credit. Service credit is capped at .111 per month.

Annual service credit is calculated by adding monthly service credit amounts during the fiscal year. No more than one year of service is allowed during any fiscal year.

Service credit for part-time teachers, retro pay, summer payoff, and extracurricular pay are prorated to the pay period begin and end dates in which the salary was earned.

Full-time service credit for Minnesota State Universities members is determined by the definition of full-time employment in the Minnesota State collective bargaining agreement or in the applicable personnel or salary plan. Part-time service credit is the proration of equivalent full-time service.

## Salary

[Minnesota Statute Section 354.05](#), subd. 35, governs the calculation of TRA eligible salary. A member may be compensated in many different ways for services provided to an employer. However, certain types of compensation may not be considered TRA-covered salary for the calculation of pension benefits.

The proper reporting of your eligible salary is a key component in the determination of your retirement benefit. The purpose for the very detailed definition of eligible salary is to ensure retirement benefits are accurately calculated and no member receives higher benefits at retirement than allowed under the law.

## Excluded salary

[Minnesota Statute Section 354.05, subd. 35](#), excludes certain items of compensation from TRA-eligible salary. In general, employer-paid benefits are not considered TRA-eligible salary. These items include, as defined by statute, "Employer-paid amounts used by an employee toward the cost of insurance coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage and certain amounts determined by the executive director to be ineligible."

Another significant item of compensation excluded from TRA-eligible salary is severance payments. Severance payments include, but are not limited to, compensation related to a decision by the employee to terminate employment and any payment that is not clearly for the performance of teaching services. This type of payment should not be reported to TRA as salary by your employer.

Compensation items excluded from TRA-eligible salary should not have TRA retirement contributions applied. If you believe your employer has taken retirement contributions on compensation ineligible for

TRA coverage, please contact your employer and TRA immediately.

## Annual statement of pension benefits

Your annual statement is available online via your MyTRA account and provides you with an opportunity to verify your records and use the information for retirement planning.

This statement provides you with beginning and ending service credit and contribution balances and an explanation of any adjustments that were made during the fiscal year (July 1 through June 30).

If you would like to create estimates of your projected retirement benefits based on different retirement dates, log in to your account and use the online retirement estimate calculator.

## Leaves of absence

Certain leaves of absence authorized by your employer are eligible periods of service for pension purposes. You may purchase service credit for sabbatical, medical, parental, family, extended and military leaves of absence. You may view your leave of absence history by accessing your TRA online account.

If the leave is for only part of the school year, service credit is granted for the part of the year that you actually performed teaching service.

**All leaves must be authorized** by the governing board of a Minnesota public K-12 school Minnesota State Universities and be documented in minutes or policy. Before you can purchase service credit for a leave of absence, your employer needs to certify the leave to TRA.

**To be eligible to purchase service credit** for the period of the leave of absence, you are also required to retain the right to full reinstatement both during and at the end of the leave. The termination date for all leaves is the date of the last normal teaching service day covered by the leave.

Since a leave of absence maintains a continuing employer/employee relationship with no termination of teaching service, you are not eligible to receive a refund of your employee contributions if you are on any authorized leave of absence. By contrast, if you have been placed on an unrequested leave of absence

(layoff), you are entitled to a refund of your employee contributions plus interest.

If you are vested with three or more years of TRA service credit, you are eligible to receive a monthly lifetime annuity in the future (deferred annuity) that

- may have a greater value than taking a current refund. (See deferred retirement on page 17.)
- may be a larger amount if you purchase service credit for any leaves of absence you have taken.

You may purchase service credit using personal funds or by transferring funds from a traditional IRA or another qualified pension plan.

Contact TRA for an estimate of the cost to purchase service credit for your leave.

### **Sabbatical leave**

A sabbatical leave qualifies for pension coverage purposes if you receive a salary that is at least one-third of the salary paid for a comparable period of teaching service performed in the year preceding your sabbatical leave, and if contributions are paid on the full contract salary.

A maximum of three years of full service credit is allowable for authorized sabbatical leaves taken in any 10 consecutive years. A sabbatical leave of absence granted with the condition that you must resign is not an authorized leave for which service credit can be purchased.

Employee contributions (refer to contribution rates on page 4) are withheld from your gross pay and are based on the full contract salary that would have been paid if you were not on sabbatical leave. Employers pay all required employer contributions based on your full contract salary. If you are paid a reduced sabbatical salary for two years, contributions must be paid based on full contract salary during both years.

### **Medical leave**

If you are on an authorized medical leave, you are entitled to purchase up to one year of service credit during any fiscal year to cover the number of days on leave without pay. Purchasing service credit requires that you have the right to reinstatement. We suggest you check with TRA to see if you are eligible for disability benefits, as you may not receive a disability

benefit and purchase service credit for the same period of time.

Payment must include both member and employer contributions based on the average full-time monthly salary on the date the leave commenced. Payment must be received by December 31 following the fiscal year of the leave. Alternatively, payment may be made by June 30 of year following the leave including compounded interest at a monthly rate of 0.71 percent through the end of the month in which payment is received. Payment must be made on or before your effective date of retirement or before you begin receiving a disability payment, if applicable.

### **Parental leave**

If you are granted a parental leave of absence for the birth or adoption of a child, you may purchase up to one year of allowable service credit to cover the number of days on leave without pay. Purchasing service credit requires that you have the right to reinstatement.

Payment must include both member and employer contributions based on the average full-time monthly salary on the date the leave commenced. Payment must be received by December 31 following the fiscal year of the leave. Alternatively, payment may be made by June 30 of the year following the leave including compounded interest at a monthly rate of 0.71 percent through the end of the month in which payment is received. Payment must be made on or before your effective date of retirement.

### **Family leave**

If you are granted an authorized family leave of absence, you may purchase service credit to cover the period of the leave. The family leave must be in compliance with Federal Family Leave requirements. You are required to return to public service after the leave period for which allowable service credit is purchased to be eligible to purchase service credit for a subsequent authorized family leave.

Payment must include both member and employer contributions based on the average full-time monthly salary on the date the leave commenced. Payment must be received by December 31 following the fiscal year of the leave. Alternatively, payment may be made by June 30 of the year following the leave including compounded interest at a monthly rate of 0.71 percent

through the end of the month in which payment is received. Payment must be made on or before your effective date of retirement.

### **Extended leave**

This type of leave is an unpaid leave granted by an employer for an extended period of time, and is not available for chancellors or vice-chancellors. The leave must be granted for at least 3 years, but no more than 5 years.

An extended leave of absence without salary may be granted by an employer to a teacher who has at least 5 years of service with the employer that is granting the extended leave and 10 years of full-time teaching service in a Minnesota public elementary or secondary school, college or state university or at least 10 years of allowable service in one or more of Minnesota's two teacher retirement fund associations.

The right to full reinstatement both during and at the end of an extended leave is required unless the member is a superintendent. An extended leave granted with the condition that the member must resign is not a leave for which service credit can be purchased. Mutual consent between you and your employer is required. Since qualifications vary for purchasing extended leave for general teaching service, charter school teaching service, and school consolidation, it is important that you contact TRA to discuss your specific situation.

Payment for purchase of service credit must include both the member and employer contributions based on the salary received during the year immediately preceding the leave and the appropriate contribution rates in effect for each year of the extended leave. Your employer may pay any portion of the employer share of the contributions, but is not obligated to do so. Your employer may also agree to pay any portion of the member contributions. If your employer agrees to pay member contributions, a copy of that agreement must be submitted to TRA.

Payment must be received by June 30 of the fiscal year while on leave. Alternatively, payment may be made in the year following the leave of absence consisting of the employer and employee contributions and including compounded interest at a monthly rate of 0.71 percent through the end of the month in which payment is received. A member on extended leave who fails to make payment for any given year may not

make payment for subsequent years of the leave. Payment must be made on or before your effective date of retirement.

You may not accrue allowable service credit with any other Minnesota Public Retirement System during any year where you pay and receive allowable service credit for an extended leave of absence with TRA.

### **Legislative leave**

If you are granted a leave of absence to serve in the legislature, you may receive a full year of allowable service credit.

When you retire with the Teachers Retirement Association (TRA), your monthly benefit may be determined with a partial year of service credit for each school year that you were on legislative leave.

If you serve in the Minnesota Legislature, you may choose to participate in the Part-Time Teacher Program, as outlined under [Minnesota Statute 354.66](#). Legislators participating in this program may purchase any missing salary and service credit resulting from your legislative service. Your employer must submit a Part-Time Teacher Program agreement online at the TRA website as soon as possible after the election, but no later than March 1 of the school year for which contributions will be made. Employee contributions are based on your full-time equivalent salary and can be paid by payroll deduction or a lump sum payment. Payments may be paid with tax sheltered dollars and are due to TRA by June 30 of each year of participation. You and your employer should decide who is responsible for paying the employer contributions on the unearned portion of the salary and, if both are paying, what portion each will pay. If you wish to participate in the Part-Time Teacher Program, please contact your employer's Human Resources Department.

### **Military leave**

If you are granted a leave of absence to enter military service, you may purchase up to 5 years of service credit to cover the period of military service if either of the following sets of requirements are met.

You must, upon release from active duty: 1) return to teaching service within a reasonable length of time (depending on length of military service, but not more than 90 days after release); or 2) enroll full-time in an accredited educational institution within a reasonable

length of time. The period of educational enrollment cannot exceed two years and you must resume teaching by the beginning of the next school year following completion of studies.

Payment must include both member and employer contributions based on the salary you would have received if you had continued to provide teaching service. If you pay the member contributions, the employer will be billed for the employer contributions, plus interest on member and employer contributions. Payment must be made during the period that begins with the date that you returned to teaching and which has a duration of three times the length of your military service period, not to exceed 5 years. If service was less than one year, payment may be made within one year from date of discharge.

### Other leave

An “other” leave of absence may be granted by an employer for reasons other than sabbatical, medical, parental, family, extended or military purposes. Although an authorized “other” leave of absence protects the employer/employee relationship and employment reinstatement privileges, state statute does not provide for the purchase of retirement service credit for the period of an “other” leave. Only sabbatical, medical, parental, family, extended or military leaves are eligible for retirement service credit.

If your leave of absence is for only part of the school year, you will receive service credit for the part of the year that you actually performed teaching service.

In order to help with the accuracy of your future benefit calculations, your employer is still required to certify your “other” leave to us online at the time the leave is granted. Your employer is required to provide a reason for the “other” leave. This will assist in verifying whether your leave provides for the purchase of retirement service credit.

### Part-time teacher program

A part-time teacher or a full-time teacher planning to job share or work part-time may be eligible to purchase full-time service credit toward TRA retirement for part-time teaching service.

You are eligible to participate in the part-time teacher program for up to 10 years if you:

- have at least three full years of allowable service,

- establish an agreement with your employer prior to October 1 of the year in which you will be participating, or if you are a legislator, prior to March 1,
- are compensated for an amount of at least 30 percent, but not exceeding 80 percent of the compensation established by the school board for a full-time teacher with identical education and experience with the employing unit,
- perform TRA-covered service in only one school district, MnSCU campus or other TRA employer unit, and
- are not a superintendent, or perform TRA-covered service in a Minnesota State College or University and are not a chancellor or vice chancellor.

Your actual earnings must not exceed 80 percent of your current full-time equivalent salary as determined by your base-year salary for all services performed for your employer and your current master agreement.

Participation is for full fiscal (school) years only (except for Minnesota State Universities). If you retire, your retirement effective date occurs when the school year would have ended had you been employed full time. If you terminate service during the fiscal (school) year, you will acquire credit only for the actual service performed, and excess contributions will be refunded.

A Minnesota State Universities provision states that if teaching occurs only in the first semester and you retire immediately thereafter, participation in the part-time program will be based on one-half year. Service must include at least the equivalent of 25 full days, and your compensation for that service may not exceed 40 percent of a full-time contract.

Member contributions are based on your full-time equivalent salary and are paid by tax-sheltered payroll deduction.

Employer contributions are paid at the same time as the employee contributions. You and your employer decide who is responsible to pay the employer contributions on the *unearned* portion of your salary, and the proportion you will pay.

If you pay the employer contributions, they are not tax-sheltered even though they are added to your TRA account. Member and employer contribution amounts

are remitted to us along with the regular payroll remittance made by your employer.

During any year of participation in the program, service credit may not accrue for teaching service with any other employer covered by our association.

Your employer must report part-time teacher program agreements online at the TRA website, *before* October 1 of the year in which you will be participating, or by March 1 if you are a legislator.

Please contact your human resources office for information about qualified part-time employment and its effect on your compensation and fringe benefits, including severance pay. If you have additional questions, please call us at 651.296.2409 or 800.657.3669.

## Disability benefits

If you should become disabled after at least three years of allowable teaching service, you would be eligible to apply for disability benefits through TRA. Application for disability benefits must be made within 18 months following termination of teaching service due to your disabling condition.

To meet these service credit requirements, you may have a combination of service between any of the various Minnesota public pension funds that are covered by the combined service annuity laws. The public pension fund with which you have the most recent service credit will request the necessary medical reports.

To be eligible for a disability benefit, you must be actively teaching or on an official leave of absence at the time your disability occurs. The disability must be the primary reason for your termination of teaching service, as certified by your employer.

Before submitting a disability application, you should consult with your personal physician, chiropractor or psychologist to conduct an examination and complete an evaluation of whether you are totally and permanently disabled under TRA law. Total and permanent disability is defined as the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to be of long, continued and indefinite duration. An indefinite duration is a period of at least one year.

If you are placed on a medical leave of absence without pay, you may still be eligible for disability benefits. In fact, members frequently remain on a medical leave of absence without pay while receiving disability benefits. This is often done so that you can continue to be covered by the group hospitalization program of your local school district.

Disability benefits begin to accrue the day following the first day of your disability, or following the last day for which salary is paid, whichever is later. The benefit cannot begin to accrue more than six months before the date your application for disability is filed with TRA.

Your disability benefit is determined by using the same benefit formula applicable to retirement, without any actuarial reduction. In addition to disability benefits paid by TRA, you may also be eligible for Social Security disability benefits.

If you are receiving TRA disability benefits, you automatically assume retirement status at normal retirement age or at the 5-year anniversary of your effective date of disability, whichever is later. At that time, you have the right to elect a lifetime annuity approximately equal to your disability benefit or an optional annuity plan with provisions for payment to your beneficiaries. Optional annuities may be chosen at the time of your application for disability to provide survivor coverage for your designated beneficiaries. The annuity plan listings start on page 17.

If you are receiving disability benefits and do not choose an optional annuity for your disability benefit, all of the provisions listed under “survivor benefits” on page 9 apply to you.

Disability benefits paid will be deducted from the amount of any refund subsequently paid to you if you terminate service, or to a refund paid to your beneficiary.

## Survivor benefits

Certain benefits are available to your survivor(s) if you die before officially retiring with the pension plan. Survivor benefits may also be available from the Social Security Administration. Beneficiary designation options vary for married members and single members.

## Lump sum death benefit

This is the only option for members who are not vested.

A lump-sum death benefit equal to your accumulated deductions, plus interest to the date of death, is payable to your spouse, designated beneficiary or estate, whichever is applicable. Interest is compounded annually at 3 percent. Contributions made by your employer are not included in this benefit. You may designate as your beneficiary any person(s), trust, or organization(s).

### Single members

- If you do not have a surviving spouse at the time of your death, survivor benefits will *automatically* be paid for a period certain to all of your dependent children under the age of 20, *unless* you choose the lifetime monthly benefit option explained in the next paragraph. These payments are made from the date of your death to the date each dependent child attains age 20 if the child is under age 15 on the date of your death. If your dependent child is 15 years or older on the date of your death, payments will be made for five years. Payments for children under the age of 18 are usually made to a legal guardian. A dependent child is a biological or adopted child who is under 20 years of age and who is dependent on you for more than one-half of his or her financial support. This definition also includes a child of yours who is conceived during your lifetime and born after your death.
- You may designate payment of lifetime monthly benefits for *either* a former spouse(s), **or** dependent and non-dependent, biological or adopted child(ren), *instead* of the above described surviving dependent child(ren) benefits being paid.
- If you do not have a former spouse or dependent child(ren) at the time of your death, either your designated beneficiary or estate, whichever is applicable, is entitled to a lump-sum death benefit equal to your accumulated deductions plus interest to the date of death. Interest is compounded annually at 3 percent. Contributions made by your employer are not included in this benefit. You may designate as your beneficiary any person(s), trust, or organization(s).

To designate a beneficiary, complete the *Pre-Retirement Death Benefits for Single Members* form, TRA-2001.

### Married members

A surviving spouse has precedence over any designated beneficiary. TRA law defines surviving spouse to mean the person to whom the member was legally married at the time of the member's death.

### Vested

- Your surviving spouse may elect to receive a lifetime annuity in lieu of a lump-sum benefit. The lifetime annuity is payable on a monthly basis for the lifetime of your spouse. Payments terminate upon the death of your spouse with no benefits remaining for other beneficiaries.
- Instead of a lifetime annuity, your spouse may elect to receive actuarially equivalent payments for a term certain annuity of five, 10, 15 or 20 years. The amount of the annuity is based upon a formula, your age at the time of your death and the age of your spouse when benefits begin to accrue, although monthly benefit payments cannot exceed 75 percent of your average high-five monthly salary. Your employee contributions plus interest and contributions made on your behalf by your employer are used to provide the annuity.
- You and your spouse may *jointly* make a specification to waive your spouse's benefits so that designated beneficiary(ies) will receive a lifetime survivor annuity benefit. The designated beneficiary may be *either* the member's former spouse(s) **or** the member's biological or adopted child(ren). Under a joint specification, a designated beneficiary cannot elect a term certain annuity of five, 10, 15 or 20 years. If a joint specification is not on file, the annuity is payable only to the surviving spouse.

### Non-vested or vested

- You and your spouse may *jointly* make a specification to waive your spouse's benefits so that any person, trust or organization will receive a lump-sum death benefit equal to your accumulated deductions plus interest to the date of death.



To designate a beneficiary, complete the *Pre-Retirement Death Benefits for Married Members* form, TRA-2002.

### **Supplemental needs trust**

You may name a supplemental needs trust for a lifetime survivor annuity benefit. A supplemental needs trust permits the transferring of assets, *upon death*, to a disabled child, spouse, or former spouse without eliminating the disabled person from eligibility for federal and state assistance programs. A copy of the trust must be filed with TRA along with documentation of the trust's funding.

### **Change in status**

If your marital status changes (i.e., single, divorced, widowed, married), a previous designation that you made may become invalid. Please remember to keep your beneficiary designation current at all times during your career. If you are unsure who you have designated as your beneficiary, call or write to TRA; be sure to include your TRA number as an account identifier, along with your telephone number.

Beneficiary forms are available online by accessing your TRA member account, or by contacting TRA Member Services.

### **Refund of contributions**

If you terminate service, you are entitled to a refund of your employee contributions, plus interest compounded annually. Employer contributions are not included in the refund amount.

Application for a refund may be made no sooner than 30 days after the termination of service.

Service is not considered to have terminated if you are employed during summer school or if you have signed a contract for the next school year with a TRA-covered employer. If you are on a leave of absence, you are not eligible for a refund.

A Refund Application may be submitted online or by requesting form TRA-7000 and submitting your application by mail.

### **Taxation of refunds**

Under current federal law, we must withhold 20 percent of your taxable distribution. You may avoid

the federal withholding only if the distribution is transferred directly to another qualified plan or IRA.

In addition to normal income taxes due, 10 percent federal excise tax may apply to distributions made before age 59½ unless one of several Internal Revenue Service (IRS) exemptions apply. The option for Minnesota withholding of 6.25 percent is available.

For further details about the tax consequences, contact the [IRS](#), the [Minnesota Department of Revenue](#) or your personal tax advisor.

### **Repayment of refunds**

You may repay a refund using personal funds or by transferring funds from a Roth IRA or by transferring tax-sheltered funds from a traditional IRA or another qualified pension plan.

To repay a refund, you must return to work and accumulate two years of allowable service credit with TRA or another Minnesota state public pension fund.

If the two years of allowable service is TRA service, you may repay the refund at any time prior to receiving a retirement benefit. If the service is with another Minnesota state public pension fund, you must be contributing to a Minnesota pension fund at the time of repayment.

The repayment must include interest compounded annually at the rate of 7.5 percent, computed from the date of the refund to the date of repayment, and be repaid prior to your retirement.

The restored service credit is allocated based on the relationship the restored service bears to the total service credit period for all refunds taken from a single public pension plan.

You may repay a refund using personal funds or by transferring funds from a Roth IRA or by transferring tax-sheltered funds from a traditional IRA or another qualified pension plan.

Contact TRA for an estimate of the cost to repay your refund.

### **Partial repayment**

You may repay a portion of the refund under certain conditions:

- You forfeited at least two years of service from a single public pension plan.

- You must repay at least one-third of the total cost of the refund.
- The cost of the partial repayment is the cost of the total repayment multiplied by the ratio of the restored service credit to the total forfeited service credit
- The total repayment amount includes interest at the rate of 7.5 percent, compounded annually, from the refund date to the date repayment is received.

## Prior or uncredited military service credit purchase

If you are an active, vested TRA member who has been honorably discharged and have prior military service before becoming a teacher or have failed to obtain service credit for a military leave of absence during your teaching career, you are eligible to purchase service credit for the initial period of enlistment, induction or call to active duty.

The purchase is based on actuarial cost, which is determined by current salary, service credit, age and date you make the purchase. The cost is not related to when the service was performed or your salary at the time.

Payment for prior military service must be made before your effective date of retirement date. TRA statutory authorization to accept prior military service credit payment is outlined in [Minnesota Statutes 354.543](#).

You purchase service using personal funds or by transferring funds from a traditional IRA or another qualified pension plan.

Contact TRA for an estimate of the cost to purchase service.

## Marriage dissolution

If you and your spouse divorce, your pension may become part of the property settlement in your marriage dissolution.

The 1987 Minnesota Legislature enacted a law that provides for the division of pension benefits as a settlement of property in a marriage dissolution. The law allows for the division of pension benefit rights only if liquid or readily liquidated marital property is not sufficient to offset the value of future pension benefits.

Since TRA is a government pension plan, your account must be divided under the terms of state law rather than the federal law known as ERISA (the 1974 [Employee Retirement Income Security Act](#)). A certified copy of your entire marriage dissolution decree must be filed with our office upon its execution.

State law allows the division of public pension benefits if the benefits to a former spouse:

1. are payable only to the extent of the amount of the public pension benefit payable under the terms of the plan,
2. are not payable for a period that exceeds the time that benefits are payable to the plan recipient,
3. are not payable in a lump-sum amount from public pension plan assets,
4. if the former spouse to whom the payments are to be made dies before the end of the specified payment period and all payments have not been made, payments shall be made according to the terms of a beneficiary form completed by the former spouse or, if no beneficiary form, to the estate of the former spouse or as otherwise ordered by a court of competent jurisdiction
5. do not begin until the member submits a valid application for a public pension plan benefit and the benefit becomes payable.

We prefer that the division of marital property be drafted according to our [sample language](#) available on our website.

If you divorce after retirement, an optional joint annuitant (OJA) designation may be rescinded, if court ordered.

Members should seek private legal counsel to represent their position since TRA staff members cannot provide legal advice concerning marriage dissolutions.

## Access to data

We are authorized to release private or confidential data on members to the court, the parties to a marriage dissolution, their attorneys, and a court-appointed actuary without your consent, but only if the retirement plan administrator has received a copy of the legal petition showing that an action for marriage dissolution has commenced and a copy of the affidavit of service

showing that the petition has been served on the responding party to the action.

The data that TRA must provide to the court, both parties involved in a marriage dissolution, their attorneys, and a court-appointed actuary is:

- your accrued years of service credit,
- credited salary for the most current five-year period,
- a summary of the benefit plan, and
- any other information relevant to the calculation of the present value of your benefits.

You may, however, provide us with a signed statement authorizing the release of private or confidential data to the concerned parties. In this instance, the petition and affidavit of service do not have to be filed with the plan administrator.

### **Dividing TRA benefits guide**

For members and spouses involved in a marriage dissolution, we have published a booklet entitled [\*Marriage Dissolution: Dividing TRA Benefits\*](#). This guide offers the parties involved and their attorneys a better understanding of how TRA pension benefits may be divided as a settlement of property.

The guide includes a suggested method for the division of property, a summary of the options available to plan participants, and a summary of the effects these options have on the division of benefits. A copy of this booklet can be accessed online, picked up at our office, or mailed to you upon request.

## Nearing retirement

Retirement is an event that most of us look forward to during our working careers. Since a financially secure and fulfilling retirement takes planning, we suggest the following time table:

Age 55 (approximately 10 years from retirement)	Familiarize yourself with your retirement benefits by watching our videos: “Combined Service Annuity” “Choosing a Plan that is Right for You” Generate estimates of your retirement benefits with the online calculator.
Age 60 (approximately 6 years from retirement)	Familiarize yourself with decisions you must make before retiring: <ul style="list-style-type: none"> <li>• Watch the video, “Completing your Retirement Application.”</li> <li>• Attend a group presentation of “Planning for Retirement.”</li> </ul> Generate estimates of your retirement benefits with the online calculator.
Age 65 (approx. 1 to 2 years from retirement)	Schedule an appointment with a counselor for a one-on-one discussion of your options.

### Combined service annuity

If you have at least one-half year of allowable service credit with one or more of the Minnesota public pension funds listed below, you may be eligible to apply for a combined service annuity upon retirement.

Allowable service earned in any fund listed below may be used with TRA allowable service to qualify for combined service:

- [St. Paul Teachers Retirement Fund Association \(SPTRFA\)](#)
- [Minnesota State Retirement System \(MSRS\)](#)
- [Public Employees Retirement Association \(PERA\)](#)

If your combined service meets your vesting requirement of three, five or 10 years, you may elect to receive a combined service annuity from each system in which you have at least one-half year of allowable service. Your application for a combined service annuity must be made to each retirement system and the effective dates of retirement must be within a one-year period. If you are newly hired on or after July 1, 2010 and covered by PERA or MSRS, the vesting

requirement is five years. The definition of “newly hired” varies among these funds and will be verified before determining combined service eligibility.

### Retirement eligibility

If you are age 55 or older and vested in our retirement system, you are eligible to apply for a retirement benefit. Refer to page 4 to review the definition of vesting.

If you were first employed before July 1, 1989 (see Tier I explanation), and have at least 30 years of allowable service credit, you may retire regardless of your age.

#### Members First Hired Prior to July 1, 1989

Normal Retirement Age (NRA) for TRA members first hired prior to July 1, 1989 (Tier I) is age 65 with less than 30 years of allowable service, and age 62 with 30 years or more of allowable service.

#### Members First Hired July 1, 1989 or after

For TRA members first hired July 1, 1989, or after, the TRA normal retirement age is the retirement age for full Social Security benefits, but not to exceed age 66. The following table illustrates the differences between Social Security and TRA Normal Retirement Age for members first employed on or after July 1, 1989.

Year of Birth	SSA Full Retirement Age	TRA Normal Retirement Age
1943-1954	66 yrs	66 yrs
1955	66 yrs, 2 mos	66 yrs
1956	66 yrs, 4 mos	66 yrs
1957	66 yrs, 6 mos	66 yrs
1958	66 yrs, 8 mos	66 yrs
1959	66 yrs, 10 mos	66 yrs
1960 and later	67 yrs	66 yrs

### Counseling services

A secure retirement requires planning, saving, prudent investing and wise financial management. TRA can help you achieve a smooth and informed transition into retirement. We offer informational group workshops in several locations throughout the state.

The *Preparing for Retirement* workshop is tailored to those members within two to five years of retirement to provide information about the retirement process. At this two-hour workshop, you will be given a personalized, detailed estimate of your projected monthly retirement benefit, an explanation of how your benefit is calculated and details on each of the six available annuity plan options.

Other topics covered include: retirement eligibility and the application process, necessary forms, pension acceleration, direct deposit, and benefit taxability.

If you are planning to retire, you may want to explore your options with the help of one of our retirement counselors in a confidential, individual counseling session. Counselors provide personal benefit projections for all six life plans as well as accelerated retirement options. For your convenience, we offer individual pre-retirement counseling at our St. Paul, Detroit Lakes, Duluth, Mankato, and St. Cloud offices.

For those who live and work outside of the Twin Cities area and cannot make an appointment at one of our satellite offices, we offer pre-retirement counseling services throughout the state. An annual schedule of dates, times and locations is published in the [TRIB newsletter](#). Schedules are also available at school offices and at [MinnesotaTRA.org](http://MinnesotaTRA.org).

You may reserve your spot for a group workshop or an individual counseling session by logging in to your MyTRA member account. You may also contact TRA by calling 800.657.3669 and pressing “1” to connect with our appointment desk.

TRA counselors want to be prepared with your personalized estimates, so when you make a reservation, please be ready with your current year salary, amount of service credit with another Minnesota public retirement system, anticipated retirement date, and the date of birth of your spouse (if applicable).

Once your appointment has been scheduled, a confirmation letter, including a map and directions, will be mailed to your home address.

## Proportionate annuity

A proportionate annuity is available if you are normal retirement age (NRA) or older and will not continue to teach to meet the three-year vesting

requirement. If you have at least one year of allowable service and terminate TRA-covered employment during the academic year (i.e., September 1 through August 31) that you reach normal retirement age or later, you may apply for a proportionate annuity. The proportionate annuity is calculated under the law in effect when you terminate your service and is based on your average salary and allowable service credit. Contact TRA to request an estimate of the proportionate annuity benefits available to you.

## Tier I and Tier II benefit calculations

### Tier I (employed before July 1, 1989)

If you were first employed *before* July 1, 1989, your retirement benefit will be calculated under *both* the Tier I and Tier II service credit formulas. No election is necessary. At retirement, you automatically receive the greater of these two benefits.

The Tier I formula provision for service credit is:

1st ten years <b>up to</b> June 30, 2006	1.2 percent per year
1 <sup>st</sup> ten years <b>after</b> June 30, 2006	1.4 percent per year
Years 11 and beyond <b>up to</b> June 30, 2006	1.7 percent per year
Years 11 and beyond <b>after</b> June 30, 2006	1.9 percent per year

For former Duluth Teachers Retirement Fund Association (DTRFA) members the formula provision for service credit is:

1st ten years <b>up to</b> June 30, 2013	1.2 percent per year
1st ten years <b>after</b> June 30, 2013	1.4 percent per year
Years 11 and beyond <b>up to</b> June 30, 2013	1.7 percent per year
Years 11 and beyond <b>after</b> June 30, 2013	1.9 percent per year

Under the Tier I provision:

1. **Normal retirement age** is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

- If you **retire early**, a 3 percent per year reduction factor will be applied for each year under normal retirement age.
- Rule of 90:** If your age plus allowable service equals 90 or more, you are eligible for early retirement under the Rule of 90 provision and will receive full benefits without any actuarial reduction.

### Tier II (employed after June 30, 1989)

If you were first employed *after* June 30, 1989, your retirement benefit will be calculated under the Tier II service credit formula provision only.

Years <b>up to</b> June 30, 2006	1.7 percent per year
Years <b>after</b> June 30, 2006	1.9 percent per year

The service credit formula provision for former Duluth Teachers Retirement Fund Association (DTRFA) members is:

Years <b>up to</b> June 30, 2013	1.7 percent per year
Years <b>after</b> June 30, 2013	1.9 percent per year

Under the Tier II provision:

- Normal retirement age** is the retirement age for full Social Security retirement benefits, but not to exceed age 66.
- If you **retire early**, a reduction will be applied for each year under normal retirement age.
- Rule of 90 is not available under the Tier II formula.

### High-five formula

When you apply for retirement benefits, your annuity is calculated based on a formula that is a percentage of your highest five consecutive years of TRA formula service credit and the salary associated with that service credit. For members who did not receive a full year of service credit during any portion of time during those five years, TRA will use service credit from previous years to reach a total of five years. If only a partial year of service credit is needed from the earliest year, the appropriate percentage will be used and an equivalent

percentage of the salary associated with that portion of service.

One year of *formula* service credit is a full year of teaching service during which the maximum deductions are withheld. Formula service credit is measured each fiscal year (July 1 – June 30). You may not earn more than one year of formula service credit in a fiscal year. In years where you did not perform a full year of teaching service or did not pay the maximum deductions as prescribed by TRA law, the service credit is prorated.

### Calculating a retirement benefit

Your benefit at retirement age is a calculated percentage of your salary. It's a lifetime benefit that grows the longer you work and the more you make.

For our average retiree, their TRA benefit replaces 40 percent to 45 percent of their pre-retirement salary.



Note: If you retire before your normal retirement age, there may be a reduction in your benefit.

Our retirement counselors will provide you with estimates and assist you with filling out the necessary forms. It is your responsibility, not that of your employer, to complete the retirement application and file it with our office. You may submit your application for retirement by logging in to your TRA online account, or by mailing or delivering your completed Retirement Annuity Application to TRA.

If we do not acknowledge receiving your application for retirement within four weeks, call us at 800.657.3669 or 651.296.2409.

### Last day of employment

Your application for retirement may not be filed sooner than 180 days before your last day of employment.

Termination of teaching service means your withdrawal from active teaching by resignation or by the termination of your teaching contract by your employer. This is your last day of employment.

### Date of retirement

Your effective date of retirement is the latest of:

- 1) the day following your last day of employment, or
- 2) the day of receipt of application if filed after the six-months immediately following termination of service, or
- 3) July 1 for all school principals and other administrators who receive a full annual contract salary for performance of a full year of contract duties, or
- 4) a later date occurring within the six-month period immediately following the last day of employment as specified by the member.

Your application must be on file and the effective date of retirement must occur for a retirement plan to take effect. If you die before this date, active member survivor benefits are payable, not the benefits provided by the retirement plan you selected.

### Return-to-work agreement

If you are age 62 or older, you are allowed to begin receiving a retirement annuity from TRA even though you have entered into an agreement to return to teaching service. Such an agreement must be mutually agreed upon and signed by you and your employer, and include your termination and reemployment dates. A copy of the agreement must be filed with your TRA Retirement Annuity Application prior to your benefit effective date.

Members age 62 and older who return to work under this provision will not earn additional service credit with TRA. Earnings are still subject to the TRA reemployment earnings limit.

This return-to-work provision does not apply to members employed by the Minnesota State Universities system.

Refer to *Earnings limitation* on page 22 for details.

### Deferred annuity

A deferred retirement annuity is payable if a vested member terminates teaching service and waits until a future date to apply for retirement benefits. Both Tier I and Tier II calculation methods can be deferred.

Members who defer their benefits will receive a deferral increase as follows:

Members hired prior to July 1, 2006	<b>Prior to July 1, 2012:</b> 3.0 percent annually through December 31 of the year in which the member would have reached 55 and 5.0 percent annually thereafter each year the benefit is deferred. <b>After July 1, 2012:</b> 2.0 percent
Members hired on or after July 1, 2006	<b>Prior to July 1, 2012:</b> 2.5 percent <b>After July 1, 2012:</b> 2.0 percent
Effective 6/30/19	<b>Reduced to 0%</b>

The deferral period must be at least three months. If you are on a leave of absence, you are not eligible for the deferral increase on a deferred annuity for any portion of time that you are on leave.

Substitute teaching for even one day while deferring your retirement may adversely affect your benefits. We suggest you contact TRA to discuss the effects this may have prior to agreeing to substitute teach.

## Retirement plan options

TRA offers six retirement plans that provide a monthly annuity that is payable for your lifetime. An annuity is a sum of money that is paid at regular intervals. The amount payable under each plan varies depending on the amount of beneficiary or survivor protection provided. Learn about TRA's six annuity plans by watching our short video at [MinnesotaTRA.org/videos](https://MinnesotaTRA.org/videos).

As you prepare for your retirement, choose the retirement plan that most effectively meets your needs, taking into consideration survivor coverage, your individual sources of income and the amount payable under each plan.

### Members may choose any of the six annuity plans.

By law, a married member must choose a survivorship plan unless the spouse waives the selection of this type of plan. The spouse must also complete a waiver if the member chooses an optional joint annuitant (OJA) other than their spouse (see Survivorship Plans on page 19).

TRA is required by law to provide your spouse with the estimates of your monthly retirement benefit. Your spouse **must** sign your application for retirement, acknowledging awareness of your elections and designations. Although your spouse might disagree with your choices, TRA must comply with your intentions.

You have two months following your initial payment date to change your choice of a retirement annuity plan.

## LIMITED BENEFICIARY PLANS

### No refund

This retirement plan offers monthly benefit payments for your lifetime. The payments are the highest payments available to you because this plan does not provide survivor coverage. The payments cease upon your death.

The benefits payable to a designated beneficiary are:

- If you die *before* the expiration of two months following your initial payment date, your designated beneficiary is paid a lump sum amount equal to your contributions and interest less any monthly benefit payments you have received.

- If you die *after* the expiration of two months following your initial payment date, your designated beneficiary is paid any uncashed annuity payment due for the month that death occurs. If you had already cashed or electronically deposited the annuity payment for the month in which death occurs, nothing more is payable.

### Guaranteed refund

This plan offers monthly benefit payments for your lifetime. The payments may cease upon your death depending on whether you have recovered your accumulated contributions and interest by the date of death. The benefits payable to your designated beneficiary are:

- If you die *before* receiving benefit payments in an amount equal to your accumulated contributions and interest, the same monthly amount is paid to your designated beneficiary until these savings are depleted.
- If you die *after* your accumulated contributions and interest are depleted, your designated beneficiary is paid any uncashed annuity payment for the month that death occurs. If you had already cashed or electronically deposited the annuity payment for the month in which death occurs, nothing more is payable.

The period of protection for a beneficiary is usually two to six years following the effective date of retirement depending on your length of service and age at retirement.

### 15 years guaranteed

Benefits are payable monthly for your lifetime with the guarantee that payments will be made for at least 15 years. The benefits payable to your designated beneficiary are:

- If you die *before* receiving payments for the guaranteed 15 years, your designated beneficiary is paid the same monthly amount for the remaining years of the guarantee.
- If you die *after* receiving annuity payments for at least 15 years, your designated beneficiary is paid any uncashed annuity payment for the month that death occurs. If you had already cashed or electronically deposited the annuity payment for



the month in which death occurs, nothing more is payable.

For No Refund, Guaranteed Refund and 15 Years Guaranteed plans, you may designate one or more primary and one or more contingent beneficiaries. You may designate a person, organization, trust or your estate as your beneficiary. If your designated beneficiary(ies) dies before you or if you do not designate a beneficiary, the amount is paid to your estate.

## **SURVIVORSHIP PLANS**

Benefits are payable monthly for your lifetime. The amount payable is dependent on the level of survivor protection you choose and the age of your designated beneficiary. If you die before your beneficiary, that person or persons is paid an amount equal to a percentage of your monthly payment: 50 percent, 75 percent, or 100 percent depending on the plan selected.

You may designate more than one beneficiary. In the event of your death, your beneficiary will continue to receive monthly benefits for life. Payments will cease upon their death. The three survivor plans contain a bounce-back feature that permits your monthly payment to be increased to the greater No Refund plan amount if your optional joint annuitant predeceases you.

If you designate one beneficiary, all payments will cease upon his/her death. Should the beneficiary predecease you, your monthly payment will bounce back to the full No Refund plan amount and then payments will cease upon your death.

If you designate more than one beneficiary, upon the death of each, the payment they have been receiving will cease. *The benefit will not be divided among the remaining beneficiaries.* Should a beneficiary predecease you, you will receive a “partial” bounce-back to your monthly benefit payment.

It is important that you contact TRA as soon as possible if your beneficiary predeceases you so an adjustment can be made to your monthly benefit.

If you divorce after retirement, a beneficiary designation may be rescinded, if court ordered.

If you named a non-spousal beneficiary, the designation may be rescinded upon mutual agreement of both you and your beneficiary.

You have two months following your initial payment to change your beneficiary designation or survivorship plan.

**Optional Joint Annuitant Who is Not Your Spouse.** You may designate any person as your beneficiary.

If you designate someone other than your spouse, the Internal Revenue Service (IRS) has restrictions on the age difference between the member and the person designated as the OJA. These age restrictions apply to the 75 percent and the 100 percent survivorship plans.

The Internal Revenue Service has provided a formula and chart for reference; therefore, if you are contemplating designating someone who is not your spouse and is younger than you, please call our office to verify that your designation is in compliance with federal regulations.

### **Level Benefit (Duluth only)**

Benefit leveling was available to Duluth members prior to the merger with TRA on July 1, 2015. This option was available for members who retired before age 62 and elected the leveled benefit, which pays a higher pension from initial retirement until age 62 (the age of first eligibility for Social Security benefits). At age 62, the annuity from the DTRFA (now TRA) is reduced. It was assumed that at age 62 the combined amount from DTRFA and Social Security will equal what was received from the DTRFA prior to age 62.

### **Supplemental needs trust**

You may name a supplemental needs trust for a lifetime survivor annuity benefit. A supplemental needs trust permits the transferring of assets, *upon death*, to a disabled child, spouse, or former spouse without eliminating the disabled person from eligibility for federal and state assistance programs. A copy of the trust must be filed with TRA along with documentation of the trust’s funding.

### **‘Pension maximization’**

Private sellers of financial products might try to convince you to choose the TRA No Refund plan, which provides a higher monthly payment to you for your lifetime, but does not provide any payments to your survivor. They may encourage you to take the

highest benefit payment up front and purchase a separate life insurance policy that would provide protection for a survivor. This type of insurance arrangement is referred to as “pension maximization.”

Generally, financial experts agree that there are very few circumstances when you would be better off choosing the No Refund plan and purchasing separate coverage for your survivor. If an insurance policy is purchased at the time of your retirement, the cost is typically very high. In addition, it may be difficult to pass the medical examination necessary to qualify for the insurance because of health reasons.

Assuming the insurance proceeds are tied to investment returns, the annuity paid to your survivor might not provide adequate lifetime income. TRA provides your surviving beneficiary with the security and peace of mind of lifetime payments.

Before deciding whether to purchase a life insurance policy for your beneficiary or beneficiaries instead of opting for a TRA survivorship plan, TRA suggests you consult with your physician, accountant and tax adviser, as well as a TRA retirement counselor.

## Accelerated annuity

You may elect to receive an accelerated monthly retirement annuity amount until age 62, 65 or Social Security normal retirement age (NRA), instead of a regular monthly retirement annuity. For example, if you retire at age 58, you can choose to accelerate to age 62, 65 or your NRA; if you retire at age 64, you can choose to accelerate to age 65 or your NRA. We recommend that you thoroughly acquaint yourself with the pros and cons of taking an accelerated annuity *before* electing this option.

Watch our video about acceleration options at [MinnesotaTRA.org/videos](https://MinnesotaTRA.org/videos).

This type of annuity offers a way for you to receive a larger amount during the years *before* you qualify for Social Security, for example, or before other investment payments begin. Instead of receiving a steady, set monthly amount, an accelerated annuity is front-loaded. You get a higher amount until your target date, then a lower amount thereafter.

For example, if you, at age 58, were eligible for a No Refund plan benefit of \$1,000 a month and you elected an accelerated benefit to age 62, you would receive

\$1,543 each month until you turn 62 and \$800 a month after age 62 for life. (Plus any post-retirement increases, if specified by law, on this amount.)

At the age of acceleration, payment of the accelerated/temporary portion of the annuity ends, but you continue to receive the lifetime annuity payment amount. The accelerated/temporary portion of the annuity will end one month after your effective date of retirement and your birth date. The more you choose to accelerate prior to the age of acceleration, the less the remaining lifetime annuity portion will be.

The amount by which the regular lifetime annuity is accelerated or increased is subject to a maximum amount as prescribed by law. You may choose to receive the maximum amount of acceleration or any lesser amount. If a lesser amount is chosen, the amount available for payment after the age of acceleration is greater.

If you elect an accelerated annuity, you have up to two months following your initial payment date during which you may cancel or change your election.

If you die before reaching the age of acceleration, the accelerated/temporary annuity amount continues to be payable to a designated beneficiary until the date when you would have reached the accelerated age you chose. If there is no surviving designated beneficiary, a lump sum is paid to your estate.

The survivor benefits available after the age of acceleration *and* any annual increases that may occur after these ages will be less as a result of electing an accelerated rather than a regular life annuity. An annual post-retirement increase, if specified by law, is applied to the accelerated/temporary portion of the annuity until you reach the age of acceleration

## Changes and cancellations

You may cancel your application for retirement, change your retirement plan selection, change your optional joint annuitant, or change your accelerated annuity without altering your effective date of retirement if your written request is made within two months of your initial payment date.

If you cancel your application for retirement, you must repay TRA for any monthly benefit payments you have received.

## **In case of poor health**

If you are applying for early retirement benefits due to poor health, inform your TRA retirement counselor of your condition and ask about the possibility of applying for total and permanent disability benefits. In most instances, the amount of a disability benefit exceeds an early retirement benefit. The decision to apply for disability benefits should be made in consultation with your personal licensed physician, chiropractor, or psychologist.

# The retired educator

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The average teacher can expect to live approximately 27 years after retirement. Your TRA pension will be there long after you leave the classroom.

## First retirement check

Your retirement application and supporting documents may be submitted up to 180 days in advance of your termination of teaching service date. If you and your employer provide us with the required retirement forms and supporting information on a timely basis, you should receive your first retirement check within 30 to 60 days of your effective date of retirement.

## Address changes

Your pension check cannot be forwarded by the U.S. Postal Service, so it is very important to notify us in advance of permanent or temporary address changes. Let us know at least 30 days before the date that a temporary address is to begin and 30 days before the date on which you plan to return to your permanent address.

You can update your permanent or temporary mailing address and your email address by logging in to your MyTRA online account through [MinnesotaTRA.org](http://MinnesotaTRA.org).

Even if monthly benefit payments are electronically deposited (see below), we need your current address to send the *TRIB* newsletter, 1099-R annuity income tax statements and other information.

## Electronic deposit

Your pension payments can be electronically deposited in banks, savings and loan associations, credit unions or any financial institution associated with the National Automated Clearinghouse Association or a comparable successor organization. Electronic direct deposit is convenient and provides protection against theft and the uncertainties of postal delivery. It also ensures safe, accurate and timely direct deposit of payments to your account on the first banking day of the month (Monday through Friday).

If you sign up for direct deposit, your monthly benefit will not be delayed if you forget to inform TRA of a change of address or are temporarily away during the first week of a month. The Post Office will not

forward checks. Over 96 percent of TRA benefit recipients have chosen direct deposit of their monthly benefit payment.

You may sign up for direct deposit any time. An initial request or a change to your current designation can be made by accessing your MyTRA online account, or by contacting our office and requesting a Direct Deposit Agreement form, TRA-4400.

## Post-retirement increases

Each January, if specified by law, a post-retirement increase may be made to your monthly benefit.

Under current law, annual post-retirement increases are 1.0 percent.

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.

## Earnings limitation

If you return to work in a TRA-covered position after retirement, you may be subject to an annual earnings limitation.

The earnings limitation is applied to salary earned on a fiscal year basis (July 1 - June 30).

- If you are under normal retirement age for the entire fiscal year, as defined by the Social Security Administration (see chart on page 14), the earnings limitation is \$46,000.
- If you are under normal retirement age and are retired for only a portion of the fiscal year, the earnings limitation amount will be prorated ( $\$46,000 \times \text{number of months retired during the fiscal year} \div 12$ ).

**Note:** *If you are a Minnesota State Universities retiree on the Annuitant Employment Program (AEP), the earnings limitation is \$62,000 for the fiscal year. It is not prorated for the first year of retirement or for the year you reach your normal retirement age.*

Members who have reached normal retirement age are not subject to the earnings limitation. In the fiscal year that you reach normal retirement age, you can earn

\$46,000 from July 1 through the month prior to reaching normal retirement age without penalty.

If you earn over the limit applicable to you, then beginning in the next calendar year, \$1 in benefits will be deducted for each \$2 above the limit. The pension offset amounts are redirected to a separate [earnings limitation savings account \(ELSA\)](#) for later distribution.

You may apply for a refund beginning one year after the last deferred amount was redirected to your ELSA account. No interest is earned on account balances.

An Earnings Limitation Savings Account Refund application must be filed with TRA. When completing the application, you may elect to have all or any portion of your ELSA refund payment rolled over to a traditional IRA, Roth IRA or an eligible employer plan.

Income from teaching service includes, but is not limited to, all income for services performed as a teacher, administrator, employee of a third-party supplier, consultant or an independent contractor for a TRA-covered employer. Income earned while employed in a position not covered by TRA (e.g., discount store, etc.) is not subject to the earnings limitation.

Refer to “*Return-to-work agreement*” on page 17 for details.

## Social Security deductions

Social Security deductions (both the Old Age Survivor and Disability Insurance and Medicare portions) are required for all TRA retirees (regardless of age) who resume teaching service. TRA deductions are no longer withheld.

## Income taxes on benefits

### Federal income tax

TRA retirement benefits are taxable by the federal government as ordinary income; however, the portion of a retirement benefit that represents your cost paid toward the benefit is not taxable.

Effective Jan. 1, 1983, TRA contributions withheld from your pay are not subject to federal income tax at the time of withholding and are tax-sheltered. Your cost of a retirement benefit for federal income tax purposes is the total contributions made by payroll deduction through Dec. 31, 1982, plus all payments

made directly by you to TRA for out-of-state service, military service, certain leaves of absence, shortages, repayment of refunds and all interest charges related to these payments. Federal income tax laws exclude this cost from taxation.

Retirement benefits with an effective date of Nov. 18, 1996, or later are subject to taxation under the [Simplified Method](#). Under this rule, the age and plan choice are used to determine the portion of each benefit payment that is excluded from taxable income. This tax-free amount is excluded until the entire cost has been recovered tax-free. All subsequent benefit payments and all post-retirement benefit increases are then taxable as ordinary income.

### Minnesota income tax

Any portion of retirement benefit income that represents your cost to purchase the benefit is not subject to Minnesota state income tax. Your cost of the retirement benefit for state income tax purposes is the same as for federal income tax purposes.

The method used for the state to exclude this cost is the same as the federal method known as the [Simplified Method](#).

Retirees who are non-Minnesota residents are not subject to Minnesota income tax; however, this income may be taxable in the state where you are a resident.

### Tax withholding

A federal and state withholding form will be part of your application for retirement. These tax forms should be filled out and returned to our office with your completed retirement application. Before your first retirement check is issued, you will receive a letter informing you of the amount of your benefit that is not taxable.

If the federal withholding form is not returned to our office and the taxable portion of your retirement benefit is greater than \$1,720 per month (this amount changes in January each year), federal income taxes will be automatically withheld as if you were married and claiming three withholding allowances.

We are unable to withhold taxes for any state other than Minnesota.

If you elect not to have federal and state income tax withheld from your retirement benefit, or sufficient taxes are not withheld, you may be responsible for

quarterly payments of estimated tax. Monetary penalties may apply if insufficient income taxes are paid during the year.

Tax withholding designations may be submitted online by accessing your [MyTRA account](#). You may also contact TRA and request a Minnesota State and Federal Withholding/Change Certificate, TRA-4900.

### **1099-R tax form**

By Jan. 31 of each year, a [form 1099-R](#) will be mailed to you showing the total amount of your annuity payments, the total federal and state income tax withheld, and the taxable portion of the annuity for the preceding calendar year.

## Appeal procedure

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If your benefit has been terminated, modified, or your application for payment has been denied by a determination of the chief administrative officer (TRA executive director), you may petition the TRA Board of Trustees for a review of the decision pursuant to [Minnesota Statute 356.96](#), Pension Plan Appeal Procedures.

### Petition for review

A petition for review must be sent to the executive director by mail and must be postmarked no later than 60 days after receipt of the written notification by the pension plan. The petition must include your statement of the reason or reasons that you believe the decision of the executive director should be reversed or modified. Your petition may include relevant documentation.

The executive director may direct that you participate in a fact-finding session conducted by an administrative law judge assigned by the [Office of Administrative Hearings](#), and as applicable, participate in a vocational assessment conducted by a qualified rehabilitation counselor.

The executive director must schedule a timely review of the petition before the governing board and must provide the petitioner with a copy of all relevant documents, evidence summaries, and recommendations to be considered by the governing board, not less than 30 days before the scheduled hearing date. All relevant documentation submitted by the petitioner must be received by the executive director at least 15 days before the hearing date. Any additional document, affidavit, or other relevant information that the petitioner wishes to submit after that time may be admitted with the consent of the governing board.

The governing board shall hold a timely hearing on a petition for review as part of a regularly scheduled board meeting. A motion by a board member, supported by a summary of the relevant facts, conclusions and reasons, as properly amended and approved by a majority of the governing board, constitutes the board's final decision. A verbatim statement of the board's final decision must be served upon the petitioner.

If the decision is contrary to the petitioner's desired outcome, the notice shall inform the petitioner of the appeal rights. If a petitioner who received timely notice of a scheduled hearing fails to appear, the governing board may nevertheless hear the petition and issue a decision. The TRA Board of Trustees, in its sole discretion, may also refer a petition to the [Office of Administrative Hearings](#) for a contested case hearing under Minnesota Statutes [14.57](#) to [14.69](#).

### Appeal of the governing board's decision; judicial review

Within 60 days of the date of the mailing of the notice of the governing board's decision, the petitioner may appeal the decision by filing a writ of certiorari with the [Court of Appeals](#) under [Section 606.01](#) and [Rule 115](#) of the Minnesota Rules of Civil Appellate Procedure. Failure by a person to appeal to the Court of Appeals within the 60-day period precludes the person from later raising, in any subsequent administrative hearing or court proceeding, those substantive and procedural issues that reasonably should have been raised upon a timely appeal.

# TRA mission and governance

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TRA provides retirement, disability and survivor benefits to Minnesota’s public educators, assisting them in achieving future income security. TRA strives to provide benefits that attract and retain competent teachers who serve communities throughout the state, building a stronger education system. TRA is committed to safeguarding the financial integrity of the fund and takes pride in providing exceptional, innovative services.

## Board of Trustees

TRA is governed by an eight-member [Board of Trustees](#) consisting of five elected representatives, one representative of the [Minnesota School Boards Association](#), the Commissioner of the [Department of Education](#), and the Commissioner of [Minnesota Management and Budget](#). Four of the five elected positions represent active teachers and one is a retired representative position.

The trustees are knowledgeable in both pension administration and investments under state law. Although the [Minnesota State Board of Investment](#) (SBI) manages all TRA pension fund investments, the trustees must exercise their fiduciary decisions in the same careful manner that they would use in making their own retirement decisions. The benefit needs of all pension fund participants must be considered by trustees regardless of any individual constituency that may have been instrumental in their election. The trustees also appoint an executive director who is responsible for the administrative management of the plan.

## Investment strategy

All TRA assets are invested by the State Board of Investment (SBI). The four-member SBI Board consists of the governor, attorney general, state auditor and the secretary of state.

The assets of both active and retired members are combined into a single fund, known as the TRA Fund.

TRA pays monthly benefits from the TRA Fund to eligible benefit recipients.

The SBI invests the TRA Fund with a long-term, disciplined investment approach with diversification among asset categories. As of March 31, 2018, the target asset allocation for the investment of the TRA Fund was:

Public equity (stocks)	58%
Bonds	20%
Private markets	20%
Cash	2%
<hr/>	
Total	100%

As of March 31, 2018, TRA had approximately \$22.2 billion in assets. Alternative assets consist of investment categories such as private equity, real estate, and resources (natural gas and oil). The cash component is designed to ensure sufficient cash is on hand to pay monthly benefits. All TRA investments are managed externally by outside money management firms retained by contract.



## TRA offices

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The Teachers Retirement Association (TRA), the [Minnesota State Retirement System](#) (MSRS) and the [Public Employees Retirement Association](#) (PERA) are located in the Retirement Systems of Minnesota Building at 60 Empire Drive in St. Paul.

TRA's St. Paul hours are 7:30 a.m. to 4:30 p.m. Monday through Friday.

### Satellite offices

TRA shares space with MSRS in the St. Cloud and Detroit Lakes satellite offices. The Mankato satellite office houses TRA, MSRS and PERA. The Duluth office also has representatives from TRA, MSRS, and PERA.

To make an appointment at one of these locations, call our appointment desk and make sure you request the specific location for your appointment.

[Maps](#) to all office locations can be found on the TRA website.

Duluth office 7:30 am – 4:30 pm  
625 East Central Entrance Monday – Friday  
Duluth, MN 55811

Detroit Lakes office 7:30 am – 5:00 pm  
714 Lake Avenue, Suite 102 Monday – Thursday  
Detroit Lakes, MN 56501

Mankato office *Call for available  
Brett's Building dates and times.*  
11 Civic Center Plaza, Suite 150  
Mankato, MN 56001

St. Cloud area office 7:30 am – 5:00 pm  
Market Place Office Tower Monday – Thursday  
110 2<sup>nd</sup> Street S., Ste. 308  
Waite Park, MN 56387

## Contact Information

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Jay Stoffel  
Executive Director

Rachel Barth  
Assistant Executive Director, Legal and Legislative

John Wicklund  
Chief Financial Officer

Tim Maurer  
Chief Benefits & Operations Officer

Leslie Nagel  
Internal Audit Director

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