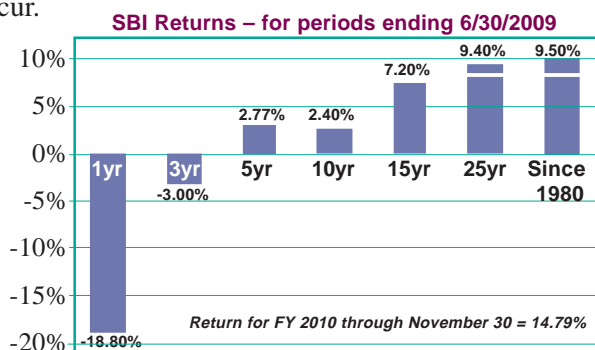


TRA addresses deficits

The impact of the deep recession continues to create on-going problems for pension funds not only in Minnesota but nationwide. At every TRA Board meeting, the Trustees receive an update on the financial status of the fund. At the end of the 2009 fiscal year, TRA has a funding ratio of 77%. This translates into a contribution deficiency of 5.12% of payroll. In other words, reversing the downward spiral of the fund would require employee and employer deductions to increase by 5.12%.

Because all Minnesota pension plans, including TRA, use a 5-year smoothing process the actuarial values recognizes only 1/5 of the losses we suffered last year. But this also means these losses will be incorporated into the next 4 years of calculations too. If the full loss is recognized this year the contribution deficiency rises to -11.07 percent of payroll.

Investment returns will not solve the problem. The funds assume an 8.5% return on investment. The State Board of Investment has had a track record of about 9.5% but this is still inadequate. One estimate indicates returns would have to average 20% per year for the next five years in order to make up for the recent losses. This is highly unlikely to occur.



The options to close the funding gap include bringing in additional revenue and/or reducing benefit liabilities. Bringing in additional revenue means increasing employee and/or employer contribution rates. At a time when district and employees budgets are being stretched, this is not a welcome option.

Reducing benefit liabilities can be accomplished in a variety of ways: Reducing or suspending benefit increases for retirees; lowering the formula multiplier for actives; reducing interest paid on refunds; reducing deferred augmentation. TRA is exploring all options. ■

TRA adopts proposal

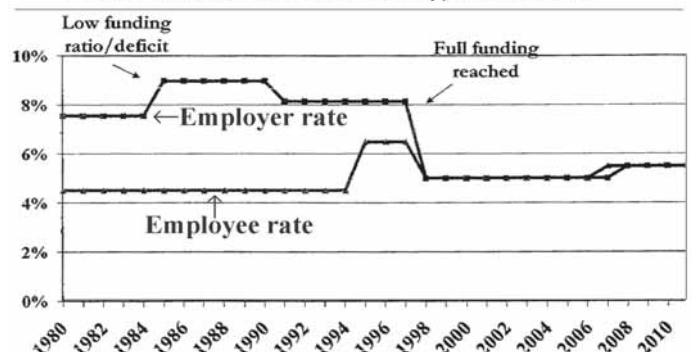
The TRA Board adopted the resolution below at its December meeting. The proposal will be the basis of proposed legislation that the fund will take to the 2010 legislative session. The TRA Trustees support a financial package that calls for a shared sacrifice approach to stabilize the fund in the short term and put TRA on a path toward attaining a funding ratio of 80 to 90%.

The financial sustainability package adopted by TRA would include the following combination of measures:

- Phased approach to contribution rate increases—employer and employee rates rise 2% each, beginning July 1, 2011, phased in over 4 years, in 0.5% annual increments and implementation of a contribution stabilizer.
- Temporary two-year suspension of annual retiree increases, followed by a reduction in annual increases to 2%, with a bounce back to a full 2.5% annual increase once funding stability is restored.
- Reduction in interest rates paid for refunds to 4%, for ELSAs to 0% and deferred augmentation to 2%.
- Review of all elements of the financial sustainability package (contribution rates, annual increases, interest rates) in five years (2015) for adjustments and fine-tuning if necessary.

The TRA Board does not support any reduction in core benefits, such as reducing the benefit formula multiplier which would exacerbate existing inequities for post-1989 hires, or switching to a defined contribution / hybrid plan which would worsen TRA's short-term financial status. The Board continues to favor addressing benefit inequities for post-1989 hires and improving disability coverage, but must put the highest priority on stabilizing the fund first. ■

TRA Contribution Rates Higher in Past



From President, Jay Ritterson

The year we left; The year ahead

We begin each year with thoughts of hope and a new beginning. A year ago as a new administration took the helm in Washington, the uncertainty of a deepening fiscal crisis left all of us worried and wondering what the future held.

As I look back on this year, I begin to see the significance of decisions that were made the previous year and in the recent past. As Minneapolis educators, we can see the immediacy of legislative decisions that have protected and preserved our retirement. The merger with TRA secured



our pension. I dread to think what would have happened to us this past year without that merger. Worse yet, what would have happened if we had lost a defined benefit pension plan, and you had to watch your retirement go down with the Dow?

This past year, the TRA Post and Active Funds were merged. The legislation that caused this to happen passed just two years ago and was designed to only go into effect if the funding level dropped below 80 percent. No one saw

C of 13 adopts pension principles

The Committee of Thirteen adopted the following Pension Principles at its December meeting. These principles will be sent to the TRA Trustees and will be a guide for C of 13 lobbyists when representing the interests of Minneapolis active and retired teachers.



C of 13 Pension Principles:

1. (Immediacy) Problems needs to be addressed this year or it will get worse.
2. (Shared Pain) The solution should involve all; retirees, actives and the employer and if possible the state.
3. Fairness to actives: Phase in contribution increases
4. Fairness to employer: Phase in contribution increases
5. Integrity of plan actives: No reduction in benefits for current actives
6. Integrity to plan retirees: No permanent reduction in retiree COLA. A one- or two-year freeze is an option that may be necessary but with a bounce-back provision to restore the COLA once funding is stabilized.
7. (Protect children) Provide some options for districts to cover employer share through an optional levy or eliminating the prior pension reduction to prevent harm to local education programs.

Feedback on the C of 13 Pension Principles? email any of the C of 13 board members. ■

this coming so soon. Again, we can be thankful that this legislation was already in place or our problems would be more difficult than they are.

It appears that we are slowly coming out of the economic recession. Unfortunately, it has left us with problems that must be addressed now. The state has a major budget shortfall and we have a governor who refuses to increase revenues. This means that cuts are his only solution. As educators, this is particularly worrisome since so much of the budget is education funding. This puts us all at risk. How do we fix the state budget?

TRA and the other state pension funds (PERA & MSRS) also suffered significant losses due to drops in the stock markets and investments. Luckily, Minnesota wasn't part of the riskier investments. But it is clear that we can not grow our way out of this problem. So the Committee of 13 will be working to find solutions to get us back to an acceptable funding level. How do we fix the deficits in educator and other public employee pension funds?

Timing is an issue. The sooner we fix the problem, the better off we all are. Delaying the solution just makes it more expensive. We can not just "kick the can down the road."

I choose to look at these two problems as two opportunities—an opportunity to get our state and our pension funds on the right track. I suspect the solutions may be a bit painful in the beginning but the long term results will be better.

There is also another opportunity for us: Picking the leaders who will help us solve these problems. The process begins on February 2 with Precinct Caucuses. The year 2010 is particularly important for us. A new governor will be elected and everyone in the Minnesota House and Senate are up for election. These are the people who decide our fate and our funds.

2010 is also a census year. Encourage everyone to participate and be counted. Minnesota is on the cusp of losing a seat in the U.S. House of Representatives. Also, census numbers impact how dollars are distributed in many federal programs. We fight for these issues because they are so important to all of us.

The year ahead is what we make of it. We must be active in securing our futures. We cannot sit back and let others decide for us. As chair of the Committee of 13, I'll play my part in setting us on the road to recovery. I invite you to join me in that journey. Keep informed of Committee of 13 activities and let us know what your pension concerns are. ■



States Struggle with Public Retirement Funding Shortfalls

The 2008 market meltdown has states throughout our nation struggling with their publicly funded pension plans at a time when state budgets are in deficit and citizens are worrying about their budgets and jobs. Minnesota is among these states. An array of modifications that are being enacted include increasing the age of retirement, restructuring benefit packages for future employees, reducing COLAs for retirees and requiring higher contributions for employers and employees.

Funding levels for public pension plans have dropped, and may fall even further as more investment losses are recognized. On the positive side for public pensions is the fact that they are long term operations which allows time to make up for losses. However, preventing a downward spiral requires actions to reverse the spiral and counter on-going negative consequences.

Experts say retirees and already-vested workers can rely on plans to honor promises. While those who have retired or are vested can feel reasonably secure, the news may be less optimistic for newer workers, experts said. Newer public workers face smaller benefits as more governments establish tiered benefits systems. Minnesota is not considering this.

In a report from the National Conference of State Legislatures, a “principal theme” in pension legislation was the need to make future pension costs manageable in the light of states’ strained fiscal budgets and the enormous losses most retirement trust funds have experienced.

The report said:

- There were various forms of reductions in states

- Few benefit increases were enacted
- Some states enacted early retirement incentives to reduce work forces
- Some states revised benefit packages for future employees to require longer service or higher ages for retirement, discourage early retirement even with reduced benefits, limit future cost-of-living adjustments, and tighten standards for disability retirement.

Following are examples of what states have done/considered:

Contributions/Revenues

- Contribution increases: CA, Cincinnati, CO, IL, IA, LA, MO, NE, NH, NM, OH, OK, OR, TX, UT, VA, WI
- Contribution cuts: NJ
- Change actuarial techniques (increase amortization periods, expand asset smoothing methods, widen corridors): CA, LA, MO, OR, VT, WA
- Taxes – tax retirement income, add tax for pensions: IL, IN, Philadelphia



Benefits

- COLA cuts: CO, GA, IL, LA, MA, NV, NY, OH, RI, WI
- Increase normal retirement age (NRA) or minimum eligibility age: Cincinnati, CO, KS, KT, IL, NV, NM, NY, OH, RI, TX, VA
- Lower tier of benefits for new hires: CA, IL, NV, NM, RI
- Switch to DC or hybrid DB/DC: KS, LA, RI
- Increase vesting requirement: IA, MA
- Increase high salary period: CO, IA, MA, OH, TX
- Early retirement incentives to reduce workforce: CT, ME, VT

Pension Commission Meets through the off-season

The Legislative Commission on Pensions and Retirement has been meeting monthly since session ended in an attempt to have an omnibus pension bill completed early in the session. It hopes to have a bill ready in January ready to be introduced and sent to the appropriate committees in the House and Senate.

In addition to hearing a variety of administrative issues and bills, the commission is in the process of hiring its own actuary. The requirement to do so was included in last year’s omnibus bill. Having its own actuary becomes a crucial issue as the commission grapples with the funding issues facing each of the public plans.

Chair of the Commission is Sen. Don Betzold. Commission members are:



Sen. Don Betzold DFL Sen. Ann Lynch DFL Sen. Mary Olson DFL Sen. Sandra Pappas DFL Sen. Julie Rosen R



Rep. Phyllis Kahn DFL Rep. Paul Thissen DFL Rep. Mike Nelson DFL Rep. Mary Murphy DFL Rep. Steve Smith R

Stop age discrimination

The same five conservative Supreme Court justices who ruled against Lily Ledbetter in her sex discrimination case later went on to rule against Jack Gross in his age discrimination case. After the Court's ruling, it's the worker who has the full burden of proving that age was the deciding factor in demotion or layoff. This is a very high hurdle and often difficult to prove.



And the timing of this decision couldn't be worse — in the midst of a severe recession, with layoffs falling hard on older workers. Since the recession began, unemployment for 55-and-over workers has jumped 143 percent. Everyone who wants to work should be able to and no one deserves to be judged by their age or any other factor that does not relate to their productivity.

Congress passed a law to correct the injustice to women done by the Ledbetter case. Now it needs to do the same for the Gross case. Help stop age discrimination—act now. Send a Letter to your Senator and member of Congress urging them to pass legislation that would reverse the age discrimination inherent in the Supreme Court's Gross v. FBL Financial Services decision. ■

Your Committee of Thirteen

Check the C of 13 website at Committeeof13.org



You may contact any of the C of 13 members:

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 612-926-1454 or 612-868-6042 cell

Precinct caucuses February 2

One way to impact what happens in retirement issues is to attend precinct caucuses and become active in the political process. Two important things happen at caucuses: 1. delegates are elected to help make endorsements for those running for office and 2. resolutions are passed that influence party platforms. Caucuses for the major parties will be held on February 2, 2010, earlier than before.



The key race this year is for governor, who has a great deal of influence on retirement issues. In addition, all Minnesota constitutional offices and all House and Senate seats are up for election. The members of the House and Senate make up the Pension Commission and make decisions about retirement legislation.

For those of you who live in Minneapolis there will be a new process for election of school board candidates. The city convention held May 22nd will help decide who is endorsed in these races and, for the first time, they will be elected by districts within the city and the number expands by three. Delegates for that convention will be elected beginning with precinct caucuses.

Take this resolution with you to your precinct caucus on Feb. 2:

Pension Sustainability

- Whereas, the economic recession with its drop in asset values has created major funding issues for Minnesota's public pension plans including the TRA; and
- Whereas, failure to address the issue now will create even greater public costs in future years; therefore be it

Resolved that Precinct _____ supports legislation to address the unfunded liabilities in public pension plans to assure their solvency and prevent greater public costs in future years.

2009 TRA Retirees

Fiscal Year	Number of Retirees	Average Age @retirement	Avg Years of Service	% Mpls Basic	% Rule of 90	% Elect E-1	% Elect Accel	Avg Reserves Required	Monthly Benefit
08-09	2,110	60.3	25.0	0.60%	35.4%	43.4%	48.80%	\$332,483.	\$2,142.