TEACHERS
RETIREMENT
INFORMATION
BULLETIN

Retiree Edition ■ Fall 2014

Survey: You speak, we listen

The results of our online survey are in. A slight majority (54 percent) of respondents retired within the past three years and said that their pre-retirement counseling experience was positive and informative and that their expectations were met or exceeded.

One member was commented about cost-of-living increases given to retirees who retired years ago. Another respondent who does not want direct deposit of annuity checks said that mail delivery of checks is inconsistent. And one member thought the counseling experience could be improved upon: "It was just assumed I knew things. It could have been improved if I could have requested a counselor who was recommended to me," the member said.

When asked what retirement advice they would give to someone just starting out in their teaching career, respondents overwhelmingly recommended having savings in addition to TRA and Social Security. "Try to put as much into

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Pension fund investments post big 18.6% return

Minnesota's pension funds rode the bull market of the past year to a very strong finish at the end of the fiscal year.

As of June 30, 2014, the assets for the three statewide public pension funds – the Teachers Retirement Association (TRA), Public Employee Retirement Association (PERA) and the Minnesota State Retirement System (MSRS) – have grown by $23 billion over the past five years. For the fiscal year that just ended, pension fund assets posted an 18.6 percent return on investments, far surpassing the 8.5 percent target rate.

So why are investment returns important? The pre-funding of TRA member benefits occurs during your working years. If investments are performing as estimated, over 70 percent of the funding needed to pay your benefits in retirement will have been earned through investment returns. Strong investment markets reduce the need to rely on employee and employer contributions to fund benefits.

TRA's assets are managed by the State Board of Investment (SBI). Further information on how TRA's assets are managed is contained in the Comprehensive Annual Financial Report (CAFR) on the TRA website. The SBI has one of the most successful public investment programs in the nation. SBI has averaged 10.3 percent annual returns for the past 30 years, consistently outperforming its peers.

Preliminary estimates reported this month show that on a market value basis, TRA is now 83 percent funded, with assets of $20.3 billion; PERA's General Plan is 81 percent funded, with total assets of $17.4 billion; and MSRS is 91 percent funded, with assets of $11.5 billion. Total assets in trust to support the current and future benefit payments of Minnesota's public employees, including public safety employees, exceed $59 billion. Final audited numbers will be out later this year.

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President's corner

Martha Lee (Marti) Zins, President

Public retirees help power state's economy

Betcha didn't realize that not only are you still contributing to Minnesota's economy, but you are a major player.

According to the National Institute on Retirement Security's "Pensionomics 2014" report, benefits paid by state and local pension plans support a significant amount of economic activity in Minnesota. Pension benefits received by retirees are spent in the local community. This spending ripples through the economy as one person's spending becomes another's income.

Here are some fun money facts:

- In 2012, expenditures stemming from Minnesota's state and local pensions supported 46,581 Minnesota jobs that paid $2.2 billion in wages and salaries, resulting in $7.0 billion in total economic output and generating $1.2 billion in federal, state, and local tax revenues in our state.
- To put the employment impacts in perspective, in 2012 Minnesota's unemployment rate was 5.6 percent. The fact that DB pension expenditures supported 46,581 jobs is significant, as it represents 1.6 percentage points in Minnesota's labor force participation.
- Each $1 in taxpayer contributions to Minnesota's state and local pension plans supported $9.28 in total output in the state. This reflects the fact that employer or taxpayer contributions are a minor source of financing for retirement benefits—investment earnings and employee contributions finance the lion's share.
- Each $1 in state and local pension benefits paid to Minnesota public retirees ultimately supported $1.75 in total output in the state. This "multiplier" incorporates the direct, indirect, and induced impacts of retiree spending, as it ripples through the state economy.
- Purchases made by retirees of state and local government provide a steady economic contribution to Minnesota communities and the state economy. In 2012, 187,099 Minnesota public-sector retirees received a total of $3.8 billion in pension benefits from state and local pension plans.
- The average pension benefit received was $1,696 per month or $20,353 per year. These modest benefits provide retired teachers, public safety personnel, and others who served the public during their working careers income to meet basic needs in retirement.
- State and local pension funds in Minnesota and other states paid a total of $3.8 billion in benefits to Minnesota state retirees in 2012. Retirees' expenditures from these benefits supported a total of $7.0 billion in total economic output in the state, and $4.0 billion in value added in the state.
- $3.2 billion in direct economic impacts were supported by retirees' initial expenditures. An additional $2.1 billion in indirect impact resulted when these businesses purchased additional goods and services. $1.7 billion in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.
- State and local pension payments made to Minnesota public retirees supported a total of $1.2 billion in annual revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled $280.1 million per year. Taxes attributable to direct, indirect and induced impacts accounted for $887.2 million in annual tax revenue.
- The economic impact of state and local pension benefits extends across many industry sectors. The sectors with the largest employment impacts are food services and drinking establishments (No. 1!), real estate businesses, private hospitals, physicians/dentists/other health practitioners, nursing and residential care facilities, wholesale trade businesses, retail businesses, investment firms, and individual/family services.

Thank you, retirees, for spending your pension check in your communities and helping to keep Minnesota's economy strong.

TRA news briefs

Benefit adjustments 101: For the newly retired

If you have recently retired, a preliminary estimate is used to determine your initial payment. This estimate uses anticipated salary and service for the current year, normally assumed to be the same salary and service that you earned the previous year. After retirement, your account will be reviewed to verify that all salary and service credit have been received, and a new calculation of benefits will be produced. If an adjustment to your monthly payment is required, you will be notified and the adjustment will be made retroactive to your effective date of retirement.

1099-R forms go out in January

TRA will mail 1099-R tax forms in late January. This form discloses the total amount and taxable portion of your annuity payments as well as federal and state income tax withheld for the 2014 calendar year. You will need this information for your 2014 income tax returns.

When the 1099-R tax forms are ready for mailing, you will be able to access electronic copies by logging onto our website. You'll also be notified by e-mail. If you would like to receive an e-mail when the forms are available online, set up an online account with TRA. When the forms are available, you will be able to log into your account and print a copy.

If you have moved or plan on moving, be sure to update your mailing information with TRA. The post office will not forward tax forms; the form will be returned to us. Update your address by calling TRA at 651-296-2409 or 800-657-3669. You can also update your address by accessing your online account. And remember to update your e-mail address with us if it has changed.

Going south for the winter? Let us know

Providing TRA your temporary address will ensure that you receive mailings, such as your 1099-R tax form, without delay. You may store both a permanent and temporary address on your record by calling TRA or submitting the information via your MyTRA online account at www.minnesotatra.org.

Survey: You speak, we listen

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retirement accounts as you can manage when you are young," said one respondent. "It really will pay dividends when you are ready to retire." Another said, "Instead of waiting until the end of your career, I suggest young teachers look at the retirement figures early on."

Another survey-taker wished s/he had understood the implications of not paying into TRA while on leaves of absence from teaching and urged TRA to do more to inform teachers about how leaves work.

Thanks to those who participated in the survey – your comments will help us improve our service and outreach.

Investments post big return

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When the markets go through corrections, as we know they will from time to time, the legislature and the retirement systems act quickly to make adjustments and maintain the long-term sustainability of the plans. In fiscal year 2009, TRA's funding ratio slid under 60 percent. Since then, the strong market recovery plus benefit and contribution rate changes made by the 2010 legislature have served to increase assets while slowing the growth of plan liabilities.

Minnesota was one of the first states to pass bipartisan sustainability legislation following the market downturn. Those reforms, combined with additional steps in 2013, reduced benefit liabilities by $6.44 billion, which in turn kept more money in the funds to invest and help rebuild the assets.

Pension reform featured shared sacrifice among current employees, retirees and employers. And the employer or taxpayer share is lower in Minnesota than elsewhere: Employer contributions are 2 percent of state and local government spending here, compared to an average of 3.7 percent in other states, according to the Census Bureau.

The boards of the three statewide retirement systems, with the support of retirees, employees and employers, have been diligent to make sure our pension plans remain financially strong. We will continue to work with the legislature and the governor to strengthen Minnesota's pension plans.

Contact us

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Please check all boxes that apply: ☐ Name change ☐ Address change ☐ E-mail address addition/change

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City, State and Zip Code		E-mail Address	

Q. Do I get a cost-of-living increase next year?

A. A post-retirement increase of 2 percent goes into effect on Jan. 1, 2015. Members who started receiving a benefit on or before July 1, 2013, will get a 2 percent increase.

TRA Responds

Members who started receiving a benefit between July 2, 2013 and June 1, 2014, will get a prorated increase (see chart at www.minnesotatra.org/member info/r-pradjust.html).

If you are eligible for a post-retirement increase on Jan. 1, it will be identified in our letter to retirees in December detailing the increase to your monthly benefit, along with current tax withholding information. State and federal tax tables are available on our website under Forms and Publications.

Q. What happens if I work as a sub?

A. You may return to work with a TRA-covered employer and earn up to the earnings limit without reducing your TRA pension benefit. If you're under Social Security's normal retirement age, the TRA earnings limit is $46,000. If you are under Social Security's normal retirement age and retired for only part of the year, TRA's earnings limitation amount will be prorated. If you earn over the limit, $1 in benefits will be deducted/offset from your pension for each $2 of earnings above the limit. The offset amounts are redirected to a separate earnings limitation savings account (ELSA) and paid out to you one year later. No interest is earned on account balances.

Questions? E-mail us at info@minnesotatra.org or call 800-657-3669.