TEACHERS RETIREMENT INFORMATION BULLETIN

Retiree Edition ■ Summer 2016

Dayton vetoes 2016 pension bill

Putting onus solely on current retirees 'not fair,' he said.

Gov. Mark Dayton has vetoed the 2016 Omnibus Pension Bill, which contained a provision to lower the retiree cost of living adjustment (COLA) from 2 percent to 1 percent for one year for TRA and from 2 percent to 1.75 percent for retirees in the Minnesota State Retirement System (MSRS) plan.

"These measures were part of sustainability plans that called for shared commitments among employers, current employees and retirees in order to secure the financial health and stability of the MSRS and TRA pension plans," Dayton said in a letter to the legislature explaining the rationale for his veto.

Shared responsibility "remains an important principle in maintaining the soundness of Minnesota's pension plans," he added.

"Unfortunately, [the pension bill] contains only one piece of the overall sustainability plans, placing sole responsibility for reducing plan liabilities on current retirees. It is not fair, and I cannot agree to it."

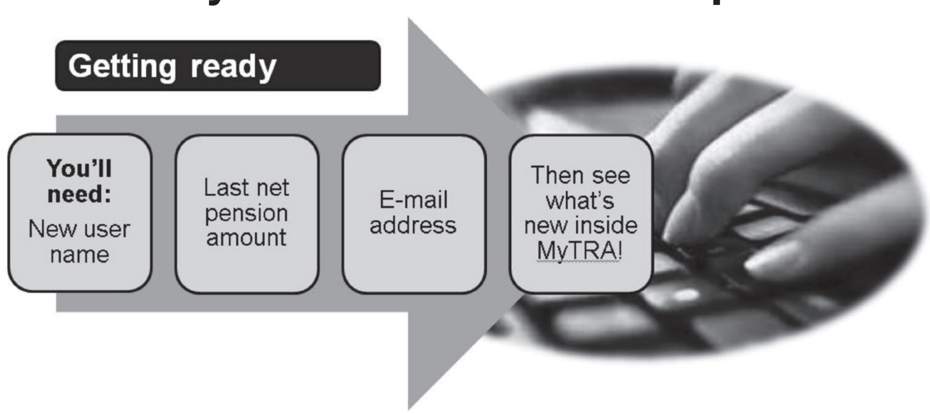
Dayton said that legislation in the 2017 session will be necessary to address the current pension plan funding projections, and that it must contain shared participation and be

(Continued on page 3)

NEW LOOK: Easier-to-use MyTRA debuts mid-September

Your MyTRA online account at www.minnesotatra.org soon will be getting a facelift.

MyTRA will have a different look beginning in mid-September to make it easier to use and even more secure. The same functions and account information will be available to you, but in a new format.



Even if you already have an account, you will need to re-register in September to use the online services. To get started, you will need to create a new user name. You will also need your e-mail address, the net amount of your most recent pension check, and other personal data to enable us to verify your identity. Watch for more details about the new MyTRA account management system in the fall TRIB newsletter.

President's corner

TRA Board

What just happened?

For those of us pursuing meaningful pension legislation, the 2016 session featured weeks of frustration, bizarre twists and turns, and baffling stops and starts. The pension bill at one point went backward and sideways in the committee process – with the pension commission one of the last stops, rather than the first – only to be ultimately vetoed by the governor!

Lawmaking is often compared to making sausage. If that's the case, the bill we wound up with this year was a fairly small and unsatisfying meatball.

The governor acknowledged its deficiencies when he vetoed the measure, which would have reduced the retiree COLA to 1 percent for one year only.

Now we have to ask the legislature to put together something more substantial and balanced next year – something that doesn't place the sustainability burden solely on the backs of retirees but involves all members and employers. The good news is that Gov. Dayton wasn't the only leader at the Capitol who has gone on the record to say that a more comprehensive and balanced sustainability package must be passed in 2017.

A lot can happen between now and then. The November election will determine the makeup of the House and Senate. There is likely to be significant turnover on the pension commission, and the gavel will pass to the Senate.

Next year will be a budget year, which will give the governor and legislature a better opportunity to plan for pension costs and develop more far-reaching legislation.

And next year our message will be the same: Adjustments to the TRA plan are periodically necessary to preserve and strengthen it for the coming generations of teachers.

We believe that a defined-benefit pension plan is by far the best retirement safety net for public employees – and most definitely for teachers, whose population is overwhelmingly female and whose lifetime earnings tend to be less than men's. Together with Social Security and personal savings, pension plans help promote self-sufficiency by providing modest but stable retirement income.

Teachers know it intuitively, and academic studies back it up: Pensions improve teacher recruitment and retention at a time when it's more important than ever to have experienced professionals in the classroom.

The TRA pension plan has been serving educators with this retirement plan model for many decades. Make sure your legislators know the value of teacher pensions and that it is important to make the TRA plan sustainable into the future.

For our part, we will be urging lawmakers to go back into the kitchen to craft a more hearty, balanced product next year. We hear artisan sausage is all the rage these days.

TRA news briefs

Lobby remodeling complete

Beginning in January, TRA began a remodeling project designed to update our old carpeting and furniture and enhance physical security in our continuing efforts to keep your private data safe. The new reception area is more spacious and, we hope, more welcoming. There is a kiosk for you to plug in and use mobile technology to access needed information while waiting for your scheduled appointment.

Welcome, new retirees!

Congratulations on your retirement. You and about 1,800 other members retiring this summer join more than 60,000 TRA retirees and beneficiaries. New annuitants will now get the retiree newsletter. Questions? We're here weekdays from 7:30 a.m. – 4:30 p.m. at 651-296-2409 or 800-657-3669. You can also e-mail us at info@minnesotatra.org.

TRA retirees by the numbers

- Benefit recipients: **60,198**
- Oldest benefit recipient: **110.5 years**
- Annuitant receiving benefits the longest: **Since July 1, 1967 (48.5 years)**
- Projected average number of years a member retiring in 2015 will receive benefits: **26 years**
- Projected average lifetime benefits paid to a member retiring in 2015: **$686,400** (Assumes $2,200 monthly benefit with a 0% annual increase)

Dayton vetoes 2016 pension bill: 'Not fair'

(Continued from page 1)

funded in order to earn his signature.

The original sustainability package proposed by TRA to the Legislative Commission on Pensions and Retirement (LCPR) did reflect a shared-responsibility approach and featured not only a COLA cut for current and future retirees (today's active teachers), but also an employer contribution rate increase. All of TRA's stakeholder groups supported the original proposal with the stipulation that the cost of the employer rate increase be offset by an increase in state aid formula for schools to avoid negative impacts on school programs.

LCPR chair Rep. Tim O'Driscoll (R-Sartell), Sen. Sandy Pappas (D-St. Paul), and other lawmakers acknowledged that the proposed stopgap measure was inadequate and said that a more comprehensive sustainability package must be passed in 2017. O'Driscoll said one reason for the failure to pass a more complete package this year is the fact that it was not a budget year and that the original sustainability package would require "heavy financial lifting."

During debate on the House floor, Rep. Mike Nelson, D-Brooklyn Park, said the measure that passed both chambers took sustainability "out of the hide of retirees only," and that it was not fair.

The pension commission this year received actuarial experience studies detailing demographic and economic assumption changes made necessary because of increased member life expectancies and decreased investment expectations. With retirees living longer and collecting pensions for a longer period of time, the system takes on added costs and must make periodic adjustments to maintain financial stability.

The original proposal recommended by the TRA board would have reduced TRA's 2 percent COLA to 1 percent for five years and then to 1.75 percent in subsequent years. The board's proposal also called for an increase in TRA employer contribution rates from 7.5 percent to 8.5 percent accompanied by increased state aid through the school aid formula to offset those increased costs, estimated at $43 million annually. The combination of these measures would have comprehensively addressed the problem created by the experience study findings.

"To maintain TRA's long-term funding stability, we need to return next year to pursue a balanced, shared-responsibility approach."

—Laurie Hacking, TRA

"To maintain TRA's long-term funding stability, we need to return next year to pursue a balanced, shared-responsibility approach that will address TRA's financial challenges," said Laurie Hacking, executive director of TRA.

Pappas and O'Driscoll said that the original TRA sustainability plan is expensive because it requires more from school districts, and as it became clear that money would not be made available this year, the bill was scaled back. The stopgap bill was designed to provide time to consider what kind of adjustments in state aid to school budgets will be required to offset the needed increase in employer contributions, they said.

Pappas said that with the Consumer Price Index, a measure of inflation, at under 2 percent, LCPR members have been torn about cost-of-living increases for retirees. "In our pension principles, we really believe we need to retain the buying power of the retirees' paycheck in order to not have it erode," but the COLA is expensive, she said.

There was a bit of back-and-forth on the Senate floor as legislators questioned Pappas about TRA's 8 percent investment assumption, with some asserting it was too high. Pappas said that the pension funds, their actuaries and boards – as well as the pension commission – consult with the Minnesota State Board of Investment (SBI), which has an excellent record of strong management and an appropriately long-term investment horizon.

Sen. Dave Thompson, R-Lakeville, said that the pension systems are "unmanageable" and "unworkable," and that it's dangerous to assume an 8 percent rate of return. Thompson said the legislature should discontinue the defined-benefit program and go to a defined-contribution plan such as the 401(k)-type plans found in the private sector.

Pappas said that transitioning from a defined-benefit pension to a defined-contribution model would cost billions of dollars in the near term because benefits would continue to be paid out even though no new contribution revenue would flow into the closed DB plan.

Longtime LCPR member Sen. Julie Rosen, R-Vernon Center, said the pension bill that went to Dayton was a good compromise.

"When you do reform in pensions it's very slow," Rosen said, as debate on the bill drew to a close. "And you have to do it deliberately and with seriousness and make sure those funds stay viable."

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For use ONLY if you wish to report a name, address or email address change. Updates can be made online at www.minnesotatra.org. You also may call TRA Member Services at 651.296.2409 or 800.657.3669, or mail the form below to TRA. Be sure to include the above, printed mailing address with your mailed request.

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

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

About post-retirement work

Not ready to hang up your chalk for good? Here's what you need to know about working after retirement.

- TRA retirees may return to work with a TRA-covered employer and earn up to the $46,000 earnings limit without deferring the receipt of a portion of their TRA pension benefit. The earnings limitation is applied on a fiscal year basis (July 1 to June 30).
- MnSCU participants in the annuitant employment program have a $66,000 earnings limit while on the program.
- If you are under Social Security's normal retirement age and retired for only part of the year, the earnings limitation amount will be prorated. The earnings limitation does not apply once you reach Social Security's normal retirement age or return to work in a position not covered by TRA.
- 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). No interest is earned on account balances. You may apply for a refund of your ELSA account at any age if it has been at least one year after the last amount was redirected to your ELSA account. You may receive direct payment of your refund or have all or a portion of your ELSA refund rolled over to a traditional IRA or an eligible employer plan.