



## Funding status improves; pension discussion begins

### Funding progress

TRA's funding status improved markedly in the past two years due to 2010 pension reforms and improved market conditions. As of June 30, 2011 it is estimated that the TRA funding status (market value) had risen to 78.4 percent from 59.8 percent in 2009. This means that TRA has assets today to cover over 78 percent of both current and long-term liabilities. The TRA deficit, after including the scheduled employee and employer contribution rate increases through 2014, is down to 0.2 percent of active member covered salaries. This deficit measure has greatly improved from the 11.1 percent reported as of June 30, 2009.

TRA assets have rebounded from nearly \$14 billion to \$17.2 billion on June 30, 2011. The State Board of Investment (SBI), responsible for investing TRA assets, reported a fiscal year 2011 investment return of 23.3 percent, the largest return in 25 years. For fiscal year 2010, the investment performance was 15.2 percent.

Strong investment performance for the past two years, plus pension reform legislation enacted in 2010, are the key elements responsible for these funding improvements. The TRA Board of Trustees will review the final financial results in December.

### Commission begins work early

Although the 2012 legislative session doesn't begin until January 24, the Legislative Commission on Pensions and Retirement (LCPR) will begin meeting to review several pension-related issues. Currently, meetings are scheduled for: September 21 and 22, October 19 and 20 and November 9 and 10 ([www.commissions.leg.state.mn.us/lcpr/mtgnotice.htm](http://www.commissions.leg.state.mn.us/lcpr/mtgnotice.htm)).

Discussions that will impact TRA members include:

- ▶ Review of the mandated study of defined benefit, defined contribution and other alternative retirement plans for Minnesota public employees, which was submitted to the Legislature on June 1, 2011.
- ▶ Potential actuarial assumption changes, including a proposal to lower the investment assumption from the current rate of 8.5 percent (refer to the *President's corner* article on page 2 for more details).

Heightened attention to pension-related issues is prevalent throughout the country. Issues considered by the LCPR could have substantial plan and financial impacts on the fund. Legislative updates will be posted on our web site as they occur. Also, we encourage you to visit the Commission's web site to stay current with meeting dates and topics.

### We hear you

News about TRA's funding status, beneficiary and survivor information, and retirement application instructions are the topics you most want to read about, according to a survey of active members conducted over the summer.

Only 59.3 percent of respondents rated their knowledge of TRA benefits as good or excellent.

Members rated this newsletter, publications in general, and the Personal Statement of Pension Benefits as the most helpful resources.

Mail and email were the preferred methods of communication; followed by notification through a secure online account, and direct contact with a TRA counselor.

When asked why some members do not use the TRA web site, many responded that they didn't need additional information, or that setting up an online account was confusing or that they don't like to work online.

Thank you for completing our survey. Your responses will help refine the information we provide and the methods we use to communicate with you.

# President's c o r n e r



Martha Lee (Marti) Zins, President

## Pensions and investment performance

Understanding pension funding can seem overwhelming, especially when trying to comprehend unfamiliar terms and acronyms on top of funding calculation methods. If there is one thing to remember, it is the important role that investment performance plays in funding long-term pension costs. Over the long-term career of a teacher, TRA investments are expected to fund about 70 percent of the total cost of a lifetime pension. Also, investments are an important factor in helping reduce pension costs to our members, taxpayers and the state.

Since 1989, employee and employer contributions deposited in the TRA Fund have been expected to earn 8.5 percent annually over the career of a teacher, until needed to pay retirement benefits. For the 20 year period, July 1, 1991 through June 30, 2011, the TRA Fund earned an average of 8.80 percent. Over the past five and ten year periods, investment performance has not met the expected assumption, with the TRA Fund earning an average of 5.35 percent and 5.88 percent, respectively. When investments do not perform as expected, the cost has to be made up through increased member and employer contributions, or reduced benefits.

The topic of whether to continue to use an 8.5 percent investment earnings assumption has been raised

several times through the years. Most recently, some legislators have commented that this assumption is too high. Indeed, several public pension systems have recently lowered their earnings assumptions, with survey data of public pension funds showing that the most common assumption is now 8.0 percent.

The Minnesota State Board of Investment (SBI) is responsible for investing TRA assets, and invests to meet a target rate established by the Minnesota Legislature. For fiscal year 2011, the SBI reported an investment return of 23.3 percent – the best performance in 25 years. Unfortunately, July and August 2011 brought a sharp downturn in the markets. The volatility of investment markets in recent years complicates a decision on what is the most appropriate investment earnings rate for the long term.

The effect of lowering the investment assumption from 8.5 percent to 8.0 percent is significant. It reduces expected future investment revenue and forces us to recognize higher pension costs now. Doing so increases TRA's pension costs by over \$1 billion and lowers TRA's funding ratio by about 4 percent (78 percent to 74 percent on June 30, 2011). As a result, TRA's funding gap would increase by an amount equivalent to 2.8 percent

of payroll or over \$100 million annually. With state general fund aid delays to school districts and stagnant member salaries, this undoubtedly would add additional financial pressure on TRA, its retirees, members and employers.

The TRA Board of Trustees is reviewing data and studying input from our actuary and SBI staff, so that they can develop a position on whether or not to change the investment assumption prior to the start of the legislative session in January 2012.

Two consecutive years of strong investment returns, plus the plan provision reforms passed by the 2010 Legislature, has increased TRA's funding ratio from 59 percent to 78 percent. Certainly, many challenges remain, but facing those challenges head on, as we did in 2010, is where we will be focusing our efforts.

Don't forget that the TRA web site address has changed to: [www.minnesotatra.org](http://www.minnesotatra.org). Be sure to update your bookmarks and stay current on the latest legislative developments.

We have also established a presence on Facebook, as an additional method of providing important information to you: [www.facebook.com/MinnesotaTRA](http://www.facebook.com/MinnesotaTRA). Sign up as a fan of TRA and updates will be sent directly to your personal Facebook news feed page.

**Visit TRA at the  
Education Minnesota  
Conference**

October 20, 2011  
St. Paul RiverCentre

## Court upholds Minnesota pension reform measures

In a decision issued on June 29, 2011, District Court Judge Gregg Johnson upheld the constitutionality of provisions of the 2009 and 2010 pension reform laws, which amended the statutory formula for future pension adjustments for retirees of Minnesota's three statewide retirement systems. Judge Johnson noted that last year's sustainability legislation was a "reasonable response to a fiscal threat that jeopardized the long-term interests of Plan members, the State, and the State's taxpayers." He noted that the Legislature sought to balance the interests of all plan members with statute changes affecting all parties involved, not just retirees.

The 2010 financial sustainability legislation reduced the projected future costs of the three statewide systems by \$5.9 billion combined. Coupled with beneficial investment gains realized by the pension systems over the last two years, the funding picture for all three systems has improved.

"Judge Johnson's findings that the Legislature and pension systems acted responsibly are gratifying," TRA Executive Director Laurie Fiori Hacking said. "Last year's law changes were the result of a bipartisan consensus in the legislature that something needed to be done quickly, but in a way that shared the sacrifice needed to restore our system to financial health. We were successful because we had the strong support of our member, retiree and employer stakeholder groups in advancing this legislation."

The deadline for the retirees' attorney to file an appeal to the Minnesota State Court of Appeals has passed, so the decision of the district court stands.

## Be the first to know

When an updated counseling schedule is published, TRA sends out an email notification to members who are nearing retirement eligibility. Also, when benefit statements are available online, we send an email to all active members who have provided an email address to TRA.

If you would like to receive various email notifications, you can do so by establishing your online account, calling TRA Member Services at 800.657.3669, or mailing the address portion of this newsletter to TRA with your email address.

### Benefit statements available in November

A Personal Statement of Pension Benefits is produced for all active members each year. The purpose of this statement is to provide you with an opportunity to verify your records and use the information and estimates for retirement planning. The 2011 active member statements will be available online by the end of November. The statement is formatted so it can be easily printed and filed with your other important TRA documents.

### Counselors are standing by

Our fall and winter individual counseling sessions begin in November and are scheduled for 12 locations in Greater Minnesota: [www.minnesotatra.org/CurrentWorkshopSchedule.html](http://www.minnesotatra.org/CurrentWorkshopSchedule.html). Individual counseling appointments are available year round in St. Paul, Mankato, St. Cloud and Detroit Lakes.

Choose the most convenient time and location and schedule an appointment online by logging on to your MyTRA account. Also, employers received a copy of the counseling schedule and have been asked to forward to staff and post a printed copy in a location easily accessible to our members.

Access to the TRA web site is available between 6:00 am and 11:55 pm, making it easy to review your statement of benefits, schedule a counseling appointment, or access a variety of other information about your TRA account.

### New web site and email addresses:

[www.minnesotatra.org](http://www.minnesotatra.org)  
[info@minnesotatra.org](mailto:info@minnesotatra.org)

## Verify your Part-Time Teacher Program participation

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.

If you are participating in the Part-Time Teacher Program, your employer is required to complete and submit Form TRA-7500 to TRA before October 1.

We suggest you take the time to verify with your employer that all required documentation has been submitted to TRA.



**Teachers Retirement Association**

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[www.minnesotatra.org](http://www.minnesotatra.org)

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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](http://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	



**As a single member, please explain the benefits available to my beneficiaries?**

The benefits available to your survivor(s) if you die before officially retiring with TRA, include:

**Single, Non-Vested**

A lump-sum death benefit equal to your accumulated deductions plus interest to the date of death is payable to either your designated beneficiary or estate, whichever is applicable.

**Single, Vested**

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; OR

You may designate payment of lifetime monthly benefits for either your former spouse(s), or dependent and non-dependent, biological or adopted child(ren), instead of the previously described surviving dependent child(ren) benefits being paid; OR

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.

Beneficiary forms are available by logging on to your MyTRA account.

Beneficiary designation options vary for married members and single members. We will cover beneficiary options for married members in the next issue of the *TRIB*.

You may also wish to review our Pre-Retirement Survivor Benefits overview at: [www.minnesotatra.org/IMAGES/PDF/preretsurvivor-reg.pdf](http://www.minnesotatra.org/IMAGES/PDF/preretsurvivor-reg.pdf).

**Minnesota Teachers Retirement Association**  
**Executive Director, Laurie Fiori Hacking**

The *TRIB* is published three times a year. If differences develop between the information provided and the laws of TRA, the laws will govern.

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