

# 2011 Handbook of Benefits & Services

# TRA



## *Our Mission...Our Members*

*“Striving to be an outstanding retirement system pursuing benefits and services that exceed members’ expectations.”*



Minnesota Teachers Retirement Association

# Introduction

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This handbook provides valuable information about the benefits and services available to you as a member of the Teachers Retirement Association (TRA) and describes many important features of your TRA retirement, disability, and death benefits, as well as beneficiary coverage options.

TRA is a defined benefit plan that has been providing pension coverage to Minnesota educators since 1931. Since that time, we have always kept sight of our goal to serve our members in a prompt, professional and courteous manner while maintaining the financial integrity of the fund for future generations of retired teachers.

The *Handbook of Benefits and Services* has been arranged into three main sections that outline a variety of benefits available at each stage of your teaching career and lifetime.

- [The Teaching Years](#) – disclosure of life-planning ideas, benefit provisions, and communication methods and programs.
- [Nearing Retirement](#) – assistance for retirement planning, procedures and possibilities ensuring maximum benefit potential.
- [The Retirement Years](#) – provision for secure lifetime delivery of benefits with continued efforts in communication and service.

## A positive investment

Your membership in TRA is a positive investment in your future. As a defined benefit plan, you will receive a predictable benefit based on age, length of service and high-five average salary – not on just an accumulated account balance.

As a member, you can look forward to a lifetime pension benefit regardless of stock market performance. You do not have to worry about becoming an investment expert or bearing all of the investment risk alone. Defined benefit plans are the most fiscally efficient means of providing a modest, but stable, retirement income that cannot be outlived.

This benefit could be:

- normal or early monthly retirement benefits;
- disability benefits;
- death benefits, or
- if not vested, a lump sum refund of your accumulated member contributions with interest.

In addition to employee and employer contributions, investment earnings account for about three-fourths of total revenue.

Your pension benefit is calculated as a specific percentage of your high-five average salary based on your age, length of service and a percentage formula multiplier. At retirement, you may choose from one of six plans that offer a lifetime monthly benefit to you, options for survivor coverage, and, if specified by law, a post-retirement annual increase.

In addition, pre-retirement benefits are available should you become disabled or die before retirement. This comprehensive coverage is offered at no additional cost beyond your ongoing employee contributions.

## 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 Association.

## 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 June 30, 2011, the target asset allocation for the investment of the TRA Fund was:

U.S. Equities (Stocks)	45%
International Equities	15%
Alternative Investments	20%
Fixed Income (Bonds)	18%
Cash	2%
Total	100%

As of June 30, 2011, TRA had approximately \$17.23 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.

## Communication

Communication is the key to any successful relationship. Your relationship with TRA will thrive on the same. To help you get the information you need – when you need it – we suggest the following tips to communicate with TRA during your teaching career.

Two of the best ways to stay current on issues that may affect you as a teacher and impact your financial planning during your teaching years, are the *TRIB* newsletter, published three times a year, and our web site ([www.minnesotatra.org](http://www.minnesotatra.org)). We invite you to visit our web site often, as it features valuable, up-to-date information about our benefits and services, as well as interactive benefit calculators for use in your financial planning, links to other pension-related sites and more. In addition, you may review your TRA account history,

print forms, submit a variety of applications, produce benefit estimates, and schedule counseling and workshop appointments online by going to [www.minnesotatra.org](http://www.minnesotatra.org) and completing the registration process. TRA believes that online access to account information is clearly an essential component in providing improved customer service to you.

To supplement our communication efforts, we offer one-on-one retirement counseling appointments and group workshops in several locations throughout the state. For new and mid-career members, we offer the *Your TRA Benefits: The Teaching Years* presentation and pre-recorded webinar that provide general information about TRA benefits and services. The *Preparing for Retirement* workshop is tailored to members who are within two to five years of retirement and provides more detailed information about the retirement process.

You can also find TRA on Facebook. Go to [www.facebook.com/MinnesotaTRA](http://www.facebook.com/MinnesotaTRA) and “like” us. Then every time we post information, you will receive an update on your Facebook page. We are excited to offer this resource as another means to increase communication with our members.

## Address changes

Help us keep in touch with you by submitting mailing and email address changes online or by contacting TRA Member Services. Although you may inform your employer of a mailing address change, it is important that you provide that same information to TRA. You can update your permanent, temporary and email addresses online by logging on to your TRA account at [www.minnesotatra.org](http://www.minnesotatra.org).

## Video library

Member videos/webinars have been produced so you can learn about TRA at your convenience, even if you don't have a lot of time to spare. Videos are intended to provide a general overview of the topic discussed. To access these videos/webinars, go to [www.minnesotatra.org](http://www.minnesotatra.org) and choose Video Library. Additional videos will be added from time-to-time, so be sure to check back often.

Be sure to take the short survey to let us know your thoughts and to provide ideas on future video topics.

## Member Services

For your convenience, you may contact Member Services 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	<a href="mailto:info@minnesotatra.org">info@minnesotatra.org</a>
Web site	<a href="http://www.minnesotatra.org">www.minnesotatra.org</a>

Nearly 100 percent of telephone calls to TRA are answered by experienced counselors without transfer to another staff member.

## TRA offices

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

This central location offers easier access, more parking and greater convenience, especially if you belong to more than one state pension fund. Joint occupancy saves money by sharing space and support services.

60 Empire Drive, Ste. 400	7:30 am – 4:30 pm
St Paul, MN 55103-4000	Monday – Friday

## Satellite offices

The Saint Cloud and Detroit Lakes satellite offices are a joint venture with the MSRS. The Mankato satellite office is staffed by members of TRA, MSRS and PERA. To make an appointment for 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 web site.

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	

Mankato Office	Call for available
Mankato Place, Ste. 1645	dates and times.
12 Civic Center Plaza	
Mankato, MN 56001	

Detroit Lakes Office	7:30 am – 5:00 pm
714 Lake Ave #102	Monday – Thursday
Detroit Lakes, MN 56501	

## Online access to your account

Members may access information about their TRA account through our web site at [www.minnesotatra.org](http://www.minnesotatra.org).

### How do I get started?

It is important to read the following step-by-step instructions before getting started.

The first thing you will need to do is complete the online registration process.

To register, go to [www.minnesotatra.org](http://www.minnesotatra.org) and choose [MyTRA Login](#). Under the heading, *I wish to set up my TRA online account*, choose the Register button and proceed with the registration process as follows:

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 and date of birth. It is necessary to request your SSN and date of birth to verify your identity.
- Select a question and provide an answer.
- Enter your e-mail address.

Your SSN, date of birth and answer to the security question will be used to verify your identity should you forget your User ID or password.

Once you have successfully completed the registration process, you will receive a confirmation of your registration information. We suggest you make a note of your registration information and keep in a secure place for future reference.

You are now ready to log in. Under the heading, *I have already registered and wish to log in*, enter your User ID and password and choose the Login button. You will then receive a navigation screen that displays all of the functions available to you according to your account status. Web site capabilities available to active

members are different from those available to retirees or benefit recipients. If you have more than one account with TRA – let’s say 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. Once you select the account you wish to view, you will be directed to the appropriate navigation screen.

### **What’s online?**

From 6:00 am to 11:55 pm, the following functions will be available (if they pertain to your specific situation):

#### **Active members will have access to:**

Permanent and temporary address changes

Estimates

- Retirement
- Survivor Benefits
- Applications/Forms
- Apply for Retirement Benefits
- Apply for a Refund
- Beneficiary Forms (Married or Single Members)
- Release of Information Form

View Account Information

- Personal Statement of Pension Benefits
- Leave of Absence History
- Account Value Letter
- Account Information and Service Credit
- Account History

Counseling

- Schedule an Individual Counseling Session
- Group Workshop Reservations

#### **Retired members or benefit recipients will have access to:**

Permanent and temporary address changes

Edit Account Information

- Direct Deposit
- Current Federal and State Tax Withholding Designation
- Future Federal and State Tax Withholding Designation

Applications/Forms

- Beneficiary Change Form (No Refund, Guaranteed Refund or 15-Year Guaranteed Plans Only)
- Earnings Limitation Savings Account (ELSA) Refund
- Earnings Limitation Savings Account (ELSA) Beneficiary Designation
- Income Verification Letter for Lender
- ELSA Account Value Letter
- Release of Information Form

View Account Information

- Payment Detail
- Earnings Limitation Savings Account (ELSA) Annual Statement
- 1099-R
- Payment History

Simply choose the word or phrase to the right of the function you wish to access. For example, if you wish to produce an Account Value Letter, simply click the word “Generate” to the right of Account Value Letter.

#### **Forgot your User ID or password?**

Just choose the “User ID Reminder/Password Reset” link under the Member Login box. You will be asked to provide your date of birth and Social Security number to verify your identity. Then you will be asked the answer to the security question you chose when you set up your TRA online account. Once this information is verified, your User ID will be displayed and you will be asked to enter a new password.

If for any reason you cannot provide the information requested, or are experiencing other issues with the TRA web site, please call TRA at 800-657-3669, Monday through Friday, 7:30 am to 4:30 pm, and a TRA representative will assist you.

## What security measures have been taken to protect my account information?

**TRA's responsibility** – TRA has taken every precaution to protect your account information. When online forms ask you to enter sensitive information, that information is encrypted and protected with the best encryption software in the industry - SSL (Secure Sockets Layer). While on a secure page, the lock icon (🔒) will appear in the bottom right-hand corner of your web browser. When you are on a page that is not secure, the lock icon may appear unlocked (🔓) or may not be present at all. Another way to verify that you are on a secure web site is that the web site address that appears in the address bar at the top of your screen will begin with "https" (as opposed to "http").

TRA will never ask for your password in an unsolicited phone call or e-mail.

**Your responsibility** – Authorized use of your User ID and password is your responsibility. Do not divulge your User ID or password to anyone. It is also your responsibility to log off after each session. Sessions will end automatically after 10 minutes of inactivity.

If you receive a letter or e-mail about your TRA account that seems suspicious, please call TRA immediately. Do not respond to the request unless you receive verification from a TRA representative that the request is valid.

### Continued personal service

Although we are excited to provide expanded web site capabilities, we want to assure you that all services available through our web site will continue to be available by contacting TRA. Web site enhancements are not meant to take the place of personal communication. Instead, they have been made available as an additional tool for use by our members.

## The Teaching Years

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Early in your teaching career, retirement seems a distant concern, but it is never too soon to plan for the future. A financially secure retirement requires advance planning, prudent investing and wise money management. An important ingredient in your retirement planning is an understanding of your TRA pension plan, its benefits and services.

To assist you, we have prepared the [\*Your TRA Benefits: The Teaching Years\*](#) webinar. This pre-recorded, webinar provides general information for members of all ages. During this presentation, you will explore topics that include your TRA Personal Statement of Pension Benefits, web site benefit calculators, survivor coverage, disability benefits, divorce, various leaves, retirement calculation methods, and the six life plan options.

### Vesting

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 rather than a refund of your contributions.

If you have performed TRA-covered service after May 15, 1989, you are vested after only three years of teaching service, allowing you to leave your contributions in TRA to grow with interest until you retire. This protects your pension coverage if you decide to leave your TRA-covered position.

If you performed TRA-covered service after June 30, 1987, but not after May 15, 1989, you are vested after 5 years of service and 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 16). Your combined service credit can be used to meet your vesting requirement of 3, 5 or 10 years.

## Contribution rates

Your salary determines your member contributions. Contribution rates are determined by statute and subject to change by the Minnesota Legislature.

Legislation passed during the 2010 session increased member and employer contribution rates.

Coordinated Plan	Before July 1, 2011	July 1 2011	July 1 2012	July 1 2013	July 1 2014
Members	5.5%	6.0%	6.5%	7.0%	7.5%
Employers	5.5%	6.0%	6.5%	7.0%	7.5%

## 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). Please consult with the [Internal Revenue Service](#) (IRS) or review the pertinent IRS publications with your personal tax advisor *before* deducting IRA contributions on your federal income tax return. TRA contributions were first approved for tax-sheltered status in 1983. An IRS letter of determination reconfirming TRA’s 401(a) status was provided to TRA in 2004.

## Service credit

Service credit affects your eligibility for benefits and the amount of your benefits. One year of full-time service credit is earned by teaching five or more hours a day for 170 or more days during a fiscal year (July 1 through June 30). No more than one year of service credit is allowed in a 12-month period. Paid sick leave, vacation days and all required paid attendance days and hours (such as workshops) are counted toward service credit.

Service credit for less than full-time teaching service is calculated as equivalent days unless you qualify for the Part-Time Teacher Program or a leave of absence and elect to purchase full-time service credit (starting on page 7).

## Service credit calculation change (2012)

For teaching service performed after June 30, 2012, service credit will be calculated using your salary relative to an “annual base salary” based at the lowest BA level, full-time teacher base contract salary in each district. Salary will be tied to the pay period begin and end dates for when it is earned. Annual service credit will be calculated by adding monthly service credit amounts during the fiscal year. No more than one year of service is allowed during any fiscal year.

## Minnesota State Colleges and Universities (MnSCU) members

Full-time service credit for [MnSCU](#) members is determined by the definition of full-time employment in the collective bargaining agreement or in the applicable personnel or salary plan. Part-time service credit is the proration of equivalent full-time service.

## Minneapolis School District members

Service credit for [Minneapolis School District](#) members:

- Full-time equivalent (FTE) service is converted to days based on a 192 day year for teachers and a 260 day year for administrators.
- Days will be divided by 170 to calculate service credit.
- Hourly work will be calculated by dividing the hours by 7.25 to obtain days worked and then dividing the days worked by 170 (TRA’s requirement to receive a full year of service credit).
- FTE service will be combined with hourly service to obtain annual service credit.

## Alternate service credit calculations

Alternate service credit calculations not shown here have been developed and approved by the TRA Board of Trustees (e.g., 4-day work weeks, online learning, etc.).

## 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.

[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.

## Personal statement of pension benefits

A Personal Statement of Pension Benefits is available online for all active and inactive members each fall. The purpose of this statement is to provide 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, an explanation of any adjustments that were made during the fiscal year (July 1 through June 30), and an estimate of the refund value of your account.

Vested members may also receive:

- Current estimates for retirement, disability, and survivor benefits.
- Deferred benefit estimates, assuming a member has terminated service with all TRA-covered employers and is waiting to collect a retirement benefit from TRA.
- Projected benefit estimates based on years of service and salary. These estimates assume continued full-time work and are calculated using a 2.0 percent annual salary increase. Various projected benefit estimates will be included depending on age and years of service with TRA.

If you would like an estimate of your projected retirement benefits for a date other than the date provides in your statement of benefits, you may log in to your member 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. The service credit is the ratio of the number of full days taught to 170 days.

All leaves must be authorized by the governing board of a Minnesota state university, college or public school 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 us on the *Leave of Absence Report*, TRA-1500, or the *Extended Leave of Absence Report*, TRA-1501.

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 service credit, you are also 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 19.)

### **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 5) 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 in the case of illness or injury, you are entitled to purchase up to one year of service credit to cover the number of days on leave without pay. 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 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. Payment must be made on or before your effective date of retirement.

### **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.

Payment, without interest, for both the member and the employer contributions is based on the average full-time monthly salary on the date the leave commenced and is calculated using the rates in effect during the time of the leave. Payment must be received by June 30 of the fiscal year while on leave. If payment is received in the year following the year of the leave, it must include interest at the monthly rate of 0.71 percent through the end of the month of payment.

The right to pay for service credit expires on your effective date of retirement.

### **Family leave**

If you are granted an authorized family leave of absence, you may purchase up to 12 weeks of service credit to cover the period of the leave. 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, without interest, for both the member and the employer contributions is based on average full-time monthly salary on the date the leave commenced and is calculated using the rates in effect during the time of the leave. Payment must be received by June 30 of the fiscal year while on leave. Payment may be made in the year following the leave of absence consisting of the employee and employer contributions, 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 three 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. 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 will be determined with a partial year of service credit for each school year that you were on legislative leave. Service credit is determined as the number of full days for which teaching service was actually performed, divided by 170 (the minimum days required to receive a full year of formula service credit).

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 form (TRA-7500) to TRA by March 1 of each school year that you choose to participate. 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. This service credit is based on the ratio of the number of full days taught to 170 days.

In order to help with the accuracy of your future benefit calculations, your employer is still required to certify your “other” leave to us on the Leave of Absence Report, TRA-1500, at the time the leave is

granted. Your employer will be 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,
- work an equivalent of 50 full days,
- 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 MnSCU, as explained in a separate paragraph). 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 MnSCU 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 which proportion you each 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 submit a completed *Part-Time Teacher Program* form, [TRA-7500](#), *before* October 1 of the year in which you will be participating, or by March 1 if you are a legislator.

Please contact your personnel 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

The possibility of becoming disabled is a reality for all teachers regardless of age. During your teaching career, if you should become disabled after at least three years of allowable 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 will 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 will have the right to elect a lifetime annuity 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 in order to provide survivor coverage for your designated beneficiaries. The annuity plan listings start on page 19.

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 12 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.

## Single members

### 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. Interest is compounded annually at 4 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).

### 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. 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 4 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.

### Non-vested

- Your spouse 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 4 percent. Contributions made by your employer are not included in this benefit.

### 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 5, 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-5 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 5, 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 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 and 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. Employer contributions are not included in the refund amount. Prior to July 1, 2011, interest is compounded annually at a rate of 6 percent (5 percent interest if you have not taught since May 15, 1989). Beginning July 1, 2011, an interest rate of 4 percent compounded annually will be applied.

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.

**Important Reminder:** If you are vested with three or more years of service credit, we encourage you to consider a deferred annuity (page 19) before making an application for a refund because of the potential greater value of a lifetime annuity.

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

#### Taxation of refunds

The federal rules governing the taxation of refunds are complex. 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

If you are a TRA member who previously received a refund, you may repay TRA refunds after accumulating two years of allowable service credit with TRA or another Minnesota state public pension fund. The repayment must include interest compounded annually at the rate of 8.5 percent, computed from the date of the refund to the date of repayment, and be repaid prior to your retirement.

### Partial repayment

If you have at least two years of past forfeited service taken from a single public pension plan, you may repay a portion of all refunds taken under certain conditions.

First, the minimum portion of a refund repayment must be one-third of the total service credit period of all refunds taken from a single plan. Second, the cost of the partial refund 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 8.5 percent, compounded annually, from the refund date to the date repayment is received. 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.

### 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](#).

### Payment options

You may repay a refund, make payment for a leave of absence, or purchase military service 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. An eligible pension plan includes a plan qualified under Section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan, a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

### 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](#)). In addition, 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, the remaining payments must be made to the former spouse's estate, and
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 web site.

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 effect 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

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Retirement is an event that most of us look forward to during our working careers. Since a financially secure and happy retirement takes planning, we would like to assist you by providing the following information and services.

## Counseling services

A secure retirement requires planning, saving, prudent investing and wise financial management. Maintaining communication with TRA will help you achieve a smooth and informed transition into retirement. To facilitate this communication effort, 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 2-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. Positive feedback from those who have attended these workshops indicates that members learn not only from the formal presentation, but also from each other during the question and answer period.

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. To assist you in your planning, counselors provide personal benefit projections for all six life plans, as well as the accelerated retirement options. For your convenience, we offer individual, pre-retirement counseling at our Saint Paul, Saint Cloud, Mankato and Detroit Lakes offices.

For those of you who live and work outside of the Twin Cities area, and cannot make an appointment at one of our satellite offices previously listed, we offer pre-retirement counseling services throughout the state. An annual schedule of dates, times and locations is published in the [TRIB newsletter](#) each summer.

Schedules are also available at school offices and on our web site at [www.minnesotatra.org](http://www.minnesotatra.org).

You may reserve your spot for a group workshop or an individual counseling session by going to [www.minnesotatra.org](http://www.minnesotatra.org), and logging in to your member account. You may also contact TRA by calling 800.657.3669 and pressing "1" to connect with our appointment desk.

If you wish to make a reservation, please have the following information available so an individual retirement estimate can be prepared: 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.

## 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:

- [Saint Paul Teachers Retirement Fund Association \(SPTRFA\)](#)
- [Duluth Teachers Retirement Fund Association \(DTRFA\)](#)
- [Minnesota State Retirement System \(MSRS\)](#)
- [Public Employees Retirement Association \(PERA\)](#)
  - [Minneapolis Employees Retirement Fund \(MERF\)](#) (as of July 1, 2010, MERF became a division of PERA)

If your combined service meets your vesting requirement of 3, 5 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, MSRS and/or DTRFA, the

vesting requirement is 5 years. The definition of “newly hired” varies among these three 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 5 to review the definition of vesting.

If you were 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.

## Normal retirement age

In 2000, the [Social Security Administration](#) (SSA) gradually increased the definition of full retirement age (FRA).

Year of Birth	SSA FRA	TRA NRA
1937 and prior	65 yrs	65 yrs
1938	65 yrs, 2 mos	65 yrs, 2 mos
1939	65 yrs, 4 mos	65 yrs, 4 mos
1940	65 yrs, 6 mos	65 yrs, 6 mos
1941	65 yrs, 8 mos	65 yrs, 8 mos
1942	65 yrs, 10 mos	65 yrs, 10 mos
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

Normal retirement age (NRA) for TRA members hired after July 1, 1989 (Tier II), is the age at which you are eligible to receive full Social Security benefits, but not to exceed age 66. Therefore, if your year of birth is 1958, your normal retirement age for TRA would be 66; but your full retirement age for Social Security would be 66 years and 8 months.

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

## 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 NRA 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. Please 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 formulas. No election is necessary. At retirement, you automatically receive the greater of these two benefits.

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

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.
2. If you **retire early**, a 3 percent per year reduction factor will be applied for each year under normal retirement age.
3. **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 formula only.

Years **through** June 30, 2006 1.7 percent per year

Years **after** June 30, 2006 1.9 percent per year

Under the Tier II provision:

1. **Normal retirement age** is the retirement age for full Social Security retirement benefits, but not to exceed age 66.
2. If you **retire early**, a 4 to 6 percent per year reduction factor will be applied for each year under normal retirement age.
3. 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.

## Application procedure

We encourage you to take advantage of our retirement counseling service if you have not done so. 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 (TRA-4000) to TRA.

Your application for retirement may not be filed sooner than 120 days before you terminate teaching service. Termination of teaching service means your withdrawal from active teaching by resignation or by the termination of your teaching contract by your employer.

You are not considered to have terminated employment if, before the age of 62, and before the effective date of retirement, they have entered into a contract to resume teaching service with a TRA-eligible employer. 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 (see Return-to-work agreement).

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

## Date of retirement

Your effective date of retirement is the latest of:

- 1) the day after termination of teaching, 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 termination of teaching service as specified by the member.

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 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 accrual 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 Colleges and Universities (MnSCU) system.

## Changes/cancellations

You may cancel your application for retirement or change your retirement plan election 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.

## 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	Prior to July 1, 2012: Approximately 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 After July 1, 2012: 2.0 percent
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Members hired on or after July 1, 2006	Prior to July 1, 2012: 2.5 percent After July 1, 2012: 2.0 percent
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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.

## Life 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. A short video has been produced that describes TRA's six annuity plans. This video and others can be viewed by going to: <http://www.minnesotatra.org/videos/videos.html>.

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.

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

## Plan selection for married members

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 20).

## 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.

## Beneficiary designations

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) die 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 optional joint annuitant (OJA). If you die before your OJA, your OJA is paid an amount equal to a percentage of your monthly payment: 100 percent, 75 percent and 50 percent, depending on the plan selected.

You may designate more than one OJA. In the event of your death, your OJA will continue to receive monthly benefits for life. *Payments will cease upon their death.* The three survivor plans contain a **bounceback** 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 OJA, all payments will cease upon his/her death. Should the OJA predecease you, your monthly payment will bounceback to the full No Refund plan amount and then payments will cease upon your death.

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

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

If you divorce after retirement, an OJA designation may be rescinded, if court ordered.

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

**Optional Joint Annuitant Who is Not Your Spouse** – You may designate any person as your OJA. 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 100 percent and the 75 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.

By law, a married member must choose a survivorship plan, unless the spouse waives the selection of this type of plan.

## Cost of survivor protection

At common retirement ages of 58, 62 or 65, with a joint annuitant who is three or less years younger than a TRA retiree, the approximate cost of the 100 percent lifetime beneficiary protection of the 100 percent survivorship plan is approximately 10 percent to 15 percent of the No Refund plan benefit amount. The cost of the 75 percent survivorship plan is about 8 percent to 12 percent and the cost of the 50 percent survivorship plan is approximately 6 percent to 8 percent.

## 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

An insurance agent or financial planner may 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. Remember, if an insurance policy is purchased at the time of your retirement, the cost of most life insurance policies is very high. Also, it may be difficult to pass the medical examination necessary to qualify for the insurance because of health reasons.

In addition, assuming your insurance proceeds are tied to investment returns, the annuity paid to your survivor may not provide the adequate lifetime level of income that was originally planned and projected. By contrast, TRA provides your surviving optional joint annuitant (OJA) with the security and peace of mind of lifetime payments, which may include annual post-retirement increases, if specified by law.

Before deciding whether to purchase a life insurance policy for purposes of pension maximization, TRA suggests you weigh the pros and cons of this decision by consulting with your physician, accountant and tax advisor, as well as a TRA Member Services representative.

## Accelerated annuity

You may elect to receive an accelerated (greater) 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. A short video has been produced that describes your acceleration options. This video and others can be viewed by going to:

<http://www.minnesotatra.org/videos/videos.html>.

This type of annuity is meant to pay a larger benefit during the years *before* you qualify for Social Security or before other investment payments begin. An accelerated annuity is the **sum** of two separate annuities:

- a term annuity payable from your retirement date until you reach the age of acceleration (accelerated/temporary portion);  
and
- an annuity payable for your lifetime (lifetime portion).

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. Please be aware that the accelerated/temporary portion of the annuity will end on your birth date. The more you choose to accelerate prior to the age of acceleration, the less the 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, payment would be commuted and paid in a lump sum to your estate.

It is important to note that 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. For the lifetime annuity, any annual increases are accumulated until the last required payment is made.

We recommend that you thoroughly acquaint yourself with the pros and cons of taking an accelerated annuity *before* electing this option.

*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 your 62<sup>nd</sup> birthday and \$800 a month after age 62 for life, plus any post-retirement increases, if specified by law, on this amount.

## In case of poor health

If you are applying for early retirement benefits due to poor health, please 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 forms necessary to make this application are available from our office, but the decision to apply for disability benefits should be made in consultation with your personal licensed physician, chiropractor, or psychologist.

## Spousal notification

We are required by law to provide your spouse with the projected estimates of your monthly retirement benefit, and we always provide spouses with the same estimates that you receive when you apply for retirement.

Also, your spouse **must** sign your application for retirement, acknowledging awareness of your elections and designations rather than consent to them. Although your spouse may disagree with your elections or designations, TRA must comply with your intentions.

## The Retirement Years

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On average, a 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 120 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

Since your pension check cannot be forwarded by the U.S. Postal Service, it is very important to notify us in advance of permanent or temporary address changes. Please 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.

If you have access to the internet, you can update your permanent or temporary mailing address and your email address online through our web site at [www.minnesotatra.org](http://www.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 informational material.

### 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).

Direct Deposit is safe, fast, convenient, confidential, and free. 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 cannot forward your monthly benefit payment and will return it to TRA, causing a delay. Currently, 94 percent of TRA benefit recipients have chosen direct deposit of their monthly benefit payment.

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

## Post-retirement increases

Once you retire, each January, if specified by law, a post-retirement increase may be made to your monthly benefit.

A two-year suspension of annual post-retirement increases for benefit recipients is in effect for calendar years 2011 and 2012. Beginning January 1, 2013, annual post-retirement increases will be 2.0 percent. Once the TRA Fund reaches a market value funding ratio of 90 percent, the annual post-retirement increase would be restored to 2.5 percent.

When an increase is granted, members who have been receiving a benefit for at least 18 months will receive the full increase. Members who have been receiving a benefit for at least 6 months, but less than 18 months, will receive a prorated increase.

## Earnings limitation

If you resume service for a TRA-covered employer after retirement, you may be subject to an annual earnings limitation.

The earnings limit will be applied to salary earned on a fiscal year basis (July 1 - June 30). For members who are under full retirement age for the entire calendar year, as defined by the Social Security Administration (see chart on page 17), the earnings limitation is \$46,000. If you are under full retirement age and are retired for only a portion of the fiscal year, the earnings limitation amount will be prorated ( $\$46,000 \times \text{number of months retired during the fiscal year} \div 12$ ).

Members who have reached full retirement age are not subject to the earnings limitation. In the fiscal year that you reach full retirement age, you can earn \$46,000 between July 1 through the month prior to reaching full retirement age.

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. Account balances earned 6.0 percent compounded annual interest until December 31, 2010. No *additional* interest is earned on account balances beginning January 1, 2011. 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, 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.

## 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 January 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 December 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 November 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 approximately \$1,600 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 [TRA account](#). You may also contact TRA and request a Minnesota State and Federal Withholding/Change Certificate, TRA-4900.

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

By January 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.

### **Appeals procedure**

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.

## **Contact Information**

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