



Annuity Plans

This overview provides only a very basic description of the TRA pension plan options. For a full explanation, please refer to the *TRA Handbook of Benefits and Services*, or our web site at www.minnesotatra.org.

Six Life Plan Options

TRA offers six options that provide a lifetime benefit for a retiring member. The amount payable under each plan varies, depending on the amount of protection selected for a beneficiary or survivor. 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.

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).

Two short videos have been produced that describe TRA's six life plans and your acceleration options.

Go to www.minnesotatra.org/videos/videos.html to view the following videos: "Choosing A Plan That Is Right For You" or "Choosing Whether to Accelerate Your Benefit."

No Refund

This retirement plan offers monthly benefit payments that are paid 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.

However, 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 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.

If your beneficiary dies before you or if you did not designate a beneficiary, the amount is paid to your estate.

Guaranteed Refund

This plan offers monthly benefit payments that are paid 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.

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.

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.

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, nothing more is payable. If your beneficiary dies before you or if you did not designate a beneficiary, the amount is paid to your estate.

15-Years Guaranteed

Benefits are payable monthly for your lifetime or for at least 15 years, *whichever is greater*.

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 15 years or more, 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, nothing more is payable. If your beneficiary dies before you or if you did not designate a beneficiary, the amount is paid to your estate.

Survivorship Plans

Benefits are payable monthly and are paid for your lifetime. The amount payable is dependent on your survivor plan selection and the age of your designated optional joint annuitant (OJA). We use the term, OJA, instead of beneficiary, since the monthly benefit amount is calculated based on your age and the age of your survivor.

If you die before your joint annuitant, your OJA will continue to receive monthly benefits for life equal to 100 percent, 75 percent or 50 percent of your monthly benefit payment.

Members may designate a Supplemental Needs Trust as the recipient of a lifetime annuity benefit. This does not take precedence over the mandatory spousal coverage by a survivorship plan.

You may designate more than one OJA. If you do so, the plan choice is determined by the age of the youngest OJA (see Optional Joint Annuitant Who Is Not Your Spouse). 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 OJA 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.

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 IRS 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 contact TRA.

Survivor Protection: At common retirement ages of 58, 62 or 65, with an OJA who is three or less years younger than a TRA retiree, the so-called cost of the 100 percent guaranteed lifetime survivor protection is approximately 10 to 15 percent of the No Refund benefit amount. The cost of the 75 percent survivorship plan is approximately 8 to 12 percent of the No Refund benefit amount and the cost of the 50 percent survivorship plan is about 6 to 8 percent.

Accelerated Annuity

At retirement, a member may elect to receive a greater “accelerated” monthly retirement annuity payment until age 62, 65 or normal retirement age, as defined by Social Security. This is called an accelerated annuity and is made up of two parts: 1) the lifetime monthly portion (lifetime annuity) that continues for the duration of your benefit, and 2) the accelerated monthly portion (temporary annuity) that **ends** at age 62, 65 or normal retirement age. A decision to choose an accelerated benefit means that you realize that **at the age chosen, your payment amount will drop and only consist of the lifetime annuity amount.** Choosing to accelerate your TRA monthly payments is not tied to Social Security.

If you die before reaching the designated age, the temporary annuity amount is paid to a designated beneficiary or, if none, to your estate. **Survivor benefits available after the designated age and any post retirement increase that *may* occur after these ages will be less as a result of electing an accelerated payment.** This is because the accelerated/temporary portion of the payment will have ended and calculations will be made using only the lifetime monthly portion of the annuity payment.

Two-Month Window for Changes

You may cancel your application for retirement, change your retirement plan selection, change your optional joint annuitant, or change your accelerated annuity without altering your effective date of retirement if your written request is made within two months of your initial payment date.

If you cancel, you must repay any monthly benefit payments you have received. If you change the choice of a plan or option, your benefits will be changed retroactively to your effective date of retirement by adjusting future payments.

Post-Retirement Increase

Once you retire, each January, if specified under current law, an increase *may* be made to your monthly benefit.

Under current law, annual post-retirement increases are 2.0 percent. Current law also provides that once the TRA Fund reaches a market value funding ratio of 90 percent for at least two consecutive years, the annual increase rises 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.