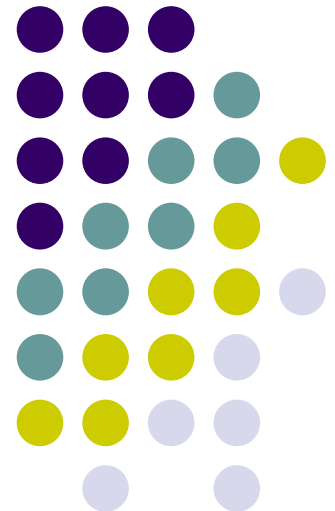


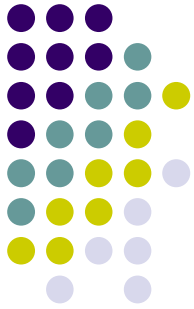
# Preparing for Retirement

2008

**Teachers Retirement Association  
A Minnesota Public Pension Fund**

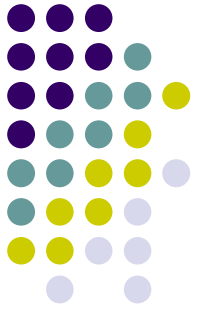


# TRA is a Defined Benefit Plan



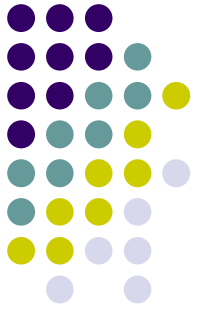
	<b>Defined Benefit Plan</b>	<b>Defined Contribution Plan</b>
Guaranteed monthly lifetime benefit	Yes	No
Annual adjustment (inflation)	Yes	No
Predictable	Yes	No
Pre-retirement survivor death benefits	Yes	Lump sum
Disability benefits	Yes	Lump sum
Portability	Limited	Yes

# Eligibility for Retirement

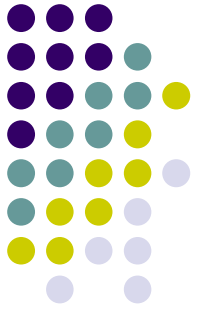


- Age 55, minimum of 3 years of service
- If employed before July 1, 1989:
  - Any age with at least 30 years of service
  - Rule of 90 = age + years of service  
(includes partial years for age and service)

# TRA High-5 Formula

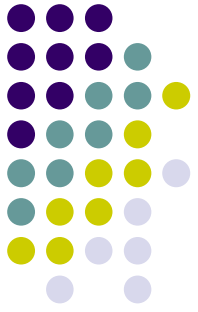


$$\begin{array}{l} \text{High-5} \\ \text{Average} \\ \text{Annual} \\ \text{Salary} \end{array} \times \begin{array}{l} \% \text{ Factor} \\ \text{based on years} \\ \text{of service and} \\ \text{age} \end{array} = \begin{array}{l} \text{Annual} \\ \text{Lifetime Benefit} \\ \text{(Life No Refund)} \end{array}$$



# High-5 Average Annual Salary

- Salary associated with highest five consecutive years of formula service credit
- May not include more than the equivalent of 60 months of earned salary
- “TRA-eligible salary” means compensation before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs.
- Employer-paid fringe benefits, severance payments, etc. are not TRA-eligible salary
  - No TRA deductions taken
  - Not included in High-5 average annual salary



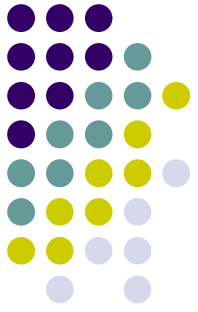
# Tier I and Tier II

## **Tier I — First employed on or before June 30, 1989**

- Benefit calculated using both Tier I and Tier II calculation methods — receive the greater of the two benefits.
- Normal retirement age (NRA)
  - 65 with less than 30 years of service or
  - 62 with 30 or more years of service
- Eligible for the Rule of 90 provision, if age plus service credit equals 90 or more.
- Early retirement penalties apply, except under the Rule of 90

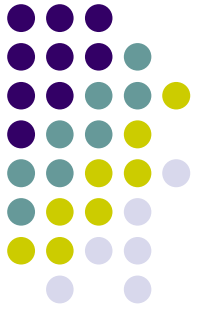
## **Tier II — First employed on or after July 1, 1989**

- Benefit calculated using the Tier II formula calculation method.
- Normal retirement age (NRA) is same as Social Security, up to age 66.
- Not eligible for the Rule of 90 provision.
- Early retirement penalties apply



# Repayment of Refunds

- May repay refund after accumulating 2 years of allowable service credit with TRA or another state public pension fund (combined service)
- Payment must be received before your effective date of retirement
- Repay with interest (8.5 percent compounded annually)
- You may repay using money from a 403(b) tax-sheltered annuity account, governmental 457(b) plan, a traditional IRA or another qualified plan
- Partial repayment option: With 2 or more years of refunded service, you may repay 1/3 minimum

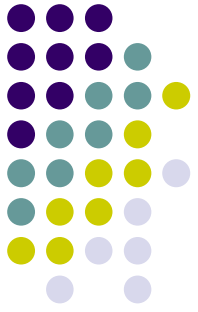


# Minnesota Public Pension Funds

## *Funds that fall under the Combined Service Laws*

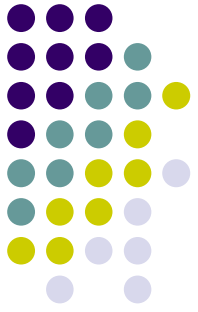
- St. Paul Teachers Retirement Fund Association
- Duluth Teachers Retirement Fund Association
- Minneapolis Employees Retirement Fund
- Minnesota State Retirement System
  - State Employees Retirement Fund
  - Legislators' Retirement Plan
  - Correctional Employees Retirement Program
  - Unclassified Employees Retirement Plan
  - State Patrol Retirement Fund
  - Judges Retirement Fund
  - Elective State Officers' Retirement Plan
- Public Employees Retirement Association
  - Public Employees Retirement Fund
  - Public Employees Police and Fire Fund
  - Public Employees Local Government
  - Correctional Service Retirement Plan

# Disability



- Eligibility requirements:
  - You must be vested and actively teaching or on an official leave of absence at the time your disability occurs
  - Must be a total and permanent disability
  - The application for benefits must be made within 18 months following the termination of your teaching service or leave of absence due to your disabling condition
- Contact TRA if you are retiring due to health reasons
- Uses the Tier II formula and high-5 average salary, with no actuarial reduction

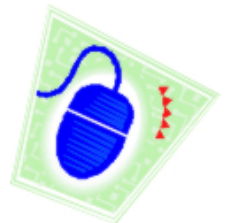
# Retirement Estimate



- Produce your own retirement benefit estimate
  - Go to [www.tra.state.mn.us](http://www.tra.state.mn.us) and log in to your TRA member account
  - Use data on record with TRA

***OR***

- Customize by entering your own salary and service credit figures
- Enter combined service annuity (CSA) information (used to determine your eligibility for Tier I or Tier II benefits and vesting/eligibility – estimates *ONLY* reflect TRA benefit amounts).
- Customize by choosing specific life plan, acceleration options, and tax withholding designations



## Estimate of Retirement Benefits

Estimates provided on this statement are for planning purposes. Upon retirement, actual calculations will be made based on a final audit of your Teachers Retirement Association records and not on the basis of this statement.

Estimate Record : 339593

Calculation Generated : 5/8/2006 3:33:21 PM

Life Plans	Regular Monthly	Accelerated to 62	Accelerated after 62	Accelerated to 65	Accelerated after 65
Life Plan - No Refund	\$713.75	\$1,062.38	\$463.94	\$1,005.30	\$356.87
Life Plan - Guaranteed Refund	\$710.44	\$1,060.23	\$461.79	\$1,003.65	\$355.22
Life Plan - 15 Yrs Guaranteed	\$697.43	\$1,051.77	\$453.33	\$997.15	\$348.72
Life Plan - 100% Survivorship	\$651.92	\$1,022.19	\$423.75	\$974.39	\$325.96
Life Plan - 50% Survivorship	\$680.41	\$1,040.71	\$442.27	\$988.63	\$340.20
Life Plan - 75% Survivorship	\$665.99	\$1,031.33	\$432.89	\$981.42	\$332.99

Assumptions	
Projected date of retirement	6/16/2016
Age at retirement	55 years 0 months
Beneficiary age at retirement	55 years 10 months
Relationship to beneficiary	Spouse
Date of termination	6/1/2016
TRA Service credit earned to projected date of retirement	16 year(s)
Percentage of annual salary increase used	2
High-5 average salary	\$57,113.87

Fiscal Year	Salary	FSC	Indicator
2016	\$58,202.96	1.00	Hi5, Proj.
2015	\$58,540.99	1.00	Hi5, Proj.
2014	\$57,393.13	1.00	Hi5, Proj.
2013	\$56,267.77	1.00	Hi5, Proj.
2012	\$55,164.48	1.00	Hi5, Proj.
2005	\$48,024.00	1.00	Proj. Base

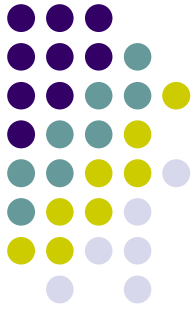
<u>Estimated value</u> at retirement (not a refund value)	\$118,229.25
Years of combined service (optional)	N/A
Number of years earned during first 10 years	N/A
Acceleration less than maximum (optional)	N/A
Federal tax withholding assumptions (optional)	No withholding
Minnesota state tax withholding assumptions (optional)	No withholding

Estimates provided on this statement are for planning purposes. Upon retirement, we will make actual calculations based on a final audit of your Teachers Retirement Association records and not on the basis of this statement.

Messages:

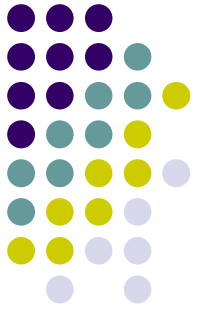
- Social Security benefits payable, if any, are in addition to these figures.

Sample Online Estimate  
Sample Online Estimate

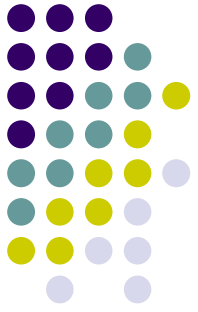


# No Refund Plan

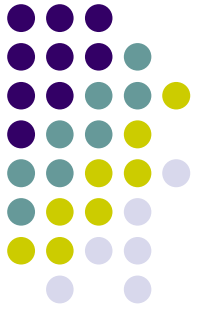
- Member receives a lifetime benefit
- Beneficiary does not receive a benefit



# Guaranteed Refund Plan



- Member receives a lifetime benefit
- Beneficiary receives monthly payments of the remainder of the member's TRA contributions, plus interest, less the benefits already paid to the member



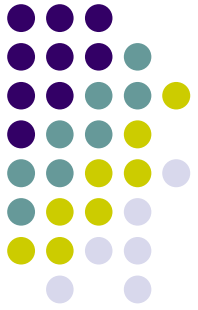
# Guaranteed Refund Plan Example

Member contributions	\$ 50,000
Interest accumulations	+ \$ 50,000
Total in account	<u>\$100,000</u>
Member collected	- \$ 80,000
Balance at death	<u>\$ 20,000</u>

$\$20,000 \div \$2,000^* = 10$  months to be paid to beneficiary

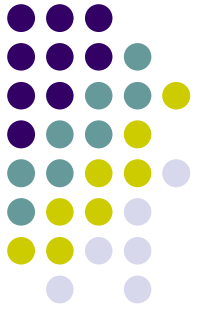
\*Member's original monthly benefit amount

# 15-Years Guaranteed



- Member receives a lifetime benefit
- Beneficiary receives the same monthly amount for the remaining years of the guarantee

# Survivorship with Bounceback



- Member receives a lifetime benefit
- When the member dies, the optional joint annuitant (OJA) receives 100, 75 or 50 percent of member's monthly payment, depending on the plan chosen. Benefit amount determined by the ages of the member *and* the OJA.
- Married members must choose a survivorship plan covering their spouse, unless spouse waives rights to this type of annuity
- Designate any person as an OJA
  - If someone other than a spouse is designated:
    - Spouse must waive rights to receiving a survivorship plan
    - IRS has restrictions on the age difference between the member and the OJA, when choosing the 100 percent or 75 percent survivorship plan.
- If the OJA predeceases the member, the benefit “bounces back” to the greater No Refund Plan amount for the remainder of the member's lifetime.

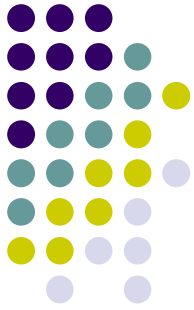
# Six Annuity Plans

*Assumes member is age 59*

*Annual Statements Reflect  
No Refund Plan Estimates*



<b>Life Plan</b>	<b>Monthly Amount</b>	<b>Beneficiary's Age</b>
No Refund	\$2,021	N/A
Guaranteed Refund	\$2,010	N/A
15-Years Guaranteed	\$1,955	N/A
	\$1,816	59
100% Survivorship with Bounceback	\$1,731	49
	\$1,899	69
	\$1,862	59
75% Survivorship with Bounceback	\$1,794	49
	\$1,927	69
	\$1,910	59
50% Survivorship with Bounceback	\$1,862	49
	\$1,955	69

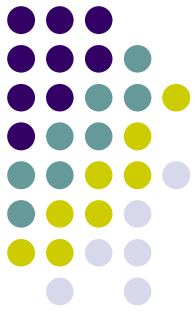


# Acceleration

*Age 59 as of July 1, 2010*

	<b>No Acceleration</b>	<b>Accelerated</b>		<b>Accelerated</b>		<b>Accelerated</b>	
		<b>To 62</b>	<b>After 62</b>	<b>To 65</b>	<b>After 65</b>	<b>To NRA*</b>	<b>After NRA*</b>
No Refund	\$2,021	\$3,159	\$1,718	\$2,982	\$1,415	\$2,924	\$1,314
Guaranteed Refund	\$2,010	\$3,150	\$1,708	\$2,974	\$1,407	\$2,917	\$1,306
15-Years Guaranteed	\$1,955	\$3,104	\$1,662	\$2,936	\$1,369	\$2,882	\$1,271
100% Survivor	\$1,816	\$3,986	\$1,544	\$2,839	\$1,271	\$2,792	\$1,181
50% Survivor	\$1,910	\$3,066	\$1,624	\$2,905	\$1,337	\$2,853	\$1,242
75% Survivor	\$1,862	\$3,025	\$1,583	\$2,871	\$1,303	\$2,821	\$1,210

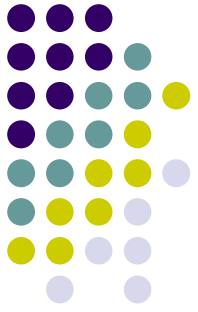
\*For this example, normal retirement age (NRA) means age 66.



# Statistics for Retirees Under 62

*May 16 - September 1, 2007*

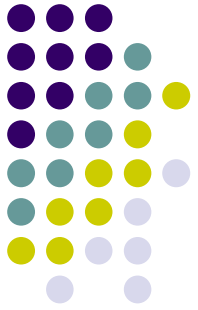
▪ Total number of retirees under 62	1,316	
▪ Number accelerated	846	(64.29%)
▪ Accelerated to age 62	662	(78.25%)
▪ Maximum acceleration	381	
▪ Less than maximum acceleration	281	
▪ Accelerated to age 65	184	(21.75%)
▪ Maximum acceleration	145	
▪ Less than maximum acceleration	39	



# Effective Date of Retirement

- Either the 1st or the 16th of the month following:
  - Termination of service by termination of contract, official resignation, or the last day paid as a substitute teacher
  - Receipt of application if you apply more than six months after termination
  - Date set within six months of termination
- July 1 for administrators and principals
- If under age 62, there cannot be a written or verbal contract in effect
- TRA recommends that you do not work on your effective date of retirement, as this may cause your effective date to be reviewed

# Income Taxes

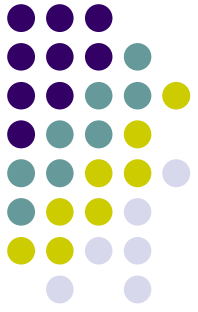


## *Example*

Claiming married with one allowance:

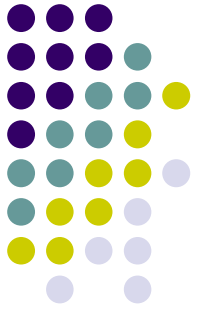
Gross Amount	\$2,000.00
Federal Tax	- 104.00
State Tax	<u>- 64.00</u>
Net Amount	\$1,832.00

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.



# When to Apply for Retirement

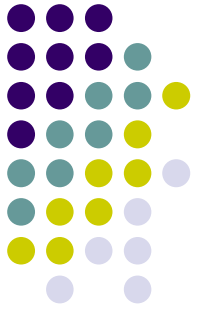
- Teachers
  - Up to 120 calendar days prior to termination  
Example: Your last day is June 8, 2010
  - You may apply as early as February 9, 2010
- Administrators
  - Up to 120 calendar days prior to termination  
Example: Your last day is June 30, 2010
  - You may apply as early as March 3, 2010
- If deferring to age 55 for more than 6 months, your forms should reach us in the same half of the month as your birthday.



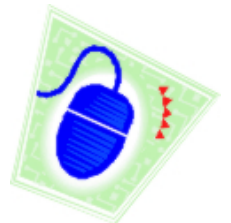
# Cancel or Change Plans

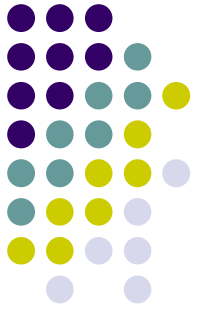
- You have two (2) months following your initial payment to:
  - Cancel an application for retirement
  - Choose a different annuity plan
  - Change the accelerated annuity option
  - Change your optional joint annuitant

# Direct Deposit



- Easier, faster and safer
- Submit direct deposit request online or complete a Direct Deposit Agreement form
- You will not receive a deposit notice
- Up to two months to process initial request
- Deposit to any financial institution associated with the National Automated Clearinghouse Association
- Checks sent through the mail cannot be forwarded

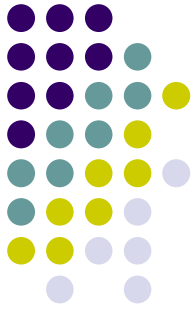




# Earnings After Retirement

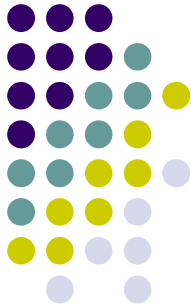
- Earnings limitation applies if resuming TRA-covered service
- For members under full retirement age (age 66) = \$46,000
- Prorated if retired a portion of the year  
( $\$46,000 \times \text{number of months retired during the calendar year} \div 12$ ).
- Over full retirement age: No limit
- \$1.00 for every \$2.00 over the limitation goes into a savings account
- Request refund, plus 6 percent interest, one year after the last deferred amount was redirected to your savings account.
- Request refund online or by contacting TRA
  - View your yearly earnings limitation savings account statement online
- All or a portion of the payment may be rolled over to a traditional IRA or an eligible employer plan

# Earnings Limitation Savings Account



<b>Member Pension</b>		<b>ELSA</b>
1/01/XX	- \$2,000	0
2/01/XX	- \$2,000	0
3/01/XX	- \$2,000	0
4/01/XX	- \$ 0	\$2,000
5/01/XX	- \$ 0	\$2,000
6/01/XX	- \$1,000	\$1,000
7/01/XX	- \$2,000	0
8/01/XX	- \$2,000	0
9/01/XX	- \$2,000	0
10/01/XX	- \$2,000	0
11/01/XX	- \$2,000	0
12/01/XX	- \$2,000	0

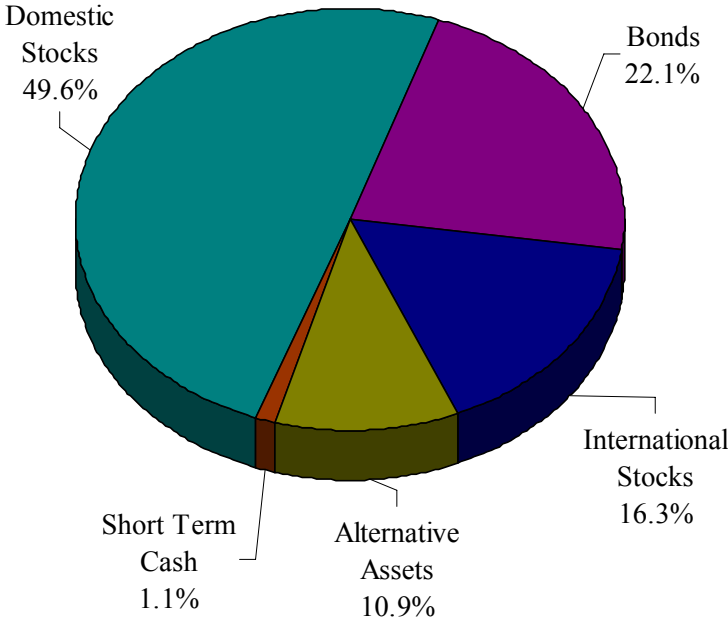
This example, assumes the retiree exceeded the earnings limitation by \$10,000.



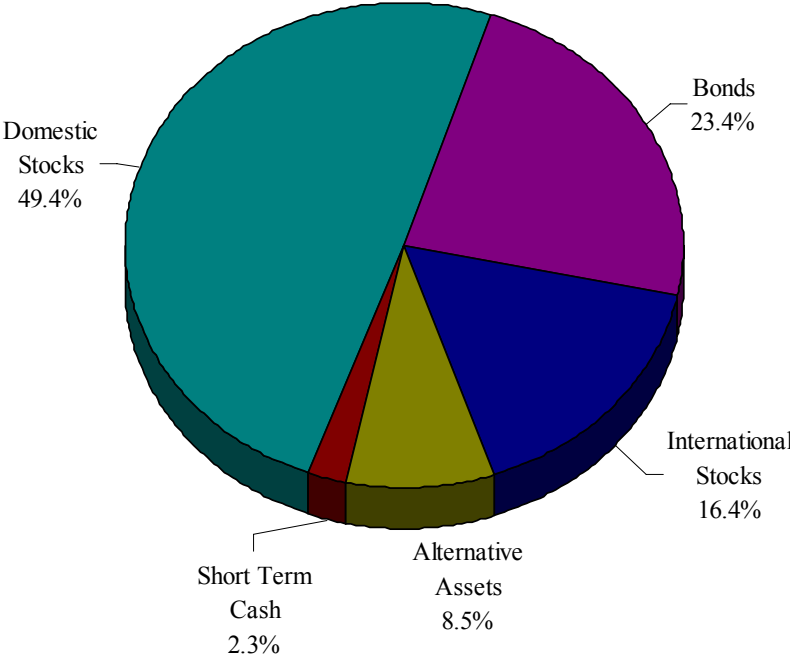
# Financial Status

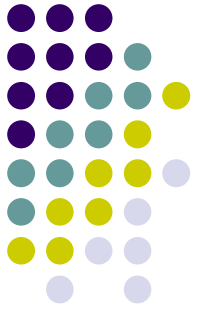
As of June 30, 2007

**Basic Fund (Active Members)**  
**\$8.22 Billion**



**Post Fund (Retirees)**  
**\$11.63 Billion**



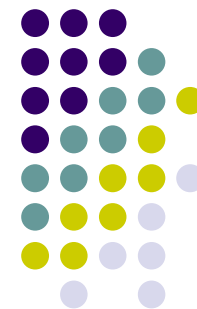


# Life Expectancy

Age	Male	Female
53	30.98	35.86
54	30.08	34.92
55	29.18	33.97
56	28.30	33.03
57	27.42	32.10
58	26.55	31.16
59	25.68	30.24
60	24.83	29.31
61	23.98	28.39
62	23.13	27.48
63	22.29	26.57
64	21.46	25.67
65	20.64	24.78

*The above figures specifically reflect the life expectancy of Minnesota teachers.*

# Contact Information



<b>Name</b>	<b>Phone #</b>	<b>Toll Free #</b>	<b>Web Site</b>
Teachers Retirement Association	651-296-2409	800-657-3669	<a href="http://www.tra.state.mn.us">www.tra.state.mn.us</a>
MN State Retirement System	651-296-2761	800-657-5757	<a href="http://www.msrs.state.mn.us">www.msrs.state.mn.us</a>
Public Employees Retirement Assn.	651-296-7460	800-652-9026	<a href="http://www.mnpera.org">www.mnpera.org</a>
Duluth TRFA	218-722-2894		<a href="http://www.dtrfa.org">www.dtrfa.org</a>
St. Paul TRFA	651-642-2550		<a href="http://www.sptrfa.org">www.sptrfa.org</a>
Education Minnesota	651-227-9541	800-652-9073	<a href="http://www.educationminnesota.org">www.educationminnesota.org</a>
Internal Revenue Service		800-829-1040	<a href="http://www.irs.gov">www.irs.gov</a>
MN Department of Revenue	651-296-3781		<a href="http://www.taxes.state.mn.us">www.taxes.state.mn.us</a>
MN Senior Federation	651-645-0261	800-365-8765	<a href="http://www.mnseniors.org">www.mnseniors.org</a>
Nat'l Council on Teacher Retirement	916-394-2075		<a href="http://www.nctr.org">www.nctr.org</a>
Retiree Health Plan System	612-692-7962	800-829-5601	<a href="http://www.doer.state.mn.us/ei-peip/peipretiree.htm">www.doer.state.mn.us/ ei-peip/peipretiree.htm</a>
Social Security Administration		800-772-1213	<a href="http://www.ssa.gov">www.ssa.gov</a>

# Questions?

