

MASBO

*A Valued Partnership...
Minnesota Schools & TRA*

Presented by Minnesota Teachers Retirement Association



Overview

- TRA Funding Status
- Legislation
 - 2010 Proposal – Service Credit
 - 2009 Accrual Date and Earnings After Retirement
- Payroll and Demographic Reporting
 - TRA.NET Project
- Resources
- Questions
- Additional Information

Teachers Retirement Association

- TRA is a defined benefit plan and is governed under Minnesota Statute 354.
- As of June 30, 2009, TRA has 579 employer units and 163,000 members; 50,000 are receiving retirement benefits. Total assets were \$14 billion.
- TRA provides retirement, disability and survivorship benefits to administrators, public school teachers, charter school teachers, retirees, their families and beneficiaries.
- Teachers employed by the Minnesota State Colleges and Universities (MnSCU) may elect to join TRA.
- Teachers employed by school districts of St. Paul and Duluth, or by the University of Minnesota are covered by other retirement systems.

Communication and Training

- Key to maintaining first-rate payroll reporting.
- TRA provides resources to schools.
- Schools and TRA work together.
- TRA's goal: Extend the lines of communication.

Financial Status of TRA*

Fiscal Year 2009	7/1/09 Actuarial Value (5 yr smoothing of investment losses)	7/1/09 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	78%	60%
Unfunded Accrued Liabilities – shortfall	\$5.1 billion	\$9.2 billion
Total Required Contributions	16.57% of pay	22.58% of pay
Statutory Employer/Employee Contributions	11.75% of pay	11.75% of pay
Contribution Deficiency	(4.82%) of pay	(10.83%) of pay

* Source: Mercer Consulting, FY 09 projections based on preliminary data

Recent History: How Did We Get Here?

- Sources of problem
 - Severe market downturns in 2000s
 - Market decline in 2001-2002
 - Market plummet in 2008-2009
 - Extra investment returns of 1990s were not retained in the TRA Fund, instead:
 - Large increases in retiree annual COLAs
 - Precipitous rollback in TRA's employER & employEE contributions
 - Post Fund structural deficiency in a prolonged down market
- Minneapolis Teachers Retirement Fund Association (MTRFA) merger was cost neutral

Path to TRA Long-Term Sustainability

TRA is facing unprecedented financial challenges

- **No imminent threat — benefit payments can be made for a very long time, secured by TRA's \$14 billion in assets.**
- **Must take action soon — if nothing done, TRA Fund will deteriorate, exhaustion predicted during the 2030's.**
- **Solution will require shared sacrifice to restore stability.**
- **All stakeholders — active & retired teachers, school districts and the state – have a vested interest in TRA's continued solvency and will need to be part of the solution.**

Path to TRA Long-Term Sustainability

Where do we go from here?

- Shared sacrifice – active teachers, school districts, retirees will need to be part of the solution.
- TRA Board exploring options to increase revenues and decrease expenses
- All options take legislative action
- TRA Board is working closely with all stakeholder groups to gain support

Legislation

2010 Legislation: Long-Term Sustainability

- TRA Board of Trustees is meeting to discuss possible recommendations to the Legislature. Recommendations **may** include:
 - Increase employee (teacher) and employer (school district) contributions
 - Reduce certain active member benefits, such as lowering interest rate paid on refunds, modifying deferred benefits for those who no longer teach
 - Temporarily suspend annual COLAs until fund is stabilized
 - Above all, preserve core pension benefits
- Updates posted on the TRA web site:
www.tra.state.mn.us

2010 Legislation: Service Credit Proposal

- Service credit proposal presented to the 2010 Legislative Commission on Pensions and Retirement (LCPR)
- Proposed calculation method is salary based for each school
- TRA will calculate service credit, not employers
- Proposal is cost neutral
- If approved, the change may become effective July 1, 2011 (FY 2012).
- Required information
 - Annual base BA contract salary
 - Actual pay period begin and pay period end dates

2009 Legislation: Accrual Dates

- Retirement accrual date
 - Either the 1st or the 16th of the month, if service is terminated on or prior to December 31, 2009
 - Any day of the month, if terminates service on January 1, 2010 or after
- A one-day break in service is required
- Example: Last day of teaching service is June 8, 2010
 - By law, prior to January 1, 2010: Retirement date is June 16, 2010
 - By law, after January 1, 2010: Retirement date is June 9, 2010
- Administrators have a July 1 retirement date

2009 Legislation: Earnings After Retirement

- Effective January 1, 2010, the earnings limitation is based on a fiscal year basis (July 1 to June 30)
- \$46,000 limit if under normal retirement age; first year limit is prorated if retiring mid-fiscal year
- Example:
 - A 58 year old retiree earns \$48,000 between July 1, 2010 and June 30, 2011
 - \$1 for every \$2 in earnings over the \$46,000 limit will be deducted
 - \$1,000 would be deducted from monthly benefit beginning January 1, 2012 and placed in an Earnings Limitations Savings Account
- All retirees wages need to be reported to TRA
- No Calendar Year-End Report on Annuitant Earnings After Retirement will be required. TRA will use the periodic payroll reporting system.

Payroll and Demographic Reporting

What is required to be provided to TRA?

Member Data: Demographic Reporting

- Demographic information must be sent each fiscal year, prior to, or at the time of the member's first payroll.
- Demographic Record **required** fields: Full name, address, correct SSN, date of birth, gender, eligibility code, status change code, effective date of status change, and contracted service credit if applicable.
- Any change in demographic information or member status must be reported to TRA within 14 days.

Member Data: Payroll Reporting

- Payroll detail must be received by TRA within 14 days of the payroll warrant date.
- Payroll Record **required** fields: Payroll warrant date, pay period begin date, pay period end date, SSN, TRA number, position code, salary, employee deduction, transaction type, pay type code, fiscal year indicator (when salary was earned), and service credit days if applicable.
- Largest issues include reporting correct:
 - pay period begin and end dates
 - termination dates
 - service credit

Date Definitions

- **Pay Period Begin Date:** The first day a member works in a pay period.
- **Pay Period End Date:** The last day a member works in a pay period.
- The pay period may need to be expanded to match when the member actually worked.
- **Pay Date:** The date of the payroll warrant.
- **Fiscal Year Indicator:** The fiscal year (July 1 - June 30) in which the salary was earned.

Electronic Funds Transfer (EFT): Contributions

- Electronic Funds Transfer (EFT) made available in Spring 2008.
- Allows designation of payment amount up to 14 calendar days in the future.
- TRA auditors are available to answer any questions.
- Goal: Contact all districts that are not currently using EFT to assist with the enrollment process.

Leave of Absence Reporting

(M.S. 354.092-354.96, 354.53)

- Leave must be authorized by school.
- Member must have reinstatement rights (except for an Other leave).
- Certain types of leaves allow a member to pay for service credit during the leave.
- Must submit form TRA-1500 or TRA-1501 within 14 days of approval for both paid and unpaid leaves.
- Two-step process:
 - Filing the TRA-1500/TRA-1501 form with TRA
 - Changing the member's status on the demographic record.

Types of Leaves

Leave Type	Payment Information
Sabbatical	Employee and employer contributions MUST be paid.
Military	Employers MUST pay contributions if employee pays employee contributions.
Extended	Employer MAY pay employer and employee contributions – negotiable.
Family, Medical, Parental	Employee is billed for entire payment. Employee MUST pay employee contributions; employer MAY pay employer contributions.
Other, Legislative, Union	Contact TRA for additional information.

TRA will notify school district regarding necessary payments.

TRA .NET Project

- Update and modernize TRA systems. Currently in the planning stages.
- TRA is exploring the following:
 - Comprehensive online tools to assist employers
 - Web messaging and web delivery of all correspondence and reports
 - Vastly improved ability to submit and manage leaves online
 - Web and email reminders to assist employers with periodic reporting requirements
 - Improved online help and tutorials

Resources

- Payroll processors, Cheryl and Sherry, available to assist schools with payroll questions
- TRA On-line: www.tra.state.mn.us
- Free in-depth individual training, upon request
- *Employer Guide (e.g.)* was revised in July 2009 and is available on the web site.
- *UPDATE* newsletter is sent by email to the designated Report person. Request that newsletter is forwarded to other payroll, human resources, and finance staff.

Resources (continued)

- Web site: www.tra.state.mn.us
- Address: 60 Empire Drive, Suite 400
St Paul MN 55103
- Member Services
 - 651-296-2409 or 800-657-3669
 - E-mail: info.tra@state.mn.us
- Employer Services: Data Integrity Department
 - 651-296-6449 or 800-657-3853
 - E-mail: info4employers.tra@state.mn.us

Questions

Additional Information

TRA Membership Statute

- M.S. 354.05, Definitions
- 1) a person who renders service as a teacher, supervisor, principal, superintendent, librarian, nurse, counselor, social worker, therapist, or psychologist in a public school of the state located outside of the corporate limits of the city of Duluth or the city of St. Paul, or in any charter school, irrespective of the location of the school, or in any charitable, penal, or correctional institutions of a governmental subdivision, or who is engaged in educational administration in connection with the state public school system, but excluding the University of Minnesota, whether the position be a public office or an employment, and not including the members or officers of any general governing or managing board or body;...

TRA Membership Statute (continued)

- (3) a person who renders teaching service on a part-time basis and who also renders other services for a single employing unit. A person whose teaching service comprises at least 50 percent of the combined employment salary is a member of the association for all services with the single employing unit. If the person's teaching service comprises less than 50 percent of the combined employment salary, the executive director must determine whether all or none of the combined service is covered by the association; ...

Termination Date

- Minnesota Statute defines “termination of service” as the withdrawal of a member from teaching service by resignation, or termination of the member’s teaching contract with the employer.
- The exact termination date is based on when a member submits a resignation notice indicating a current or future “last day” of teaching.
- A member cannot retroactively designate their termination date and cannot work on their accrual date.
- Beginning January 1, 2010, effective date of retirement is latest of:
 - The day after termination of teaching
 - Receipt of application if you apply more than six months after termination
 - Date designated within six months of termination
- July 1 for administrators and principals

Termination Date Examples

- Member's last work day is June 4. The member is paid over the summer, with the last check dated August 31. School reports termination date as August 31. Member's actual termination date was June 4.
- Member submits retirement application and states their last day was January 6, but they worked on January 7. Member cannot work on their accrual date. Employer will need to submit the corrected termination date.

Current Service Credit Calculation

(M.S. 354.091)

- Full-time: At least 5 hours per day for 170 days
- Part-time service is calculated as a fraction of a 5-hour day.
- Report service credit in days or 10th of a day. One half-hour is 1/10th of the day. **Example:** $1/2 \text{ hr} = 0.5 / 5 = 0.1$
- Maximum 1.0 day of service credit – 5 hour or more.
- If a substitute only works one-half day, service credit is not 0.5. Divide the number of hours worked by 5 hours.
- For substitute teachers, service credit cannot exceed actual days school is in session.
- Member receives service credit for all work performed (licensed and non-licensed).

Eligible Salary

- “Salary” is defined by M.S. 354.05, subd. 35.
- “TRA-eligible salary” means compensation before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs.
 - Examples: teaching wages, substitute teaching, curriculum writing, Q-Comp – at least 50 percent of salary from teaching
- Not TRA-eligible: Employer-paid fringe benefits, lump sum vacation payment, payment in lieu of benefits, severance payments, etc.
 - No TRA deductions taken
 - Not included in High-5 average annual salary
- Statute prevails over negotiated agreements