Committee of Thirteen
Your TRA Pension Watchdog! Spring 2013
Advocating for and advising Minneapolis educators on their pensions and retirement security.

Pension Commission looks at easing early retirement penalty

When were you hired? If you were hired **before** 1989, you have a pension benefit called the 'Rule of 90". That means you can retire with a full pension when your age plus your years of service total the number 90.

If you were hired **after** July 1, 1989, you are slated to work until age 66 to receive your full pension amount. Teachers retiring before age 66 are currently seen as taking **early retirement** and their pension amounts are reduced for each year before age 66. This early retirement penalty is required by the state's actuarial firms.

However, The Teachers Retirement Association (TRA--the agency in charge of our pensions) is proposing ~~to change the~~ reduction amounts for retiring before full retirement age. **The proposed changes 3could actually improve pensions for teachers who retire ~~as~~ early as age 62** with 30 years of service. It would almost be a return to the old 'thirty and out' benefit of Basic (hired before 1979!) members.

Under bills presented to the Legislative Commission on Pensions and Retirement (LCPR), SF 529/HF 650, early retirement penalties for longer-serving teachers would be lessened for those who are at least 62 and have at least 30 years of service.

For some that would be a significant improvement-- as much as a 6 percent boost.

The new provisions are estimated to be relatively c.
ost neutral.
The TRA has been concerned about the negative impact of the penalties, or reduction factors, for extended-service that happened since the separate Post Fund went away in 2009. The LCPR is currently considering the changes proposed by TRA and included in SF 529/HF 650.

The changes will be adopted or rejected by the LCPR, **not** by the entire legislature.

Contact the members of the LCPR soon to share your views on proposed changed to the early retirement reductions.

Senate members

Sen. Barb Goodwin
Sen. Jeff Hayden
Sen. Alice M. Johnson
Sen. Sandra L. Pappas
Sen. Julie A. Rosen
Sen. Tom Saxhaug
Sen. Dave Thompson

House members

Rep. Mike Benson
Rep. Phyllis Kahn
Rep. John Lesch
Rep. Will Morgan
Rep. Mary Murphy
Rep. Mike Nelson
Rep. Tim O'Driscoll

Pensions are worth protecting

AFT and NEA both support protecting public employees' defined benefit plans.

Such plans provide a predictable, guaranteed benefit, usually based on factors such as age, earnings, and years of service. In contrast, defined contribution plans offer no guaranteed, predictable retirement benefit and place retirement security at the risk of stock or bond markets.

Federal programs, the sequester and you

The Sequester is a reality. What that means in the long-run is anybody's guess. But we know about the short term impact on taxes, Social Security and Medicare.

Income Taxes
Pat them. The IRS will be on the job and the April 15 deadline for 2012 income taxes is not expected to change.

Social Security/FICA contributions
FICA payments, which are your contribution to Social Security, will still be withdrawn from your paycheck.

Veterans Administration Benefits
They will be paid.

Social Security Benefits
Social Security benefits will be paid.Retirement, survivor, disability, SSI payments will continue.

Medicare benefits
Like Social Security benefits, Medicare benefits will continue including Part D, low income premium and cost-sharing subsidies

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In my opinion

by Jay C. Ritterson, President, Committee of Thirteen

We have a good pension system, let's keep it healthy

This is the first legislative session in a new direction for Minnesota. And we would like to think that this dove bearing an olive branch means it's all better now, but 40 months and 40 weeks of bad economy will not recede quickly.

Certainly the change is hopeful, and shows the good faith the people of Minnesota have shown in doing what's right and good. However, there remains a serious economic situation, and there is hardly 100 percent agreement on what to do about it.

Minnesota's public pension system represents a large amount of money for which the state legislature is responsible. A remaining threat to our TRA pension system is the pressure to abandon this defined benefit plan and replace it with a do-it-yourself personal investment system—for which the state would have little or no financial responsibility. Now, that might be good for investment brokers, who would make millions through fees on teachers' investments, but would it be good for teachers? Duncan Black says, in a *USA Today* column, that "401Ks Are a Disaster," joining a number of other analysts who are not profiting from these personal savings supplement tools, similar to 403Bs and 457s. Were Minnesota teachers forced into defined contribution plans, they would be cast from the public lifeboats. Meanwhile, those remaining in the defined contribution plan would represent a very, very large financial liability for taxpayers 20 or 30 years on.

Now, while the markets are doing well, is the time to do something to help shore up our present, healthy system. With a legislature and pension commission more likely to listen, we need to send them a simple message: Find creative ways to assure the health of the plan. Don't abandon a proven lifesaver. Get ahead of the next big storm.

This message is especially important to you if you are still in the workforce.

You are among the workers who are being encouraged to manage your own retirement fund. The investment companies are appealing to your sense of individualism. They want to discourage you from trusting public support networks and they suggest that communal action is somehow wrong. As active teach-

Amaze yourself: Take the first test in our continuing pension quiz

What is DB/DC?
A. Something to do with a car battery.
B. A designer clothing brand.
C. "Defined benefit" pension plan and "defined contribution" or 401(k) retire ment plan. Stop acronym abuse! Lots of people find these terms confusing.

✓ Defined-benefit (DB) plan: Also called **a traditional pension plan**, a DB is a pooled retirement plan that offers a predictable monthly benefit to retirees. DBs have been in decline in the private sector for years.
○ Employers and employees typically contribute.
○ A DB pension provides retirees with income for life; you can't outlive your assets.
○ 73 percent of plan funding comes from investment returns.

✓Defined-contribution (DC) plan: The benefit from a DC or 401(k) depends on how much an employee contributes and earns through investment returns. DC plans are the norm in the private sector. Some states have switched workers to a combination DB/DC.
○ Risk is wholly borne by the individual.
○ You might outlive your assets.
○ Some employers contribute to the employee account. ○ Individuals get hit with high investment fees.

How miuch would I need to save to retire?
How much would today's average TRA retiree need i to fund a $2,300-a-month pension equal to TRA's?
A. $149,400 B. $352,000 C. $414,000

You'd need to save $650 a month and earn 6% interest to match this benefit.
✓ **$414,000.** That's how much you would need in a 401(k) account to fund a similar benefit – and that assumes you earn at least 4 percent annually on your investments during retirement, which is not easy.
✓ A pension provides income for life. For the average teacher, the TRA pension is about $2,300 a month.
✓ That's a payout of about $635,000 over a retirement lifetime – assuming you retire at age 66.