

RETIRED TEACHER & SCHOOL PERSONNEL – DO YOU KNOW?

1. **Investment returns and your past contributions pay 86 percent of every dollar you receive in a Minnesota public employee pension.**
2. **The state (taxpayer) pays 14 cents. In most state the taxpayer pays 24-27 cents for each dollar a public employee retiree receives.**
3. **The cost of Minnesota retired public employees' benefits is modest. Employer contributions in Minnesota are 1.6 percent of state/local government spending, compared to 2.8 percent in other states. (National Association of State Retirement Administrators)**
4. In 2012, 169,675 Minnesota retirees received a total of \$3.8 billion in pension benefits from state and local pension plans. (National Institute on Retirement Security state-by-state "Pensionomics" report, 2014)
5. **Minnesota retired TRA employee (beneficiaries) spending supported 41,839 jobs that paid \$1.7 billion in wages and salaries and generated \$1.4 billion in federal, state and local tax revenue. (TRA 9-26-2017). All Minnesota public employees, active and retired, pay taxes just like you do. This is not true for all states.**
6. Minnesota is one of the few states that taxes 100 percent of a public employee's pension. Other states do not tax this type of pension, or only a prorated part of it.
7. Minnesota public employee retirees' benefits during the downturn in the economy helped save jobs and businesses down Main Street of almost every city and town in Minnesota. This is why it is important to have diversity in how Minnesotans are paid, especially in a downturn in the economy.
8. **The downturn in the Minnesota economy was bad, but it would have been extreme if it weren't for the economic stimulus retired public employee pensions provided.**
9. Our DB pension plan keeps retirees self-sufficient and off public assistance, saving state government money.
10. The 2010 Minnesota public employee pension reform bill featured shared sacrifice. A. Two-year suspension, then lower cost of living (COLA) from 2.5 percent to 2 percent until the fund is 90 percent funded. B. Deferred interest for inactive members lowered to 2 percent for all pension plans. C. Refund interest lowered to 4 percent. **The changes made in the 2010 and 2013 pension laws have cut costs \$6.44 billion for the three statewide funds.**
11. In 1998, the Minnesota legislature paid 8 percent of TRA payroll for the employer (taxpayer) rate and a 6.5 percent employee (teacher) rate toward teacher pension funding. The national average was 8 percent employer and 5 percent employee rates. In 1998, the Minnesota legislature lowered the employer rate in Minnesota to 5 percent (3 percent of payroll below the national average). The TRA fund was 108 percent funded at the time, while the economy was doing well. The reduction in contributions, especially for the employer (taxpayer) destroyed the "rainy day" fund portion, because **the stock market goes down as well as up**. Plus, the 3 percent employer (taxpayer) reduction below the national average lowered the amount of money the State Board of Investment had to invest. This made a modest pension fund difficult to keep funded at a 100 percent level,

which many people feel could still be funded near a 100 percent level with the appropriate type of investing if the employer 8 percent rate (national average for employers) had been maintained from 1998 to 2008. **Currently, Minnesota employers (local government units, school districts) pay 7.5 percent, below the national average of 13.1 percent. The employee rate is 7 percent (7.5 percent as of July 1, 2014), exceeding the national average of 6 percent. Today, 1 percent of TRA payroll equals about \$29 million. The actions of the 1998 legislature have created dire consequences for today's teachers and other school personnel, children, taxpayers, and other public employees.** The other Minnesota public employee pension funds had a comparable reduction in 1998. In the fall of 2010 at our REAM (Retired Educators Association of Minnesota) Conference, Howard Bicker, then executive director of the SBI, stated: "The TRA pension fund should have a 120 percent funding level to handle downturns in the market." This would be true for other Minnesota pension funds, too.

12. The average TRA pension is \$2,263 a month.
13. A defined-benefit (DB) pension plan (this is what you have) can deliver the same retirement income at half the cost of a defined contribution (DC) plan. DB pension plans are more cost-efficient than DC – or 401(k)-type – plans, creating savings for teachers, taxpayers and other public employees. Individual investors are less successful than large institutional DB investors. DB returns outpace individual returns by 1 percent to 1.7 percent annually. (Towers Watson, 2009; Morningstar, 2007.) This is because DB plans pool the longevity risks of large numbers of individuals and need only accumulate enough funds to provide benefits for the average life expectancy of the group. In addition, DB plans take advantage of the enhanced investment returns that come from a balanced portfolio over long periods of time.
14. The combination of a DB plan, Social Security, and a supplemental savings – the so-called “three-legged stool” – still offers the best opportunity to maintain a middle-class standard of living in retirement.
15. Active (age 50 or older) and retired teachers and other school personnel may join REAM. If you are not a current member, please consider joining, to help us support pension issues for public employees. We also support active teachers and other school personnel in every school district in the state. Our teachers and other school personnel are important to us as they teach the children of this state. You may obtain a membership form at REAM@mn.us.com.
16. We encourage you to belong to other retired teacher and school personnel organizations, too. No one organization can deal with all the issues facing active and retired public employees alone. We feel a quality DB public employee pension plan is a key part of recruiting quality teachers and school personnel – for the benefit of our children.
17. **Retired teachers and school personnel: “Thank you” for your service. Some day we hope our school personnel have the same attribute in this country that the countries ahead of us in the world’s educational circles have – RESPECT and a status comparable to doctors and dentists.**