WELCOME, TEACHERS…

…TO YOUR PAYCHECK OF THE FUTURE

WHAT DOES TRA DO?

The mission of Teachers Retirement Association (TRA): Help assure retirement security for Minnesota teachers. TRA provides retirement, survivor and disability benefits plus post-retirement increases.

TRA covers 75,246 active teachers, 57,166 benefit recipients and 47,617 inactive members – that's180,029 total! TRA pays $1.6 billion in benefits per year.

HOW DO TRA BENEFITS WORK?

During your teaching years, a 7.5 percent contribution is deducted from every paycheck for your TRA pension. The contributions of every TRA member, plus your employer's contributions, are pooled into one large fund and invested by the Minnesota State Board of Investment to pay your future benefit.

You get good bang for the buck: 70 percent of Minnesota pension system revenue comes from investment earnings, 16 percent comes from employers, and 14 percent comes from employees like you.

When you are ready to retire, you will get a benefit that is calculated using a formula of 1.7% or 1.9%, multiplied by your years of service and your high-five average salary (see graphic above). Benefits are reduced if you retire before age 66, similar to Social Security.

HOW MUCH IS A TRA PENSION WORTH?

The average TRA retiree's benefit is about $2,300 a month. You would need between $425,000 and $525,000 in a 401(k) or 403(b) account to achieve a similar benefit. This assumes you live an average life expectancy and earn at least 4 percent annually on your investments during retirement, which is not easy.

A TRA pension provides income for life. That's a payout of between $650,000 (men) and $750,000 (women) over a retirement lifetime – assuming you retire at age 62.

WHAT'S THE DIFFERENCE BETWEEN A PENSION AND OTHER SAVINGS PLANS?

TRA is a defined-benefit (DB) pension. Benefits are a percentage of salary based on years of service. You are vested in the TRA plan after three years. In a DB pension plan like TRA's, the plan bears the investment risk. With TRA, you may opt for the lifetime pension or, if you leave the teaching profession, a refund (employee contributions only) with interest.

A defined-contribution savings plan (DC) is a 401(k) or 403(b). This benefit is based on employer and employee contributions to an account in which the participant controls investment choices. The participant is responsible for fees. Vesting is immediate, and the account may move with the employee. The employee bears investment risk and might outlive his or her savings.

WHY SO MANY NEGATIVE NEWS STORIES ABOUT PENSIONS?

There is a steady drumbeat from anti-pension forces nationally and in Minnesota to shift teachers from DBs to 401(k)-type savings plans exclusively. National groups attack pension benefits and pension plan financing in their research, blogs, and in newspaper editorials. As a result, policymakers in every state are under pressure to change from DBs to DCs. Many states (18) already have.

HOW DOES TRA FIT INTO MY FINANCIAL FUTURE?

A secure retirement has four components: Social Security, a defined-benefit pension like TRA, personal savings or a 401(k)/403(b), and medical savings. If any of those four pieces is missing, you might not have enough income to support yourself once your teaching years are over. Less than half (49 percent) of private-sector workers have any pension coverage at all (DB or DC). The average 401(k) balance for households near retirement is only about $150,000.

Studies show that DB pensions reduce poverty and lower federal public assistance costs by $8 billion annually.

@MinnesotaTRA MinnesotaTRA • Questions? E-mail info@minnesotatra.org or call 651-296-2409 (toll-free 800-657-3669) • www.minnesotatra.org