

**St. Paul Teachers'
Retirement Fund
Association**

Pension Facts

Basic Plan

Mission Statement

The mission of the St. Paul Teachers' Retirement Fund Association is to:

- Provide our members and their beneficiaries with retirement, survivor and disability benefits as specified in law and Association Articles and Bylaws.
- Assist our members in planning a secure retirement by providing friendly, high quality, consumer oriented service, pre-retirement education and information in a professional and cost effective manner.
- Prudently invest the assets of the fund to provide the optimum return while preserving principal by controlling the portfolio risk.

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St. Paul Teachers' Retirement Fund Association

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Board of Trustees

As of December 31, 2005

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History

The St. Paul Teachers' Retirement Fund Association was organized October 1, 1909, under authority granted by the Laws of Minnesota, 1909, Chapter 343. Membership was voluntary, dues were 1% of salary and there were no deductions from payroll. The first benefits were paid one year later to 15 members, commencing at \$30 per month. Increases came slowly over the next several decades.

Like many such programs, the SPTRFA ran a pay-as-you-go system, and did not begin reserving assets for future benefits until 1955. The State of Minnesota became the employer of record twenty years later, in 1975. Contributions were set in state law at a level insufficient to fully pre-fund future retirement benefits. Unfunded liabilities created at that time remain our greatest funding challenge 30 years later.

In 1978, the Coordinated Plan was created, which provides that members are covered both by our local retirement program, as well as Social Security. A tiered benefit structure was created in 1989, which resulted in improved benefits, but also created different classes of membership defined by a participant's date of hire.

In 1997, the Legislature passed a sweeping measure that raised the benefit formula for our members and replaced our 13th Check post-retirement benefit increase with a guaranteed 2% annual increase coupled with an investment performance-related increase.

Recent years have witnessed increased interest at the Legislature in proposals to combine the four teacher retirement funds into a single statewide system. Such a consolidation would require the resolution of many technical and administrative issues. The Association's trustees have steadfastly maintained that any such combination of plans would be acceptable if it first offered the members genuine benefit upgrades and equivalent value for equal periods of service.

Introduction

This booklet explains in plain language your rights, benefits and responsibilities as a member of the St. Paul Teachers' Retirement Fund Association (SPTRFA). Its purpose is to serve as a convenient source of information regarding the plan. Members are encouraged to study this information and retain the booklet for future reference. Please refer to the glossary on page 28 for an explanation of technical terms.

This booklet is not intended to be a legal document or substitute for federal and state laws or the Articles of Incorporation and Bylaws of the SPTRFA (Plan Documents). If any conflicts exist between this booklet and the official Plan Documents, the Plan Documents supercede. The key statutes governing the plan are found in Minnesota Statutes, chapters 354A, 356 and 356A. These statutes are subject to change by the Legislature.

Membership

Membership is mandatory upon employment in any position requiring a license issued by the Minnesota Department of Education with:

- Saint Paul Public Schools (SPPS)
- Saint Paul College (SPC) – if you were first employed prior to July 1, 1995
- Saint Paul charter schools – from July 1, 1995 through June 30, 2002

Administration

Management of the SPTRFA is entrusted to a ten member Board of Trustees (BOT) – nine elected members that serve three-year terms and a SPPS Board of Education designee as an *ex-officio* member. Three positions are open for election at the annual meeting every year.

Nominations for BOT openings are accepted each year and forms are available at the SPTRFA office. Completed nomination forms must be received by the SPTRFA office prior to the close of business on the second Friday in November. Contact the SPTRFA office for further information.

Day to day operation of the SPTRFA is managed by an Executive Director and full-time staff who serve at the pleasure of the Board.

The SPTRFA relies on the services of several key professional and monitoring organizations in the ongoing assessment of the fiscal, actuarial and legal dimensions of the plan.

Professional and Oversight Services

Actuarial services are needed to assess the long term funded status of the plan, to cost and determine the feasibility of proposed changes to the benefit or funding structure.

The BOT and staff also rely on a law firm to help deal with legal questions that arise in the course of managing a complex, highly regulated, tax-qualified pension benefit fund.

The Office of the State Auditor annually reviews the SPTRFA's financial statements, fiscal operations and ongoing compliance with laws affecting our operations.

In addition, the SPTRFA employs a general investment consultant to advise the Board and staff on issues relating to asset allocation, investment policies, asset manager hiring and terminations, along with monitoring absolute and relative investment performance.

The SPTRFA administers two types of plans: Basic and Coordinated. Both are *defined benefit* plans qualified under IRC Section 401(a). This means that you are eligible for a lifetime, monthly retirement benefit from the SPTRFA if you are a vested member. Your benefit amount is calculated according to a formula rather than being based solely on your contributions. Allowable retirement service credit and salary are two important terms in understanding your benefit.

Plan Type

One full year of retirement service credit is defined as 170 or more days of service within a fiscal year. The SPTRFA prorates retirement service credit earned in a fiscal year using the following formula:

$$\text{Service credit} = \text{Total number of days worked} \div 170$$

Allowable Retirement Service Credit

Salary is all of your compensation upon which employee and employer contributions are paid for each fiscal year. Your salary *does* include extracurricular pay. Salary is further defined under Minn. Stat. § 354A.011, subd. 24.

Salary

General Plan Features

<i>Types of Benefits</i>	<i>Description</i>	<i>Page</i>
<i>Retirement</i>	You may draw a lifetime retirement benefit if you satisfy age and service requirements.	21 & 26
<i>Deferred Retirement</i>	You may defer receipt of your monthly benefit until you are age 55 or older.	25 & 26
<i>Disability Retirement</i>	You may apply for a disability benefit if you become totally and permanently disabled.	14 & 27
<i>Survivor Benefits</i>	In the event of your death, there may be a survivor benefit payable.	12 & 27
<i>Refund of Contributions</i>	<p>If you resign from SPPS or SPC, you may elect to receive a refund of your employee contributions, plus 6% interest compounded annually. This option is not available, however, if you have reached age 55 and meet the vesting requirements of the plan.</p> <p>A refund surrenders all rights to benefits from the SPTRFA.</p>	25 & 27

If no survivor benefits are payable, then your designated beneficiary, (or if none, your estate) will receive a refund of your employee contributions upon your death. Interest is payable on refunds in for any member not yet receiving a benefit.

Beneficiary

A beneficiary may be any person(s). If there is no beneficiary form on file for you, or if all persons listed as beneficiaries are deceased, any refund will be paid to your estate.

Please keep your beneficiary form updated, particularly when you experience life changes (marriage, divorce, childbirth, etc.). To obtain a beneficiary form, contact the SPTRFA office.

If you have retirement service credit under more than one Minnesota defined benefit public pension fund, you may be eligible for combined service. Your allowable retirement service credit and salary with those plans will be considered jointly at the time of retirement when determining eligibility and level of benefits.

Combined Service

See **Combined Service Annuity**, page 23.

Retirement benefits may be affected by a marriage dissolution (divorce). The SPTRFA should be notified of any pending or completed dissolution process. In any case where a dissolution has occurred, the SPTRFA will not commence benefit payments without the final dissolution documents. You or your attorney should contact the SPTRFA for further information.

Marriage Dissolution

Steps to Retirement

The year that you are planning on retiring, you will probably be in contact with the SPTRFA several times. To make the process easier and more efficient, the SPTRFA recommends the following:

- Contact the SPTRFA at least 60 days in advance of the date you plan to retire to discuss the retirement benefit process and your options. The SPTRFA provides you with the necessary documents to apply for retirement benefits.
- Eligible retirement dates are the 1st and 16th of each month.
- Questions regarding hospital/medical coverage, severance pay and resignation should be directed to your benefits department at SPPS or SPC.

Period of Separation

You are not considered *retired* until we confirm that you have been completely and continuously separated from service with SPPS or SPC for 30 consecutive calendar days.

Teaching After Retirement – Earnings Limitation

If you are receiving a pension from the SPTRFA, are under age 65 and are re-employed by SPPS or SPC, your benefit may be reduced. If your calendar year post-retirement SPPS or SPC earnings exceed the earnings limitation as defined by the Social Security Administration, the following year's pension is reduced by \$1.00 for every \$3.00 earned over the limit.

Any excess earnings that are recovered by the SPTRFA will be returned to you one year after the termination of the re-employment or at age 65, whichever is later.

Contact the SPTRFA for further information.

The post retirement increase is an annual guaranteed 2% compounding increase. An “excess investment earnings increase” will be paid in addition to the guaranteed 2% increase in years when the SPTRFA’s five year annualized rate of return exceeds 8.5%.

You must have been receiving a benefit for one full year at the end of the SPTRFA’s fiscal year to qualify for the post-retirement increase payable beginning January 1 of each year.

Post Retirement Increase

What you do or don’t do after you leave service in Saint Paul may affect your ultimate benefits from the SPTRFA. Contact our office to discuss your options.

Leaving Service in St. Paul – Your Options

Option	Page
• Draw Your Benefit	21
• Accrue Service Elsewhere	23
• Postpone Retirement	25
• Withdraw Your Contributions	25

Basic Plan

Membership

You are a Basic Plan member if you were employed prior to July 1, 1978 with SPPS or SPC and you did not elect to convert to the Coordinated Plan from the Basic Plan in 1978. Basic Plan members contribute 8.0% of their pre-tax salary and the employer contributes 11.64%.

Vested Membership

Vested membership means that you or your survivors are guaranteed a benefit other than a refund of your contributions. To be vested, you must have at least five years of allowable retirement service credit.

Annual Estimates & Statements of Account

The SPTRFA mails an annual fiscal year end update of your retirement service credit balance.

You will receive an estimate of benefits if you are at least age 40, vested and actively employed. Otherwise, you will receive a statement of account.

You may also request information on your retirement service credit and projected benefits by contacting the SPTRFA office.

Survivor Benefits

For vested members, in the event of your death prior to retirement, there may be a survivor benefit payable. For non-vested members or for members who have no eligible survivor, your beneficiaries will receive a lump sum refund of your contributions.

See **Beneficiary**, page 9.

In the event of your death prior to retirement, two types of survivor benefits may be payable:

1. Survivor
2. Family Benefit

Active Member Death

Survivor benefits are payable to an eligible survivor defined as:

- Your spouse, to whom you've been legally married for at least three years; and if none,
- Your dependent parent; and if none,
- Your dependent sibling.

Survivor

The amount of the monthly benefit your survivor will receive is based on your age and the age of your survivor at the time of your death. The benefit is subject to early retirement reductions. The monthly benefit is payable for the life of your survivor.

If no eligible survivor exists, a lump sum refund of your contributions plus 6% interest will be paid to your beneficiary or beneficiaries.

A family benefit may be available to your eligible children and surviving spouse.

Family Benefit

Eligible children are natural or legally adopted children who are unmarried and one of the following:

- Under age 18, or
- Mentally or physically incapacitated, or
- A full-time student under age 22.

The family benefit, for up to two eligible children, is 25% of the maximum B.A. salary in effect during the year in which the death occurs. The benefit ends when the child no longer meets these requirements.

Your surviving spouse may be entitled to a family benefit of an additional 15% of the maximum B.A. salary if your surviving spouse is maintaining a home for your eligible children. Your surviving spouse is entitled to receive the greater of the survivor benefit **or** the family benefit, but not both.

***Retired
Member
Death
– Spousal***

Persons eligible for a monthly survivor benefit are your surviving spouse, your dependent parent, or your dependent sibling. Your survivor must be named at the time you retire, and your spouse is only eligible if you have been legally married at least three years at the time you retire.

There is no reduction in your monthly benefit by naming a survivor. You will receive your full earned pension for life. If you predecease your survivor, he or she will receive a lifetime monthly benefit calculated using joint and survivor actuarial tables.

If you die without having an eligible named survivor and you have not received as much in benefits as you paid into the SPTRFA, the remainder of your contributions plus interest will be paid to your designated beneficiary or to your estate.

***Disability
Retirement***

You may apply for a disability retirement if you become totally and permanently disabled.

Bylaws, Article IV, Section 3, Paragraph 2(c).
“... total and permanent disability means the inability to engage in any occupation or employment for remuneration or profit for which the member is reasonably qualified by reason of the member’s education, experience and training, on account of a medically determinable physical or mental impairment which is expected to result in death or to be of long continued and indefinite duration, and which has continued for at least six consecutive months.”

Conditions for application require that you be vested and have 60 or fewer sick days remaining at the time of application.

Certificates from two licensed physicians, chiropractors or psychologists of the member’s choosing and concurrence by the SPTRFA’s Independent Medical Examiner are required to support the existence of the disability.

The disability retirement benefit is 75% of your earnings for the last full year of service less the amount of any workers compensation or social security benefits you receive.

A member who recovers prior to age 65 and is not reappointed in SPPS or SPC, is eligible for any plan benefits for which they are qualified.

At age 65, the amount of the disability retirement benefit is recomputed to equal an age 65 retirement benefit. Any years in disability status count toward retirement service credit.

If you are granted a leave of absence by SPPS or SPC, *it is your responsibility* to make sure that the leave is properly documented by your employer and that the leave is properly classified.

Leaves of Absence

The following leave classifications enable you to receive retirement service credit for the period of your leave if the employee and employer contributions are made:

- Sabbatical
- Military
- Parental
- Mobility
- Medical
- Family Medical

Any leave of absence not listed above is not eligible for retirement service credit.

The termination date of a leave is the date of the last normal teaching service duty day covered by the leave.

If you wish to terminate or retire immediately after a leave period, your payment must be received prior to your resignation date.

You may use previously tax-sheltered dollars [i.e., 403(b), 457 deferred compensation, 401(k)] to purchase service credit for authorized, properly documented leaves of absence.

Sabbatical

While on sabbatical leave, the employer pays you at a half-time rate. Retirement contributions are taken out of your pay based on a full-time rate, so you receive your usual full retirement service credit without paying any additional contributions.

Military

A military leave of absence interrupts regular teaching service.

To receive retirement service credit you must:

- Be honorably discharged
- Return to service in SPPS or SPC
- Make the required employee contributions—based on the contract salary in effect through the military leave.

Once you have paid your portion of the required retirement contributions, the employer will be assessed its portion.

Contact the SPTRFA office for specific terms and conditions that apply.

For military service prior to employment with SPPS or SPC, see **Prior Uncredited Military Service**, page 20.

Parental

You may receive up to one year of retirement service credit. To receive credit, you must pay both the employee and employer contributions and return to service.

Payment is based on your full-time salary rate on the date the leave ended. Your payment must be received no later than June 30 of the year following the fiscal year in which the leave terminates.

Mobility leaves of up to five years can be applied toward retirement service credit. To receive credit, you must make both employee and employer contributions by June 30 *each year* you are on leave, based on your salary for the year prior to the beginning of the leave. Failure to pay the contributions by June 30 of any year of your leave will forfeit all rights to make the payments for any of the following years.

Mobility

Medical leaves can be applied toward retirement service credit. To receive credit, you must pay both the required employee and employer contributions for the period of the leave. Payment is based on your salary immediately preceding the leave, plus 8.5% interest compounded annually.

Medical

Payment must be made no later than June 30 of the fiscal year following the end of the medical leave.

Family Medical leaves can be applied toward retirement service credit for up to 60 days. To receive credit, you must pay both the required employee and employer contributions for the period of the leave. Payment is based on your salary immediately preceding the leave, plus 8.5% interest compounded annually.

Family Medical

Payment must be made no later than June 30 of the fiscal year following the end of the family medical leave.

Leaves of Absence Table

	Sabbatical	Military	Parental
Who pays the employee & employer contributions for leave taken?	Member & employer pay via payroll deduction	Member & employer pay respective amounts	Member pays both amounts
Contributions Based on:	Salary immediately preceding leave	Salary you would have earned during leave	Salary on date leave ended
Maximum Length:	Employer determined	Statutorily determined	One year
Payment Due:	N/A	Within five years from date of discharge	June 30 of year following fiscal year following end of leave
Special Notes:	Contributions deducted from pay at full time rate.	Must be honorably discharged & return to service in St. Paul Employer pays 8.5% interest on both Employee & Employer contributions from year service was rendered	Must return to service in St. Paul

Leaves of Absence Table

	Mobility	Medical	Family Medical
Who pays the employee & employer contributions for leave taken?	Member pays both amounts	Member pays both amounts	Member pays both amounts
Contributions Based on:	Salary in year prior to leave	Salary immediately preceding leave, plus 8.5% interest	Salary immediately preceding leave, plus 8.5% interest
Maximum Length:	Five years	One year	60 days
Payment Due:	June 30 of year of leave	June 30 of year of leave, with no interest. June 30 of year following fiscal year following end of leave, with 8.5% interest	June 30 of year of leave, with no interest. June 30 of year following fiscal year following end of leave, with 8.5% interest
Special Notes:	Must pay each year to be eligible to pay for the next year		

***Prior
Uncredited
Military
Service***

Members with military service prior to employment with SPPS may purchase retirement service credit for that prior military duty at full actuarial value. Please call the SPTRFA office for details on the prior uncredited military service purchase provisions. This option is scheduled to sunset after May 16, 2007.

You may use previously tax sheltered dollars to make this payment [i.e., 403(b), 457 deferred compensation, 401(k)].

***Approved
Part-Time
Assignment
Program***

You can receive full-time retirement service credit with the SPTRFA through an employer-approved arrangement. It is your responsibility to apply for the part-time teaching program with your employer and to make any appropriate payments. Full retirement service credit is allowed if both the required employee and employer contributions are paid to the SPTRFA.

You may use previously tax sheltered dollars to make this payment [i.e., 403(b), 457 deferred compensation, 401(k)].

***Repaying a
Refund of
Contributions***

You may reinstate previous St. Paul retirement service credit by repaying the amount refunded plus 8.5% interest compounded annually from the date the refund was paid.

1. You must be re-employed in SPPS, SPC or employed with another eligible Minnesota public pension fund.
2. You must have accumulated at least two years of retirement service credit since the last refund was taken.
3. You may make partial repayment [minimum of one-third of the total service credit you lost by taking the refund(s)].
4. Retirement service credit, and costs, for any partial restoration will be distributed pro rata to all periods for which refunds were taken.
5. You may use previously tax sheltered dollars to make this payment [i.e., 403(b), 457 deferred compensation, 401(k)].

Your Retirement Benefit

You are participating in a defined benefit plan that pays a lifetime benefit to you and your survivor.

The factors used to calculate your retirement benefit are:

- Final Average Salary (FAS) – the average of the best five of the last ten years of service
- Years of Service (YOS) – allowable retirement service credit earned while contributing to the SPTRFA
- Percentage Multiplier

Your benefit amount is not based on the amount of money you or your employer have contributed. Your eligibility for a monthly benefit occurs when you are age 55 with five years of service.

You will receive the higher of the Tier I or Tier II benefit amounts.

The Rule of 90 applies only to Tier I benefits.

The Tier I formula is:

$$\text{Normal Annual Benefit} = \text{FAS} \times \text{YOS} \times 2.0\%$$

If you retire prior to your normal retirement age, unless you qualify for the Rule of 90, an early retirement reduction may be applied. The Rule of 90 waives the early retirement reduction when your age plus years of service are equal to or greater than 90.

Normal retirement age is age 65 if you have fewer than 25 years of service. If you have 25 or more years of service, normal retirement age is 60.

Tier I Formula (Includes Rule of 90)

***Tier II
Formula***

The Tier II formula is:

$$\text{Normal Benefit} = \text{FAS} \times \text{YOS} \times 2.5\%$$

The Rule of 90 does not apply.

If you retire prior to age 65, Tier II normal retirement age, an actuarial early retirement reduction will apply.

***Example of
Plan Benefit
Calculations***

In this example, all benefit values are rounded to the nearest whole dollar.

Years of Service: 25
Final Average Salary: \$50,000
Age: 59
Normal Retirement Age: 60

**Tier I
Example**

Normal Benefit

$$\$50,000 \times 25 \times 2.0\% = \$25,000$$

Early Retirement Reduction

This member is one year, or 12 months, from normal retirement age.

$$0.25\% \times 12 = 3\% \text{ (97\% of unreduced benefit)}$$

Annual Retirement Benefit

$$\$25,000 \times 0.97 = \$24,250$$

Monthly Retirement Benefit

$$\$24,250 \div 12 = \$2,021$$

Tier II Example

Normal Benefit

$$\$50,000 \times 25 \times 2.5\% = \$31,250$$

Early Retirement Actuarial Factor for Age 61

$$= 0.7289 \text{ (72.89\% of unreduced benefit)}$$

Annual Retirement Benefit

$$\$31,250 \times 0.7289 = \$22,778$$

Monthly Retirement Benefit

$$\$22,778 \div 12 = \mathbf{\$1,898}$$

The Combined Service program is a special form of portability under Minnesota law for individuals having allowable retirement service credit with more than one covered Minnesota public pension fund (Minn. Stat. § 356.30).

Combined Service Annuity

The program allows benefits to be calculated by all plans as if all years of service were earned under the last plan. Note that these remain separate benefits, however, and the assets cannot be rolled or combined.

Participating Minnesota public pension funds are:

- St. Paul Teachers' Retirement Fund Association
- Minnesota Teachers Retirement Association
- Minneapolis Teachers' Retirement Fund Association
- Duluth Teachers' Retirement Fund Association
- Public Employees' Retirement Association
- Minnesota State Retirement System
- Minneapolis Employees' Retirement Fund

All combined years of allowable retirement service credit are used to determine your benefit eligibility.

Minimum allowable retirement service credit requirements are:

- At least three years of combined credit within the Minnesota public pension funds.
- At least one-half year of credit within a fund to receive combined service credit from that fund.

Refunds from the public pension funds may be repaid, allowing your retirement benefit calculation to include that retirement service credit. Contact the fund you took a refund from to evaluate your options.

Your FAS is the average of your highest five successive years of salary from whatever fund(s) they occur in, even if it is not your last pension fund. The pension funds will all use the same FAS to calculate your benefit payable from each fund.

Prior Service

Members who elected to stay under the Basic Plan have the option of “buying in” up to eight years of previous service to supplement their SPTRFA service. This previous service is defined as “any service which Saint Paul Public Schools recognizes in placing teachers on the salary schedule” This can be public, private, or parochial school teaching, previous military service, trade experience, etc.

The cost to “buy in” outside service is 16% of the member’s salary at the time payment is made, plus interest from June 1978 to date of payment.

Please call the SPTRFA office for details on prior uncredited service purchase provisions.

You may use previously tax sheltered dollars to make this payment [i.e., 403(b), (457) deferred compensation, 401(k)].

Deferred Retirement

A deferred benefit is available if your employment is terminated and you have at least five years of allowable retirement service credit. A deferred benefit may begin as early as age 55.

The benefit is computed by applying the retirement formula in effect at the time of termination. If you begin to receive the benefit before the normal retirement age, applicable discounts will apply. This benefit will augment, or increase, by 3% each year until January 1 after you turn age 55 and then by 5% each year until you begin to receive the benefit.

See **Summary of Retirement Benefits**, page 26.

Refund of Contributions

You must be ineligible for a pension to receive a refund of contributions. Meaning, as long as you are under the age of 55 or are not vested, you can receive a refund of **your** employee contributions (not the employer's contributions) after you resign from SPPS or SPC. This refund includes 6% interest compounded annually.

Taking a refund means that you forfeit all rights to a benefit from the SPTRFA.

See **Summary of Other Benefits**, page 27.

Summary of Retirement Benefits

Normal Benefit	Minimum		Computation of Annual Benefit
	Age	Service	
Tier I			
Unreduced	Rule of 90		
	60	25	FAS x YOS x 2.0%
	65	5	
Reduced	55	5	Reduced by 0.25% for each month a member's age is under 65.
	55	25	Reduced by 0.25% for each month a member's age is under 60.
Tier II			
Unreduced	65	5	FAS x YOS x 2.5%
Reduced	55	5	Reduced by the use of actuarial tables.
Deferred Retirement			
	55	5	Annual benefit (see above). Augmented by 3% per year from date of resignation to January 1 following age 55, then 5% per year to date of retirement.

Formula Key:

FAS: Final Average Salary

YOS: Years of Service

2.0% or 2.5%: Percentage Multiplier

Summary of Other Benefits

Normal Benefit	Minimum		Computation of Benefit
	Age	Service	

Survivor – Active Member

Survivor	None	5	Formula benefit reduced by use of joint and survivor tables.
Family	None	5	25% of maximum B.A. salary for each child, with a maximum of two. 15% for surviving parent if maintaining home for children.

Survivor – Retired Member

Survivor	None	N/A	Formula benefit reduced by use of joint and survivor tables.
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Disability Retirement

	None	5	75% of the previous year salary less any benefits from Workers Compensation or Social Security. At age 65, disability retirement converts to a retirement pension benefit equal to the amount of a service pension earned at age 65.
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Refund	Maximum		Computation of Benefit
	Age	Service	
	Prior to Age 55	Any	Member contributions plus 6% interest compounded annually.
	Any Age	< 5	

Glossary

401(a)	The section of the federal Internal Revenue Code that defines criteria for designation as a tax qualified plan, permitting the deferral of taxes on contributions and investment earnings thereon within a retirement fund program.
Actuarial Value	The value of any stream of contributions or expenditures expressed as a net present value over a career of service or through a participant's life expectancy.
Allowable Service	Service rendered as a "teacher" in SPPS or SPC, and which is eligible for retirement plan coverage.
Annuity	A series of guaranteed payments – in your plan, monthly, typically for life.
Augmentation	Protection of vested benefits from erosion in value due to inflation in the interim between the time of termination and retirement.
Basic Plan	A retirement plan for members hired before July 1, 1978, who do not participate in Social Security as employees of SPPS or SPC.
Beneficiary	Person(s) designated to receive a benefit payable in the event a member dies without an eligible survivor.
Bylaws	A set of rules that prescribe how the SPTRFA is to be administered.
Combined Service	Authorizes allowable retirement service credit and salary from any Minnesota defined benefit plan to be considered jointly at the time of retirement when determining eligibility and level of benefits.
Compounding	Successive additions to a principal sum, at a specified time interval, at some rate of interest, that become in turn, increases to the principal base for each succeeding addition of interest.

Coordinated Plan	A retirement plan that is structured to complement and add to, Social Security in defining the total retirement benefit accrued for a period of service.
Deferred Pension	Delay or deferral of the commencement of benefit payments by a vested member who terminates employment (see also "Augmentation").
Defined Benefit	A retirement benefit determined by a formula with factors such as years of service, final average salary, and a formula percentage. The benefit is not determined by contributions to the plan <i>per se</i> .
Defined Contribution	A retirement program that accumulates contributions and investment earnings thereon – There is no guarantee this sum will be enough to sustain one throughout their retired life.
Early Retirement	Retirement before the "Normal Retirement Age," which, without offsetting plan provisions, results in a lower monthly benefit.
Earnings Limitation	Members drawing a retirement benefit may return to work for SPPS or SPC. However, there is a partial offset to monthly benefits when post-retirement earnings exceed the annual limit defined by the Social Security Administration, as adjusted each year, if the retired member is under age 65.
FAS	Final Average Salary. The average of the best five of the last ten years of service; typically, the last five years. A key determinant of the monthly retirement benefit amount.
First Employment Date	The date that a member was first hired in a position covered by any Minnesota defined benefit public pension fund.

Fiscal Year	The accounting period and benefit plan cycle consuming one calendar year. For the SPTRFA, July 1 through June 30.
Formula Benefit	See "Defined Benefit."
High 5	See "FAS."
Normal Retirement Age	The age at which a member becomes eligible for an unreduced retirement benefit, unless early retirement provisions eliminate any otherwise applicable reduction.
Optional Annuity	Choice of benefit form that adds survivor or beneficiary coverage in exchange for a reduced monthly benefit to the member.
Plan Documents	Documents that define the benefits, financing and administration of the retirement program. For the SPTRFA, the Articles of Incorporation, Bylaws, state laws, federal statutes and regulations.
Refund	A lump-sum disbursement of terminated member contributions, in certain cases with interest.
Retirement	The commencement of regular monthly payment of a benefit.
Rule of 90	When age plus years of retirement service credit equals 90 or more, early retirement reductions are waived if "First Employment Date" is prior to July 1, 1989.
Salary	Compensation for which contributions to the fund are paid. Includes extracurricular pay.
SPC	St. Paul College (formerly, St. Paul Technical College and St. Paul Vocational/Technical College).

SPPS	St. Paul Public Schools.
SPTRFA	St. Paul Teachers' Retirement Fund Association.
Statutes	Laws of a relatively permanent or "codified" status. State statutes are a component of our Plan Documents.
Survivor	An individual with right to a benefit in the event of the member's death.
Teacher	Any person employed with SPC or SPPS whose position requires a license issued by the Minnesota Department of Education and who possesses such license (not limited to classroom instructors).
Term Certain Annuity	A form of annuity that, rather than being payable for life, is payable for a specific period of time and ceases thereafter.
Termination	The official severance of employment status with SPC or SPPS, typically by formal, written resignation (not the same as "Retirement" – See above).
Tier I & Tier II	Depending on "First Employment Date" (see above), different conditions and formulas apply in the calculation of retirement benefits.
TSA	Tax Sheltered Annuity. Plans created under the federal Internal Revenue Code, such as an IRA, 401(k) and 403(b).
Vesting	The period of cumulative retirement service credit under the plan necessary to qualify for a retirement benefit other than a refund of member contributions.
YOS	Year(s) of Service. Presently, a full YOS is earned in any Fiscal Year that a member works at least 170 days. Fractional YOS are included in calculating benefits.

