

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

Pension Facts

**Coordinated
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.

Published February 2006

St. Paul Teachers' Retirement Fund Association

1619 Dayton Avenue - Room 309

Saint Paul, MN 55104

Phone: 651-642-2550

Fax: 651-642-2553

Website: www.sptrfa.org

Table of Contents

Mission Statement	1
Board of Trustees	4
History	5
Introduction	6
Membership	6
Administration	6
Plan Type	7
General Plan Features	8
Types of Benefits	8
Beneficiary	9
Combined Service	9
Marriage Dissolution	9
Steps to Retirement	10
Teaching After Retirement – Earnings Limitations	10
Post Retirement Increase	11
Leaving Service in St. Paul – Your Options	11
Coordinated Plan	12
Membership	12
Vested Membership	12
Annual Estimates & Statements of Account	12
Survivor Benefits	12
Disability Retirement	14
Leaves of Absence	15
Prior Uncredited Military Service	20
Approved Part-Time Assignment Program	20
Repaying a Refund of Contributions	20
Your Retirement Benefit	21
If You Were First Employed Before July 1, 1989	22
If You Were First Employed On or After July 1, 1989	23
Combined Service Annuity	25
Retirement Annuity Options	26
Deferred Retirement	27
Refund of Contributions	27
Summary of Retirement Benefits	28
Summary of Other Benefits	29
Glossary	30

Board of Trustees

As of December 31, 2005

Officers

Feryle W. Borgeson, President

John R. Kunz, Vice-President

Eugene R. Waschbusch, Secretary-Treasurer

Members

Carol J. Adams

W. Matthew Bogenschultz

F. Michael McCollor

Erma E. McGuire

Al Oertwig

James Paddock

Chong Thao

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 30 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 at 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 BOT 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 guaranteed a lifetime, monthly retirement benefit from the SPTRFA if you are a vested member. Your benefit is not determined solely by your contributions. Rather, it is based on a formula, in which allowable service credit and salary are key factors.

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 & 28
<i>Deferred Retirement</i>	You may defer receipt of your monthly benefit until you are age 55 or older.	27 & 28
<i>Disability Retirement</i>	You may apply for a disability benefit if you become totally and permanently disabled.	14 & 29
<i>Survivor Benefits</i>	In the event of your death, there may be a survivor benefit payable.	12 & 29
<i>Refund of Contributions</i>	<p>If you resign from SPPS or SPC, and have not yet begun to draw a benefit, you may elect a refund of your contributions, plus 6% interest compounded annually.</p> <p>A refund surrenders all rights to benefits from the SPTRFA.</p>	27 & 29

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 for any member not yet receiving a benefit.

Beneficiary

A beneficiary may be any person or persons. 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 25.

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 pension office 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%.

Post- Retirement Increase

You must be 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.

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

<i>Option</i>	<i>Page</i>
• Draw Your Benefit	21
• Accrue Service Elsewhere	25
• Postpone Retirement	27
• Withdraw Your Contributions	27

Coordinated Plan

Membership

You are a Coordinated Plan member if you were first employed or re-employed on or after July 1, 1978 with SPPS or SPC, or if you elected to convert to the Coordinated Plan from the Basic Plan in 1978. Coordinated Plan members contribute 5.5% of their pre-tax salary and the employer contributes 8.34%.

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 three 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

In the event of your death prior to retirement, there may be survivor benefits payable. If there are no survivor benefits payable, your beneficiaries will receive a lump sum refund of your contributions.

See **Beneficiary**, page 9.

*Active
Member
Death*

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

1. Surviving Spouse
2. Dependent Child

Your spouse is eligible for a lump sum refund of your contributions plus 6% interest or a surviving spouse monthly benefit. In order for your spouse to be eligible for a monthly benefit, you must be vested.

Spousal

The amount of the monthly benefit your spouse will receive depends upon the retirement benefit option chosen:

- 100% joint and survivor lifetime annuity, or
- Term certain annuity of 5, 10, 15, or 20 years.

The benefit amounts are calculated based on your age and the age of your surviving spouse at the time of your death. The amounts are subject to early retirement reductions.

In the event that your spouse chooses a term certain annuity, the benefit will be paid for the length of the term. If your surviving spouse elects a term certain annuity and dies prior to the expiration of the term, the commuted value will be paid in a lump sum to his or her estate.

If you are vested and no spousal survivor benefit is payable (see above), a dependent children benefit is available:

**Dependent
Children
Benefit**

- If your dependent children are under the age of 15, monthly payments will be made for each child from the date of your death until they reach the age of 20.
- If your dependent children are age 15 or older, monthly payments will be made for five years.

The payment to your dependent children is an amount actuarially equivalent to the value of a 100% joint and

survivor lifetime annuity. The amount is calculated by using your age and the age of your dependent children at the time of your death. If you have more than one dependent child, each child will receive a proportionate share of the actuarial value of the dependent children benefit.

Retired Member Death – Spousal

In the event of your death after retirement, a spousal survivor benefit will only be payable if you chose survivor coverage as part of your irrevocable annuity option elected at the time of retirement.

See **Retirement Annuity Options**, page 26.

Disability Retirement

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

Minn. Stat. § 354A.011 subd. 14. Disability.
“ ‘Disability’ or ‘permanent and total disability’ means the inability of a member to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long continued and indefinite duration which shall in no event be less than one year.”

You must 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 a disability.

The amount of the disability retirement is the unreduced retirement benefit amount calculated using your years of service and final average salary at the time of the disability.

If your disability benefit is granted:

- You may elect any of the five optional annuities (see page 26).
- Annual physical examinations are required to verify the continued existence of the disability.

You may be eligible for disability coverage through Social Security. This benefit would be in addition to the benefit from the SPTRFA.

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 for that half-time rate, so you receive half of the usual retirement service credit without paying any additional contributions.

To receive full retirement service credit, you must make a payment based on the retirement service credit missed during the time of the sabbatical leave and on the full-time salary for the year prior to the beginning of the leave.

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

Your payment must be received by June 30 of the year following the fiscal year in which your sabbatical leave of absence terminates.

Military

A military leave of absence interrupts regular teaching service.

To receive retirement service credit you must:

- Be honorably discharged
- Return to service with 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 their 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.

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

Parental

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.

You may receive up to 60 days of retirement service credit for a Family Medical leave. 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 respective amounts	Member & employer pay respective amounts	Member pays both amounts
Contributions Based on:	Salary immediately preceding leave	Salary that would have applied during leave	Salary on date leave ended
Maximum Length:	Employer determined	Statutorily determined	One year
Payment Due:	June 30 of year following fiscal year following end of leave	Within five years from date of discharge	June 30 of year following fiscal year following end of leave
Special Notes:	Salary & contributions are 50% of normal. Member has option to purchase other 50% of retirement service credit	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 beginning of 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 any subsequent year(s)		

***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 [i.e., 403(b), 457 deferred compensation, 401(k)] to purchase prior uncredited military service.

***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 [i.e., 403(b), 457 deferred compensation, 401(k)] to make this payment.

***Repaying a
Refund of
Contributions***

You may reinstate the 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 be contributing to 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.

The factors used to calculate your retirement benefit are:

- Final Average Salary (FAS) – the average of your highest five successive years of salary
- 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 three years of service
- Any age with 30 years of service

Your first date of employment determines your benefit formula method.

***If You Were
First
Employed
Before
July 1, 1989***

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

The Rule of 90 applies only to Tier I benefits.

***Tier I
Formula
(Includes
Rule of 90)***

The Tier I formula is:

$$\begin{aligned} \text{Unreduced Annual Benefit} = & \\ & (\text{FAS} \times \text{First 10 YOS} \times 1.2\%) \\ & + \\ & (\text{FAS} \times \text{YOS greater than 10} \times 1.7\%) \end{aligned}$$

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 30 years of service. If you have 30 or more years of service, normal retirement age is 62.

***Tier II
Formula***

The Tier II formula is:

$$\text{Normal Annual Benefit} = \text{FAS} \times \text{YOS} \times 1.7\%$$

The Rule of 90 does not apply.

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

***If You Were
First
Employed On
or After
July 1, 1989***

The Tier II formula is:

Normal Annual Benefit = FAS x YOS x 1.7%

***Tier II
Formula***

The Rule of 90 does not apply.

To qualify for an unreduced benefit, you must reach your normal retirement age based on your birth year (as shown in chart below).

<u>Birth Year</u>	<u>Normal Retirement Age</u>
Prior to 1938	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
After 1942	66

If you retire prior to your 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: 61
Normal Retirement Age: 65
Birth Year: 1937

**Tier I
Example**

Normal Annual Benefit
 $(\$50,000 \times 10 \times 1.2\%) + (\$50,000 \times 15 \times 1.7\%)$
 $= \$18,750$

Early Retirement Reduction
This member is four years, or 48 months, from normal retirement age.
 $0.25\% \times 48 = 12\%$ (88% of unreduced benefit)

Annual Retirement Benefit
 $\$18,750 \times 88\% = \$16,500$

Monthly Retirement Benefit
 $\$16,500 \div 12 = \$1,375$

**Tier II
Example**

Normal Annual Benefit
 $\$50,000 \times 25 \times 1.7\% = \$21,250$

Early Retirement Actuarial Factor for Age 61
 $= 0.8058$ (80.58% of unreduced benefit)

Annual Retirement Benefit
 $\$21,250 \times 0.8058 = \$17,123$

Monthly Retirement Benefit
 $\$17,123 \div 12 = \$1,427$

Combined Service Annuity

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).

The program allows for benefits to be calculated under separate plans as if all years of service were earned with 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.

Retirement Annuity Options

The SPTRFA offers you one of five lifetime annuity options – each actuarially equivalent to the C-1 Life Plan option. Each option provides different protections for your survivors and beneficiaries, thus affecting your monthly benefit amount.

C-1 Life Plan – No Refund – Monthly benefit for your lifetime with no refund payable.

C-2 Life Plan – Guaranteed Refund – If your death occurs before you “use up” the balance of the money you contributed to the SPTRFA, your designated beneficiary (or if none, your estate) receives a refund of the remaining balance.

C-3 Life Plan – 15-Year Term Certain – If your death occurs before the end of the term, an equivalent benefit is paid to your designated beneficiary (or if none, your estate).

C-4 Life Plan - 100% Joint & Survivor – Upon your death, your spouse will receive a lifetime benefit equal to your annuity. If your spouse predeceases you, your payments increase to the C-1 Life Plan option amount for the remainder of your life.

C-5 Life Plan – 50% Joint & Survivor – Upon your death, your spouse will receive a lifetime benefit equal to 50% of your annuity. If your spouse predeceases you, your payments increase to the C-1 Life Plan option amount for the remainder of your life.

Accelerated Retirement Annuity

In addition to selecting your retirement option, you may elect to receive an accelerated monthly retirement benefit in lieu of your regular lifetime monthly retirement benefit. This pension provides a greater benefit from the SPTRFA prior to the age of 65. The benefit is then reduced when you reach age 65. This option attempts to provide a more level lifetime retirement income before and after age 65, when Social Security usually takes effect.

Deferred Retirement

A deferred benefit is available if your employment is terminated and you have at least three 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 age 55 and then by 5% each year until you begin to receive the benefit.

See **Summary of Retirement Benefits**, page 28.

Refund of Contributions

In lieu of a monthly benefit, you may request a refund of your contributions.

See **Summary of Other Benefits**, page 29.

Summary of Retirement Benefits

Normal Benefit	Minimum		Computation of Annual Benefit
	Age	Service	

Tier I (Available if first employed before July 1, 1989)

Unreduced	Rule of 90		(FAS x First 10 YOS x 1.2%) + (FAS x YOS greater than 10 x 1.7%)
	62	30	
	65	3	
Reduced	55	3	Reduced by 0.25% for each month a member's age is under 65.
	Any Age	30	Reduced by 0.25% for each month a member's age is under 62.

Tier II

Unreduced	If first employed before July 1, 1989:		
	65	3	FAS x YOS x 1.7%
	If first employed on or after July 1, 1989:		
	65-66	3	FAS x YOS x 1.7%
Reduced	55	3	Reduced by the use of actuarial tables.
	Any Age	30	Reduced by the use of actuarial tables.

Deferred Retirement

55	3	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.
Any Age	30	

Formula Key:

FAS: Final Average Salary

YOS: Years of Service

1.2% or 1.7%: Percentage Multiplier

Summary of Other Benefits

Normal Benefit	Minimum Service	Benefit Details
Survivor – Active Member		
Surviving Spouse	3	Survivor benefit under the 100% joint and survivor lifetime annuity, a term certain annuity or a refund.
Dependent Children	3	If no survivor benefit is payable, then an actuarial equivalent of survivor benefit.
Survivor – Retired Member		
Surviving Spouse	N/A	Based on elected option at time of member's retirement.
Disability Retirement		
	3	Annual benefit with no reduction.
Refund		
	None	Member contributions plus 6% interest compounded annually.

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 highest five successive years of salary over some specified portion, or an entire career 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."
Joint & Survivor Annuity	Form of optional annuity that pairs the life expectancy of a member with a spouse. A lower monthly benefit is taken in exchange for the spousal benefit coverage.
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 withdrawal of terminated member contributions with interest. For a vested member, a refund is taken in lieu of a monthly retirement benefit.
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.

