St. Paul Teachers' Retirement Fund Association
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That's a Good Question! – Merge or Not to Merge?

Question: Member recently asked……

"Why did SPTRFA not choose to join the PERA (Public Employee)? I have colleagues asking this besides myself and I would appreciate an explanation I can share."

Answer…….

PERA (Public Employees Retirement Association of MN) serves over 250,000 current and former public employees from over 2,000 local units of government throughout the state of Minnesota, *this plan does not include Minnesota licensed teachers*. SPPS employees covered under **PERA** include TA's and EA's.

After studying the merits of joining the State's **TRA** (Teachers Retirement Association), the SPTRFA Trustees opted to remain a separate organization at this time based on a variety of considerations, one of which is COST. To merge would cost State taxpayers nearly 6 times the price tag of the status quo.

There were other important considerations.   Based on what is known at this time, there is, overall, too much uncertainty and potentially negative impact to members in merging. Our members (active and retired) have experienced major changes in contributions and Plan operations to strengthen the Plan. Our actuary, **Gabriel**, **Roeder**, **Smith** & Company, says, once all current changes are fully in place, the Plan will be on a path of funding sufficiency, if assumptions are realized. To merge with **TRA**, which is staring at a major funding shortfall of over $5 billion, runs the risk that members could merge and then be faced with further contribution increases and benefit cuts.

A larger organization does not always guarantee a better structure. SPTRFA's newly implemented Pension Administration System, its less punitive early retirement reduction schedule, its stronger member governance, its historically higher long term investment return, its improving ratio in the growth of annual contributions to payouts, its "phased-in" future employee/er contribution increases, were among other reasons for remaining outside TRA at this time.

Once the picture is clearer and once Duluth has been fully absorbed without incident and once the various State pledges of additional financial support have been fully established, the Board will be in a much better position to weigh its options. It has not closed the door to a possible future merger should St. Paul's demographics change. However, the Fund is better off financially than it has been in many years. The St. Paul situation is improving not worsening. Going forward, contributions to the plan are expected to increase over 20% from prior years. The Plan, its members and the taxpayers are better off with the Board's decision to remain separate for the present.

Your questions about Plan provisions are strongly encouraged. Where there is a potential wider application of the issue raised, we will seek, in addition to a personal letter response when possible, to also offer a response through our Website.