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## That's a Good Question! – Monthly Annuity Benefits

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**Question:** Member recently asked..... “Why can’t the Plan deposit the monthly annuity benefit such that it is credited on the First of each month rather than on the first Business Day of the month?”

### Answer.....

The Plan’s Master Custodian is US Bank, here in St. Paul. Benefit payments are issued electronically through direct deposit (ACH). Operationally, US Bank is open Monday through Friday. It is unable to credit accounts or undertake any business in member accounts when the bank is closed for business, which includes holidays.

Each month, in which the “First” falls on a Monday through Friday, your benefit check is credited, through direct deposit, on that date. This generally occurs eight or nine months of any year. However, when the first day of the month falls on a Saturday or Sunday, the benefit payment is deposited the following Monday, which could be the second or third calendar day. The Board is aware that spread over a year’s time, this may result in the loss of five to six days of interest. The Board has reviewed this matter and believes the present system of payment on the first business day of each month should not be changed and best complies with State statute. There are several considerations behind this decision.

**First**, the Plan, by statute, pays the monthly benefit PROSPECTIVELY. MN Statute 356.40 calls for Plan payment within the first week. By paying the benefit prospectively, the annuitant at the time of that first payment is actually able to earn approximately 30 days interest compared to retroactive payments.

**Secondly**, when an annuitant dies, because the payment has been paid on the first business day, the benefit has been already received. The Board’s operating practice is that no return of the payment or pro rata reimbursement is required. This is not the case with Social Security, for example, where a recipient is required to return the full payment earned during the month of the member’s death. (NY State Teachers, for example, requires reimbursement of the pro-rata portion.) Both automatically withdraw the money owed!

**Thirdly**, the Plan’s operating practice and statutory provisions require that the member, to be eligible for a monthly annuity, **MUST** be living on the first day of the month (i.e. MN 356.40 requires the benefit payment **MUST** be “within the first week”). If the Board were to adopt a payment plan whereby the benefit was credited by the first calendar day of the each month, this could result in the actual issuance of the benefit on the 30<sup>th</sup>, or 31<sup>st</sup> of the prior month, in violation of the State statute. Furthermore, should a member be issued its check on the 30<sup>th</sup> or 31<sup>st</sup> of a prior month and pass away before the 1<sup>st</sup> of the benefit month, that member would have been technically ineligible for that “pre-payment”.

For these reasons, the Board at this time feels its payment policy on the first business day is the most appropriate. It is also comparable to other MN plans. Any lost interest for the days during each year when the first of the month falls on a Saturday or Sunday is addressed through the advantages in the Plan’s benefit payment structure, mentioned above, and assures compliance with applicable statutory Plan provisions.

*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](#).*