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Minnesota Teachers Retirement Association

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<http://www.minnesotatra.org>

AT A GLANCE

Who We Serve:

- 122,000 active/inactive teachers
- 62,000 benefit annuitants
- 591 employer units

Revenue sources:

- 74% investment income
- 12% member contributions
- 14% employer unit contributions

Direct Aid and Supplemental Employer Contributions:

- General Fund annual appropriation of approximately \$16.5 million for merger of Minneapolis Teachers Retirement Fund Association (MTRFA) in 2006.
- \$2.25 million from the City of Minneapolis and \$2.25 million from the Minneapolis School District in direct annual contributions related to the MTRFA merger.
- General Fund annual appropriation of \$14.4 million for the merger with the Duluth Teachers Retirement Fund Association on June 30, 2015.

Staff:

- 90 FTE

PURPOSE

Minnesota Teachers Retirement System (TRA) provides retirement, disability, and survivor benefits to Minnesota public educators, assisting them in achieving future income security.

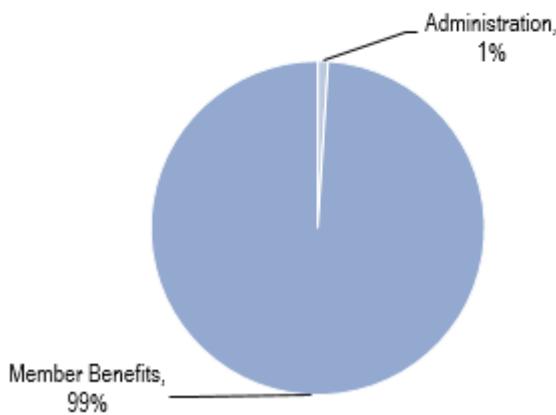
TRA strives to provide benefits that attract and retain competent teachers who serve communities throughout the state, building a stronger education system.

The agency is committed to safeguarding the financial integrity of the fund and takes pride in providing exceptional, innovative services to our members.

TRA contributes to the statewide outcome of: a thriving economy that encourages business growth and employment opportunities; Minnesotans have the education and skills needed to achieve their goals; and efficient and accountable government services

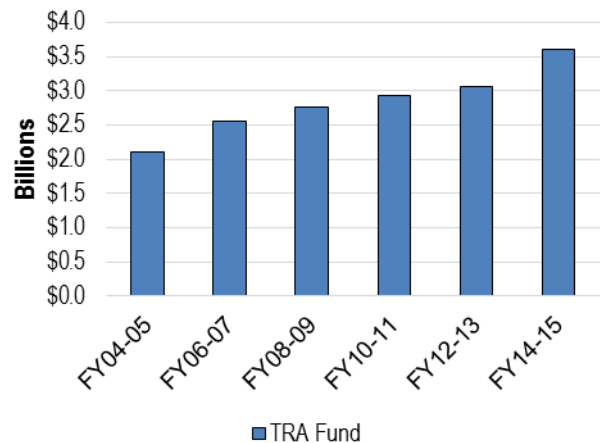
BUDGET

**Spending by Program
FY 15 Actual**



Source: TRA Comprehensive Annual Financial Reports (FY 2015)

Historic Spending



Source: TRA Comprehensive Annual Financial Reports (FY 2004-2015)

TRA was established by the Minnesota legislature in 1931 and is primarily governed by Minnesota Statutes Chapter 354 and 356. The Association is administered by an eight member board of trustees. TRA is funded through member contributions, employer contributions, and investment earnings on fund assets. Over long periods of time, approximately 70 percent of fund

revenues are expected by investment earnings. TRA members and their employers each contribute 7.5% of their covered salary to TRA.

The TRA expenditure budget consists largely (over 99%) of monthly retirement, survivor, and disability payments to members or other benefit recipients. In fiscal year 2017, TRA expects to pay \$150 million/month in benefits to over 62,000 individuals.

TRA's main office is in St. Paul. Satellite offices are located in Detroit Lakes, Duluth, Mankato and St. Cloud.

STRATEGIES

The TRA Management Team is committed to safeguarding the financial integrity of the fund, which requires continual monitoring of the plan's actuarial funding status. Core operational functions include: collecting, recording and maintain the accounting of retirement contributions; collecting and managing member information; issuing benefit and refund payments; and educating members and employers about TRA plan features.

RESULTS

During fiscal year 2016, 4,602 members were served with individual pre-retirement counseling services. Another 1,740 members were served during group counseling and other ad-hoc presentations.

In fiscal year 2016, TRA generated 30,420 benefit estimates for members preparing for retirement. TRA members may also securely generate benefit estimates online. TRA members requested 72,459 benefit estimates online during fiscal year 2016.

The TRA Contact Center received 43,302 telephone calls and responded to 1,494 emails during fiscal year 2016.

Another performance measure is the funded ratio of the plan which is an indication of the ability to meet current and future benefit obligations. TRA's funding status grew worse during fiscal year 2016 due to a slightly negative investment return plus the adoption of newer mortality tables which showed current TRA retirees are living longer than had been expected at the time of their retirement.

| <i>Type of Measure</i> | <i>Performance Measures</i> | <i>Previous 6/30/2015</i> | <i>Estimated 6/30/2016</i> |
|------------------------|---|-------------------------------|--------------------------------|
| Quality | TRA Plan Funding Ratio (Market Value) | 79.7% | 72.4% |
| Quality | TRA Plan Contribution Deficiency (percent of covered payroll- Market Value) | - 0.75% | - 4.68% |
| Quantity | TRA Plan Unfunded Actuarial Liability (Market Value) | \$5.2 billion | \$7.4 billion |

Legal authority for the Teachers Retirement Association comes from M.S. 354 (<https://www.revisor.mn.gov/statutes/?id=354>).

Expenditures By Fund

| | Actual FY14 | Actual FY15 | Actual FY16 | Estimate FY17 | Forecasted Base | |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | | | | FY18 | FY19 |
| 7300 - Teachers Retirement | 1,606,246 | 1,656,478 | 1,742,268 | 1,852,216 | 1,920,367 | 1,996,236 |
| Total | 1,606,246 | 1,656,478 | 1,742,268 | 1,852,216 | 1,920,367 | 1,996,236 |
| <i>Biennial Change</i> | | | | 331,760 | | 322,119 |
| <i>Biennial % Change</i> | | | | 10 | | 9 |

Expenditures by Program

| | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Program: Teachers Retirement Assoc | 1,606,246 | 1,656,478 | 1,742,268 | 1,852,216 | 1,920,367 | 1,996,236 |
| Total | 1,606,246 | 1,656,478 | 1,742,268 | 1,852,216 | 1,920,367 | 1,996,236 |

Expenditures by Category

| | | | | | | |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Compensation | 7,466 | 7,746 | 8,308 | 9,169 | 9,069 | 9,239 |
| Operating Expenses | 5,338 | 6,919 | 7,180 | 5,676 | 5,927 | 6,476 |
| Other Financial Transactions | 1,593,435 | 1,641,806 | 1,726,777 | 1,837,325 | 1,905,325 | 1,980,475 |
| Grants, Aids and Subsidies | 6 | 8 | 3 | 46 | 46 | 46 |
| Capital Outlay-Real Property | 1 | | | | | |
| Total | 1,606,246 | 1,656,478 | 1,742,268 | 1,852,216 | 1,920,367 | 1,996,236 |

Full-Time Equivalents

| | | | | | | |
|--|------|------|------|------|------|------|
| | 83.4 | 82.0 | 86.1 | 90.0 | 90.0 | 90.0 |
|--|------|------|------|------|------|------|

7300 - Teachers Retirement

| | Actual | | Actual FY 16 | Estimate FY17 | Forecast Base | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | FY14 | FY 15 | | | FY18 | FY19 |
| Open Appropriation | 1,607,006 | 1,657,241 | 1,743,017 | 1,852,981 | 1,921,132 | 1,997,001 |
| Net Transfers | (760) | (763) | (749) | (765) | (765) | (765) |
| Expenditures | 1,606,246 | 1,656,478 | 1,742,268 | 1,852,216 | 1,920,367 | 1,996,236 |
| <i>Biennial Change in Expenditures</i> | | | | 331,760 | | 322,119 |
| <i>Biennial % Change in Expenditures</i> | | | | 10 | | 9 |
| Full-Time Equivalents | 83.4 | 82.0 | 86.1 | 90.0 | 90.0 | 90.0 |