

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	6
Agency Revenue Summary Fiscal Page	7

The mission and vision of the Teachers Retirement Association (TRA) is to:

- Provide retirement, disability and survivor benefits to Minnesota’s public educators, assisting them in achieving future income security.
- Strive to provide benefits that attract and retain competent teachers who serve communities throughout the state, building a stronger education system.
- Commit to safeguarding the financial integrity of the fund and to take pride in providing exceptional, innovative services.

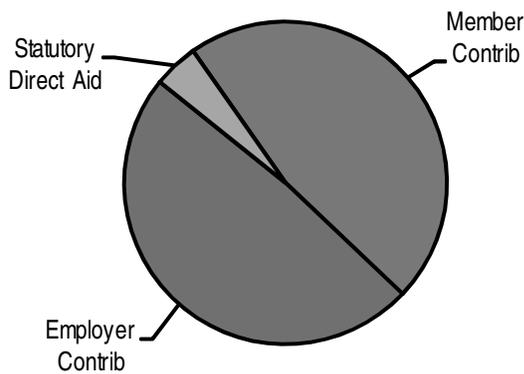
TRA’s vision is to be an outstanding retirement system, pursuing benefits and services that exceed members’ expectations.

At a Glance

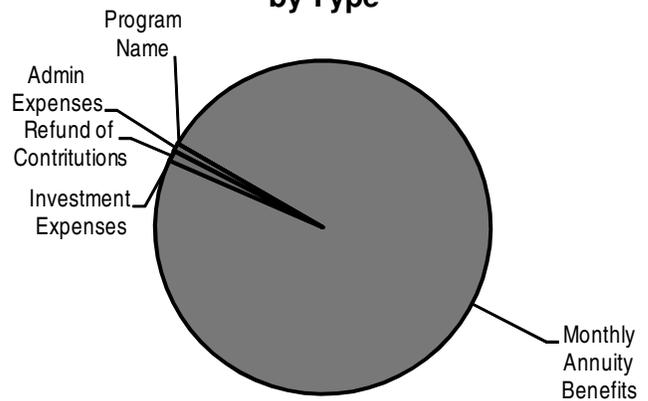
Member and financial data as of June 30, 2010.

- | | |
|---|--|
| <ul style="list-style-type: none"> • 77,356 active members • 36,407 inactive members • 51,853 benefit recipients • 578 employer units | <ul style="list-style-type: none"> • \$3.79 billion (covered salary of active members) • \$1.43 billion (annual retirement benefits) |
| <ul style="list-style-type: none"> • Actuarial Value of Assets \$17.3 billion • Actuarial Value of Liabilities \$22.1 billion • Funded Ratio (Actuarial Value) 78.5% | <ul style="list-style-type: none"> • \$11.6 million (member refund of contributions) • \$9.6 million (administrative expenses) • \$14.9 billion (assets at fair market value) • Funded Ratio (Market Value): 67.6% • 88 Employees |

Est. FY 2010-11 Expenditures by Revenue Source



Est. FY 2010-11 Expenditures by Type



Source: TRA Comprehensive Annual Financial Report
 Note: In addition to sources above, TRA investment earnings are expected to annually provide funding for 70% of member benefits.

Source: TRA FY 2011 Budget Document

Strategies

TRA is governed by a Board of Trustees charged with administering the assets of the fund for the exclusive benefit of its members. The board regularly reviews the funding health of the Fund, develops positions on legislative initiatives, and reviews operational goals and performance. Member contributions and demographic data are accumulated during the working career of teachers. Benefits paid are determined by provisions set by

Minnesota Statute. TRA fulfills its mission to provide retirement services by providing accurate and prompt payment of monthly retirement benefits. In addition, members who are actively teaching are offered pre-retirement counseling services through individual sessions, group workshops, and the availability of online or printed publications.

Operations

TRA staffing is organized around the following functional areas: receiving member contributions and data from employer units, providing pre-retirement counseling, and delivering benefits to teachers upon retirement or termination of teaching service. TRA's information technology unit supports the collection, administration, and benefit payment processes.

The TRA management team regularly meets to identify and prioritize staffing and budgetary resources for strategic initiatives. Since TRA plan provisions are governed by statute, implementation of recently enacted legislation holds a very high priority. Several major management initiatives underway during fiscal year 2011 include the development and implementation of a business continuation plan, development and programming of comprehensive business systems (.NET Project), and an enterprise-wide risk assessment to ensure systems controls adequately mitigate business risk. The TRA Board reviews progress reports of the various project teams.

Key Activity Goals & Measures

TRA's commitment to safeguarding the financial integrity of the fund requires continual monitoring of actuarial funding reporting. TRA's funding was severely weakened by the 2008-2009 investment market downturn. The 2010 Legislature enacted significant modifications to TRA contribution rates and plan provisions. These changes were designed to improve TRA's funding condition and improve the long-term sustainability of the fund. Over the next five years, the Minnesota Laws (2010) Chapter 359 is estimated to reduce TRA benefit liabilities by \$635.4 million and increase member and employer contributions by \$234.9 million each. In the fiscal year 2010 actuarial valuation report, TRA's actuary estimates that the 2010 legislative plan modifications and actuarial assumption changes have lowered TRA's actuarial accrued liability by \$1.75 billion. These changes are expected to stabilize TRA's funding ratio and gradually improve it over time. Two important measures of the health of a defined benefit retirement system are: 1) the level of funding, and (2) whether contribution rates are sufficient to earn enough assets to cover pension liabilities over the lifetime of its members. The following chart shows the funded ratio and contribution sufficiency/ (deficiency) as a percent of payroll over the past nine years, based on actuarial value of assets.

Fiscal Year	Funding Ratio*	Sufficiency/ (Deficiency)*
2010	78.5%	(4.00%)
2009	77.4%	(5.12%)
2008	82.0%	(3.33%)
2007	87.5%	(1.65%)
2006	92.1%	(0.80%)
2005	98.5%	0.95%
2004	100.0%	1.54%
2003	103.1%	1.63%
2002	105.3%	2.43%

*Based on actuarial value of assets

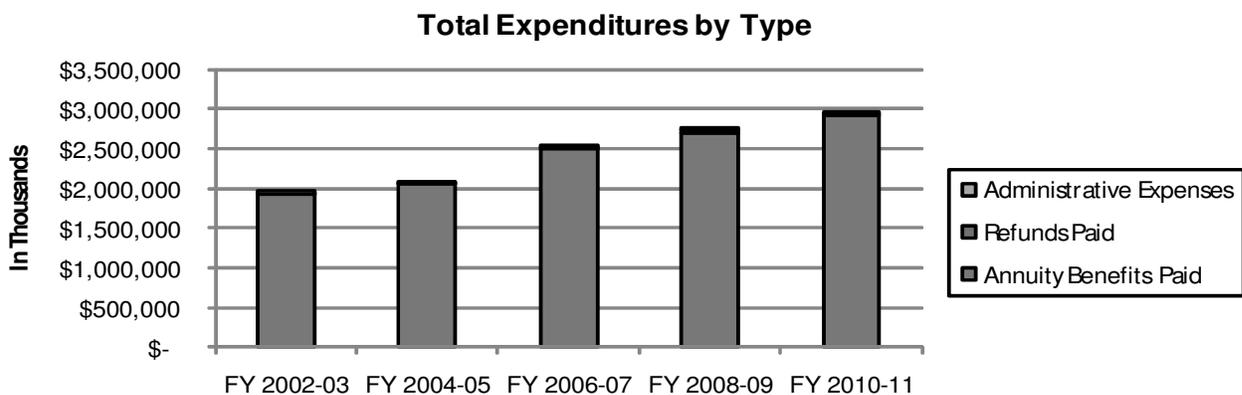
TRA's vision is to be an outstanding retirement system pursuing benefits and services that exceed members' expectations. In addition to a business continuation plan, enterprise risk assessment, and the .NET Project, the completion of the following goals are scheduled for the biennium:

- Unified communications technology allows a user to seamlessly communicate with another person even if two users are in separate locations. As part of this project, TRA could conduct benefit counseling with individual members located at an off-site location, or even in their homes.
- TRA offers a member and employer self-service internet site allowing members immediate access to account information, and the ability to prepare retirement benefit estimates. Benefit recipients have access to update tax withholding and direct deposit designations. Employers have the ability to submit payroll and demographic data online, and to remit member and employer contributions through the use of electronic fund transfer (EFT). As of June 30, 2010, approximately 50% of employer units remit payroll contributions to TRA using electronic fund transfer.
- Completion of a legislatively mandated study of retirement plan design options being conducted jointly with the other statewide retirement systems. The report will be completed by June 1, 2011.

Budget Trends

TRA assets, income and expenses are accounted for exclusively within the TRA Fund. Most members and employers each contribute 5.5% of covered salary to cover a portion of the cost of the TRA member’s benefit. Investment earnings during the teaching career of a member are expected to generate about 70% of the funds necessary to fund a lifetime monthly annuity benefit for the member. TRA member and employer contributions total over \$435 million annually. By statute, TRA also receives approximately \$17 million in State General Fund direct aid payments. In addition, TRA also receives about \$4.5 million in local direct aid payments from the City of Minneapolis and the Minneapolis Special School District. These direct aid payments were assumed in 2006 as part of the legislation that merged the former Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA.

TRA pays about \$120 million monthly in retirement benefits. Under law, TRA is expected to achieve full funding of benefits by 2037. In 2010, the Legislature enacted a package of contribution rate increases, lowered post-retirement benefit increases, and other plan provision reductions to stabilize the funding condition that worsened during the 2008-2009 severe investment market downturn. The TRA Board contracts with an actuarial consultant to annually report funding conditions and measurements. The board reviews the funding condition and recommends plan provision changes to the Legislature as deemed necessary. The board will closely monitor the fund’s financial status and recommend additional measures, if needed to maintain a stable fund.



*Source: Teachers Retirement Association’s Comprehensive Annual Financial Reports (CAFR) for FY 2002-2009. * FY 2010-11 is estimated, not actual*

TRA is affected by multiple external factors and trends. Investment market performance is a major key to the stability of TRA’s funding structure. Investment market performance below the assumed annual investment return

of 8.5% tends to increase the need for higher contributions or limits in future benefit growth. School enrollments and desired class sizes affect the number of teachers employed. Teachers who enter teaching, but do not stay in the profession long-term also impact the ultimate cost of the TRA plan. The “baby boom” generation of teachers (members born from 1946 to 1964) has begun to retire and will continue producing a strong demand for retirement counseling services. The availability and cost of post-retirement health insurance influences the timing of teacher retirements. Improvements in longevity and health care affect the amount of time a member will draw TRA benefits and can increase costs. TRA is also affected by a national debate over adequate retirement planning and whether defined benefit or defined contribution plans, or a combination of both, are the most effective means of preparing for an adequate income in retirement.

Contact

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TEACHERS RETIREMENT ASSOC

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2012-13
	FY2010	FY2011	FY2012	FY2013	
<u>Expenditures by Fund</u>					
Open Appropriations					
Teachers Retirement	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
Total	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
<u>Expenditures by Category</u>					
Total Compensation	6,607	7,060	7,074	7,224	14,298
Other Operating Expenses	4,167	4,548	4,295	4,795	9,090
Local Assistance	1	2	2	2	4
Other Financial Transactions	1,432,239	1,515,800	1,490,800	1,515,800	3,006,600
Total	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
<u>Expenditures by Program</u>					
Teachers Retire Asn	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
Total	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
Full-Time Equivalents (FTE)	89.0	88.0	88.0	88.0	

TEACHERS RETIREMENT ASSOC

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<i>Non Dedicated Revenue:</i>					
Other Revenues:					
Teachers Retirement	457,000	468,000	517,050	579,000	1,096,050
Total Non-Dedicated Receipts	457,000	468,000	517,050	579,000	1,096,050
<i>Dedicated Receipts:</i>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue					
	457,000	468,000	517,050	579,000	1,096,050