Minnesota Teachers Retirement Association

www.minnesotatra.org

AT A GLANCE

Who We Serve:
- 130,000 active/inactive teachers
- 65,000 benefit annuitants
- 593 employer units

Revenue sources: (Over 28 years)
- 74% investment income
- 12% member contributions
- 14% employer unit contributions

Direct Aid and Supplemental Employer Contributions:
- General Fund appropriation of approximately $16.5 million annually for merger of Minneapolis Teachers Retirement Fund Association (MTRFA) in 2006.
- $2.25 million annually from the City of Minneapolis and $2.25 million annually from the Minneapolis School District in direct contributions related to the MTRFA merger.
- General Fund appropriation of approximately $14.4 million annually for the merger with the Duluth Teachers Retirement Fund Association in 2015.

Staff:
- 85 FTE

PURPOSE

- Provide retirement, disability, and survivor benefits to Minnesota 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 take pride in providing exceptional, innovative services to our members.

TRA contributes to the following statewide outcomes:
- A thriving economy that encourages business growth and employment opportunities;
- Minnesotans have the education and skills needed to achieve their goals;
- Efficient and accountable government services.

BUDGET

TRA was established by the Minnesota legislature in 1931 and is primarily governed by Minnesota Statutes Chapters 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 74 percent of fund revenues are generated by investment earnings. TRA members contribute 7.50% of their covered salary to TRA. Beginning July 1, 2018, the employer contribution was increased from 7.50% to 7.71%. The employer contribution rate will increase annually in stages and on July 1, 2023, will be 8.75% of member covered salary. The member contribution rate is scheduled to increase from 7.50% to 7.75% of member pay on July 1, 2023.

The TRA expenditure budget consists largely (over 99%) of monthly retirement, survivor, and disability payments to members or other benefit recipients. In fiscal year 2019, TRA expects to pay $153 million/month in benefits to over 65,000 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 actuarial funding reporting. Core operational functions include: collecting, recording and maintaining 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 2018, 3,633 members were served with individual pre-retirement counseling services. Another 2,025 members were served during group counseling and other ad-hoc presentations. In fiscal year 2018, TRA generated 25,830 benefit estimates for members preparing for retirement. TRA members may also securely generate benefit estimates online. TRA members requested 24,041 benefit estimates online during fiscal year 2018. The TRA Contact Center received 43,302 telephone calls and responded to 1,494 emails during fiscal year 2018.

The 2018 Legislature enacted significant pension reform by increasing member and employer contributions and trimming plan features including the lowering of the annual COLA to 1.0% for five years through 2023. Thereafter the COLA will increase by 0.1% each year until it reaches 1.5% on January 1, 2027. The bill also modified TRA’s investment earnings assumption from 8.5% annually to 7.5% annually. Other economic assumptions such as total covered payroll, inflation, and individual salary increases were also modified. Incorporating all these reforms, TRA’s 30-year projected funding ratio is 104% by 2048.

Another performance measure is the funded ratio of the plan, which is an indication of the ability to meet current and future benefit obligations.

<table>
<thead>
<tr>
<th>Type of Measure</th>
<th>Performance Measures</th>
<th>Previous 6/30/2017</th>
<th>Current 6/30/2018</th>
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</thead>
<tbody>
<tr>
<td>Quality</td>
<td>TRA Plan Funding Ratio (Market Value)</td>
<td>77.5%</td>
<td>78.1%</td>
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<tr>
<td>Quality</td>
<td>TRA Plan Contribution Sufficiency (percent of covered payroll- Market Value and after full implementation of contribution rate increases)</td>
<td>-2.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Quantity</td>
<td>TRA Plan Unfunded Actuarial Liability (Market Value)</td>
<td>$6.2 billion</td>
<td>$6.3 billion</td>
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Legal authority for the Teachers Retirement Association comes from Minnesota Statutes Chapter 354 (https://www.revisor.mn.gov/statutes/?id=354).