Teachers Retirement Association of Minnesota

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Auditor's Report

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the Board of Trustees
Teachers Retirement Association of Minnesota
and
Mr. Gary Austin, Executive Director
Teachers Retirement Association of Minnesota

We have audited the accompanying basic financial statements of the Teachers Retirement Association of Minnesota (TRA) as of and for the year ended June 30, 2004, as listed in the Table of Contents. These financial statements are the responsibility of TRA's management. Our responsibility is to express an opinion on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRA as of June 30, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2004, on our consideration of TRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, are not a required part of TRA's basic financial statements, but

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Members of the Board of Trustees
Mr. Gary Austin, Executive Director
Teachers Retirement Association of Minnesota
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are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TRA's basic financial statements. The Supporting Schedules in the Financial Section and the Introduction, Investments, Actuarial, and Statistical Sections, listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supporting Schedules in the Financial Section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introduction, Investments Actuarial, and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 10, 2004

Management Discussion and Analysis

June 30, 2004

This discussion and analysis of the Teachers Retirement Association (TRA) of Minnesota provides an overview of TRA financial activities for the fiscal year ended June 30, 2004. We encourage you to consider the information presented here in conjunction with the transmittal letter beginning on page 3 and the additional information presented in the financial statements and required supplementary information.

Financial Highlights

- TRA assets are accounted for with two legally separate retirement funds. The TRA Active Fund consists of moneys held in trust for TRA active, inactive and members in deferral status. Retirees of TRA participate in the Minnesota Post Retirement Investment Fund (MPRIF) administered by the Minnesota State Board of Investment (SBI.) The fair value of the TRA Active Fund at June 30, 2004, was about $ 6.9 billion. TRA's assets in MPRIF were $ 8.2 billion, for a combined total of approximately $15.1 billion.

- The Net Assets Held in Trust for Pension Benefits increased in value by about $1.5 billion (11 percent) during fiscal year 2004 for a total of about $15.1 billion. The Association generated revenues of about $2.52 billion during the fiscal year. However, plan benefits and other expenses totaled about $1.03 billion during the fiscal year.

- Investment returns for the TRA Active Fund and the Minnesota Post Retirement Investment Fund for the 2004 fiscal year were 16.6 percent and 16.3 percent, respectively generating net investment income of about $2.2 billion.

- Contributions paid by members and employers during fiscal year 2004 totaled about $310 million.

- Pension benefits paid to retirees and beneficiaries increased about $28 million from the previous year bringing total benefits paid to slightly more than $1 billion for fiscal year 2004. This is the first time in TRA history that total benefits paid annually have topped $1 billion.

- Refunds of member contributions plus interest during fiscal year 2004 were $6.8 million, a slight increase from the fiscal year 2003 total of $6.7 million.

- Administrative expenses of the fund during fiscal year 2004 were $12.2 million, a 7.5 percent decrease from the fiscal year 2003 total of $13.2 million.

Actuarial Highlights

The Association's funding objective is to meet long-term benefit obligations through the accumulation of contributions and investment income. This funding is structured so that the burden of paying retirement costs is shared equitably by present and future generations of members and taxpayers. As of June 30, 2004, the accrued liability funding ratio for TRA was 100.01 percent, a decrease from the comparable funding ratio of 103.1 percent as of June 30, 2003. The funded ratio decrease for fiscal year 2004 is primarily due to recognition of investment losses deferred from the 2001-2003 period in the five year smoothing of investment returns.

TRA first became fully funded from an actuarial standpoint for fiscal year 1997. TRA has remained fully funded for the past eight fiscal years despite several investment losses during fiscal years 2001 and 2002. Key actuarial funding ratios can be seen on page 55.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial report of TRA. The financial report consists of:

- the basic financial statements, comprised of the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets;

- the notes to the basic financial statements; and

- required and other supplementary information.

The Statement of Plan Net Assets (page 18) presents information on the assets and liabilities of TRA, with the difference between the two reported as net assets. The net assets of the Association reflect the resources available to pay benefits to members when due. Over time, increases and decreases in net assets measure whether the Association's financial position is improving or deteriorating.

The Statement of Changes in Plan Net Assets (page 19) presents information detailing the changes in net assets that occurred during the current fiscal year. All changes in net assets are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a school district, even though not yet paid by fiscal year end, will be reflected as revenue. Earned benefits or refunds accruals will be reflected as an expense, even though they may not have been paid to the member until after fiscal year end.

The notes to the financial statements (pages 20-28) provide additional information that is essential to a full understanding of the data provided in the financial statements.

The report also contains required supplementary information in addition to the basic financial statements themselves. The Schedule of Funding Progress (page 29) includes historical trend information about the TRA plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due. The Schedule of Employer Contributions (page 29) present historical trend information about the annual required contributions of employers and the actual contributions made by employers. Notes to the Required Supplemental Schedules may be found on page 30.

Other supporting schedules are also presented. The Schedule of TRA Administrative Expenses (page 31) presents the overall cost of administering the Association. The Schedule of Changes in Plan Net Assets, separated by reserve accounts, is presented on pages 32-33. The Schedule of Professional Consultant Expenses (page 34) further details this category of administrative expense. The Schedule of Investment Management Expenses (page 34) provides summary information of professional investment money management expenses, includes TRA's share of the investment management fees of the Minnesota Post Retirement Investment Fund (MPRIF). These expenses are shown as a reduction of investment income on the Statement of Changes in Plan Net Assets.

Financial Analysis of the TRA Fund

Plan Assets

Total plan assets of the TRA Fund as of June 30, 2004, were $16.8 billion and were mostly comprised of cash, investments and contributions due from employers. Total plan net assets increased $2.1 billion (14.3 percent) from the June 30, 2003, total of $14.7 billion. The primary reason for the increase was substantial improvement in investment performance during fiscal year 2004 and a higher value of assets through the securities lending program administered by the State Board of Investment.

Plan Liabilities

Total liabilities as of June 30, 2004, were $1.72 billion, an increase of 55 percent from the June 30, 2003, liability amount of $1.11 billion. The primary reason for the increase was a substantially higher value of liabilities within the securities lending program. In both years, the liability amounts were mostly comprised of obligations under security lending arrangements and long-term bonds payable for the building co-owned by the Association.

Net Assets

Association assets exceeded liabilities on June 30, 2004, by $15.1 billion. The amount is higher than the June 30, 2003, amount of $13.6 billion, primarily due to strong investment performance during fiscal year 2004. As a mature public pension plan, TRA relies heavily on investment earnings to help pay benefits and expenses since annual employee and employer contributions are currently less than one-third of the amount needed to fund current cash outflows. As result of its annual expenses, the TRA Fund requires strong investment performance each year to maintain an equilibrium or experience an increase in its level of net assets.

Revenues: Additions to Plan Net Assets

Total additions to the TRA Fund during fiscal year 2004 were $2.5 billion, a four-fold increase from the $0.6 billion in fiscal year 2003. Extremely strong investment returns were mostly responsible for this dramatic turnaround.

Plan Net Assets

Dollar Amounts in Thousands

	2004	2003	Change
Cash and Investments	$ 16,800,405	$ 14,675,024	$ 2,125,381
Receivables	6,738	26,220	(19,482)
Other	11,974	12,463	(489)
Total Assets	16,819,117	14,713,707	2,105,410
Total Liabilities	1,723,313	1,112,101	611,212
Plan Net Assets	$ 15,095,804	$ 13,601,606	$ 1,494,198

Changes in Plan Net Assets

Dollar Amounts in Thousands

	2004	2003	Change
Additions			
Member Contributions	$ 159,140	$ 155,577	$ 3,563
Employer Contributions	151,029	149,481	1,548
Net Investment Gain (Loss)	2,204,787	293,085	1,911,702
Other	7,266	4,417	2,849
Total Additions	$ 2,522,222	$ 602,560	$ 1,919,662
Deductions			
Monthly Benefits	$ 1,008,411	$ 976,977	$ 31,434
Refunds of Contributions	6,862	6,656	206
Administrative Expenses	12,179	13,158	(979)
Other	573	1,924	(1,351)
Total Deductions	$ 1,028,025	$ 998,715	$ 29,310
Change in Plan Net Assets	$ 1,494,197	$ (396,155)	$ 1,890,352

Total retirement contributions for fiscal year 2004 increased about $5.1 million from the previous fiscal year for a combined fiscal year 2004 total of about $310.1 million. Retirement contributions are calculated at 5 percent employee and 5 percent employer for Coordinated members. Members may also pay contributions to reinstate previously withdrawn service credit or purchase various types of elective service.

A positive net investment return of $2.2 billion was achieved for fiscal year 2004. This amount was a substantial improvement over fiscal year 2003 when a net investment gain of $293.1 million occurred. Investment returns for the TRA Active Fund and the Minnesota Post Retirement Investment Fund were 16.6 percent and 16.3 percent, respectively, for fiscal year 2004. During fiscal year 2003, the comparable investment returns were 1.9 percent (Active Fund) and 2.8 percent (Post Fund).

Expenses - Deductions From Plan Net Assets

The primary expenses of TRA include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the system. Benefits expenses have slowed from recent years and increased by about $31.4 million due to a lower number of new retirements and a cost-of-living adjustment of 2.103 percent on January 1, 2004 for most TRA benefit recipients. Refunds of $6.9 million increased by about $206 thousand during fiscal year 2004 from the fiscal year 2003 total of $6.7 million. Administrative expenses declined 7.4 percent during the fiscal year - from $13.2 million in fiscal year 2003 to about $12.2 million for fiscal year 2004. Overall, fund expenses rose $29 million during fiscal year 2004 and now exceed $1 billion annually.

Summary

Due to the long-term nature of defined benefit plans, one must review the financial performance of TRA over a period of years and not an isolated point in time. Although the TRA Fund has not met its 8.5 percent earnings assumption for three of the past four fiscal years, the accrued liability funding ratio remains over 100 percent as of June 30, 2004. The Board of Trustees will continue to strive to maintain the fully funded financial position of the Association through the State Board of Investment's prudent investment program and long-term strategic planning for Association operations.

Request for Information

The financial report is designed to provide the Board of Trustees, members and other users of the financial report with a general overview of the Association's finances and to demonstrate its accountability with the money it holds in trust. If you have any questions about this report or require additional financial information, please contact the Teachers Retirement Association, 60 Empire Drive, Suite 400, Saint Paul, Minnesota 55103.

Teachers Retirement Fund
Statement of Plan Net Assets
As of June 30, 2004

Assets		
Cash and short-term investments		
Cash	$	3,677,981
Building Account Cash		46,393
Short-term investments		208,591,289
Total Cash and Short-term Investments	$	212,315,663
Receivables		
Employer Contributions	$	6,465,634
Investment Income		239,181
Bond Interest		33,420
Total Receivables	$	6,738,235
Investments (at fair value)		
Equity in the Post Fund	$	8,218,301,690
Fixed Income Pool		1,438,133,775
Alternative Investments Pool		895,285,360
Indexed Equity Pool		1,075,031,910
Domestic Equity Pool		2,222,746,221
Global Equity Pool		1,045,215,535
Total Investments	$	14,894,714,491
Securities Lending Collateral	$	1,693,375,125
Building		
Land		171,166
Building and Equipment		11,824,395
Reserve for Building Depreciation		(885,777)
Deferred Bond Charge		145,857
Reserve for Deferred Bond Charge Amortization		(15,088)
Total Building	$	11,240,553
Capital Assets (net of accumulated depreciation)	$	732,987
Total Assets	$	16,819,117,054
Liabilities		
Due to the Post Fund	$	11,403,911
Accounts Payable		5,341,208
Accrued Compensated Absences		533,532
Accrued Expenses - Building		41,002
Bonds Interest Payable		53,133
Securities Lending Collateral		1,693,375,125
Retainage Payable		1,505,492
Bonds Payable		11,060,000
Total Liabilities	$	1,723,313,403
Net Assets Held in Trust for Pension Benefits	$	15,095,803,651

(A Schedule of Funding Progress for the plan is presented on page 29.)
The accompanying notes are an integral part of this statement.

Teachers Retirement Fund
Statement of Changes in Plan Net Assets
For the Fiscal Year Ended June 30, 2004

Additions		
Contributions		
Employee	$	159,139,548
Employer		151,028,911
Earnings Limitation Savings Account (ELSA)		3,365,997
Total Contributions	$	313,534,456
Investment Income		
Net Appreciation in Fair Value	$	811,099,531
Interest		74,255,507
Dividends		561,775,797
MN Post-Retirement Fund: Distributed Income		773,145,895
Less Investment Expenses		(20,450,572)
Net Investment Income	$	2,199,826,158
From Securities Lending Activities		
Securities Lending Income	$	17,920,892
Securities Lending Expenses:		
Borrower Rebates		(11,456,996)
Management Fees		(1,502,559)
Total Securities Lending Expenses		(12,959,555)
Net Income from Securities Lending		4,961,337
Total Net Investment Income	$	2,204,787,495
Other Income	$	3,900,007
Total Additions (subtractions)	$	2,522,221,958
Deductions		
Retirement Benefits Paid	$	1,005,044,474
Earnings Limitation Savings Account (ELSA)		3,365,997
Refunds of Contributions to Members		6,861,708
Administrative Expenses		12,179,212
Interest Paid to the Post Fund		573,379
Total Deductions	$	1,028,024,770
Net Increase (decrease)	$	1,494,197,188
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	$	13,601,606,463
End of Year	$	15,095,803,651

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2004

I. Plan Description

A. Organization

The Teachers Retirement Association (TRA) is an administrator of a multi-employer, cost-sharing retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (coordinated with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. Assets of the fund may be used to pay benefits to both Basic and Coordinated members without legal restriction.

B. Participating Members and Employers

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Minneapolis, Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members.

State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within 90 days of first employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU. A teacher employed by MnSCU and electing coverage by DCR is not a member of TRA except for purposes of Social Security coverage.

A schedule of employer units and membership is presented in *Figure 1*.

C. Benefit Provisions

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon the death of eligible members. All benefits vest after three years of eligible service credit. The defined retirement benefits are based on a member's highest average salary for any consecutive 60 months of allowable service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan. Coordinated members are covered by Social Security while Basic members are not. All new TRA members must participate in the Coordinated Plan. TRA currently has three active members who participate as Basic members.

Two methods, or tiers, are used to compute benefits for Coordinated and Basic members who were first hired prior to July 1, 1989. Under Tier I, the annuity accrual rate for Basic members is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. For a

Figure 1

Employer Units

	June 30, 2004
Independent school districts	345
Joint powers units	37
Colleges and universities	39
State agencies	6
Charter schools	110
Professional organizations	1
Total Employer Units	538

Membership

	June 30, 2004
Retirees, disabilitants and beneficiaries receiving benefits	37,649
Terminated employees with deferred vested benefits	10,767
Total	48,416
Current employees	
Vested	55,704
Non-vested	16,304
Total	72,008

Coordinated member, the annuity accrual rate is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Tier II, the annuity accrual rate is 2.7 percent of average salary for Basic members and 1.7 percent for Coordinated members. Coordinated members first hired after June 30, 1989, are only eligible for Tier II benefits.

A full annuity is available when age plus years of service equals at least 90 for members whose annuity is calculated under Tier I. For members first hired after June 30, 1989, full retirement annuity benefits are available upon reaching their normal Social Security retirement age, not to exceed 66 years of age. A reduced retirement annuity is also available to eligible members seeking retirement early.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated members who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service. Pension benefits are funded from member and employer contributions and income from investment of fund assets.

II. Significant Accounting Policies and Plan Asset Matters

A. Reporting Entity

TRA functions as a statutory entity created by the Laws of 1931, Chapter 406. The Association maintains rights to sue or be sued in its own name and to hold property in its own name. For financial reporting purposes, TRA is considered a pension trust fund of the state of Minnesota and is included in the State's Comprehensive Annual Financial Report with its fiduciary funds.

The State of Minnesota acts as a fiduciary and trustee of TRA's funds. The Board of Trustees has significant independence in the operations and management of the Association, though the State Legislature actually determines the contribution rates for members and employers. The Board of Trustees is responsible for TRA's administration, but the State Board of Investment (SBI) is responsible for investing plan assets.

B. Basis of Accounting

TRA financial statements for its defined benefit fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the year in which they are due pursuant to Minnesota Statute. Expenses including benefit payments and refunds are recorded when the liability is due and payable according to Minnesota Statute.

C. Investment Policies

1. Pursuant to Minnesota Statutes, Chapter 11A, the state's retirement fund assets are commingled in various pooled investment accounts, administered by the State Board of Investment (SBI). As of June 30, 2004, the TRA Fund's share of the Active Member Funds administered by SBI at fair value was approximately 36.7 percent ($6.9 billion - TRA, and $18.8 billion - total). The TRA share of the net assets of the Minnesota Post Retirement Investment Fund (Post Fund) at fair values totaled 44.6 percent ($8.2 billion - TRA and $18.4 billion - total). On page 22, *Figure 2* provides specific totals of TRA investments by category.

2. Minnesota Statutes, section 11A.24, broadly restricts retirement fund investments to obligations and stocks of United States and Canadian governments, their agencies and their registered corporations; short-term obligations of specified high quality; restricted participation as a limited partner in venture capital, real estate or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments.

Figure 2

TRA Investment Portfolio
June 30, 2004

Basic (Active) Fund	Cost	Fair
Pooled Accounts		
Fixed Income	$ 1,499,348,241	$ 1,438,133,775
Domestic Equity	2,367,696,274	2,222,746,221
Indexed Equity	1,017,360,301	1,075,031,910
Global Equity	1,004,219,407	1,045,215,535
Alternative Investments	878,620,671	895,285,360
Total	$ 6,767,244,894	$ 6,676,412,801
Short-Term Pooled Cash	208,591,289	208,591,289
Post Fund Account	10,092,954,741	8,218,301,690
Total Invested	$17,068,790,924	$15,103,305,780

3. Investments are categorized to give an indication of the level of risk that is assumed. Risk Category 1 includes investments that are insured or registered, or for which the securities are held by the state or its agent in the state's name. Risk Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the state's name. Risk Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the state's name. TRA does not own any investments that are considered securities for purposes of assessing credit risk. All TRA investments are in SBI-administered pools or open-end mutual funds. These investments are not considered for purposes of credit risk classification. Investments in any one organization do not represent 5 percent or more of plan net assets.

4. Information about the primary government's (State of Minnesota) investments, including credit risk classification, can be obtained from the Department of Finance, 400 Centennial Office Building, 658 Cedar Street, Saint Paul, Minnesota 55155. Information on investment activity, investment management fees and a listing of specific investments owned by the pooled asset accounts can be obtained from SBI, Suite 355, 60 Empire Drive, Saint Paul, Minnesota 55103.

D. Method Used to Value Investments

Investments in the pooled accounts are reported at fair value. *Figure 2* provides a summary of the cost and fair values of the investments as of June 30, 2004, as reported on the Statement of Plan Net Assets. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued using the last reported trade price. The fair value of real estate investments is based on independent yearly appraisals. Investments that do not have an established market are reported at estimated fair value.

Investment income is recognized as earned. Accrued investment income of the pooled investment accounts is included in participation in the accounts. Gains or losses on sales or exchanges are recognized on the transaction date.

Net Investment Income is summarized on the Statement of Changes in Net Plan Assets. The summarized amounts show a net investment gain of $2,199,826,158 for fiscal year 2004. On page 23, *Figure 3* shows the various components of these composite amounts, including TRA's share of the Minnesota Post Retirement Investment Fund.

The cost of security transactions is included in the transaction price. Administrative expenses of SBI and investment management fees of the external money managers and the state's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts (see page 34). TRA's share of these expenses totaled are:

TRA Active Fund	$ 8,806,475
MN Post Retirement Fund	11,644,097
Total	$ 20,450,572

A detailed schedule of fees and commissions by brokerage firm, along with the number of shares traded, total commissions, and commissions per share may be obtained by writing:

Minnesota State Board of Investment
60 Empire Drive, Suite 355
St. Paul, MN 55103-3555

E. Securities Lending

TRA does not own specific securities, but instead owns shares in pooled funds invested by SBI that is authorized to use securities lending transactions in accordance with Minnesota Statutes, section 356A.06, subdivision 7, and has, pursuant to a Custodial Trust Agreement, authorized State Street Bank and Trust Company, Boston, Massachusetts, to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street lent, on behalf of SBI certain securities held by State Street as custodian, and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100 percent of the market value of the loaned securities.

Figure 3

Net Investment Income

Investment Income	**Fiscal Year 2004**
Net Appreciation in Fair Value: Investment Pools (Active Fund)	$ 490,178,953
Net Appreciation in Fair Value: Post Fund Participation	431,632,412
Net Loss on Sales of Investment Pools	(110,711,834)
Interest	74,255,507
Dividends	561,775,797
MN Post-Retirement Fund: Distributed Income	773,145,895
Less Investment Expenses	(20,450,572)
Net Investment Income	$ 2,199,826,158

SBI did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. State Street indemnified SBI by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or State Street.

During the fiscal year, SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and SBI's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which SBI could not determine. On June 30, 2004, SBI had no credit risk exposure to borrowers. TRA's portion of the cash collateral held and the fair value of securities on loan from SBI as of June 30, 2004, were $1,693,375,125 and $1,675,471,940 respectively. Cash collateral is reported on the Statement of Plan Net Assets as an asset. Liabilities resulting from these securities lending transactions are also reported on the Statement of Plan Net Assets.

F. Accrued Compensated Absences

Employees of TRA accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in collective bargaining agreements. Accumulated amounts for compensated absences are accrued when incurred. Such leave is liquidated in cash primarily at the time of termination of employment. We estimate that $28,705 is considered a short-term liability. The total, $533,532 is shown as a liability on the Statement of Plan Net Assets. The total decreased $65,072 during fiscal year 2004.

G. Capital Assets

Capital assets are capitalized at the time of acquisition at cost. Depreciation is computed on a straight-line method over the useful life of the related assets. The estimated useful lives by major category are: computer equipment (3 years), general office equipment (5 years) and modular office furniture (10 years).

Capital assets are presented on the June 30, 2004, Statement of Plan Net Assets. The year-end balance plus changes during the year are:

	June 30 2004	June 30 2003	Change
Cost Value	$3,437,720	$3,356,749	$ 80,971
Accumulated Depreciation	2,704,733	2,403,749	300,984
Net Fixed Asset Value	$ 732,987	$ 953,000	$(220,013)

H. Administrative Expenses and Budget

The annual budget of TRA operations is developed by TRA management and approved by the Board of Trustees. The budget is also sent to the Minnesota Department of Finance for policy analysis and is included in the Governor's Biennial Budget presentation to the legislature. The legislature adopts appropriation and expenditure limitations resulting in an approved budget for the Association.

TRA administrative costs are not financed through any specific type of contribution or other income of the Fund. Administrative costs are budgeted in the annual determination of the necessary rate for total employee and employer contributions (page 66, line B3).

I. Retainage

In accordance with Minnesota Statutes, TRA retains 10 percent of professional/technical billings from vendors until successful completion of the contractual obligations. As of June 30, 2004, TRA has a long-term liability of $1,505,491 established to represent contractual payments reasonably expected to be paid upon successful completion of the contract. The schedule on page 35 details the retainage held.

On June 30, 2003, the long-term liability of retainage was $1,208,470. The fiscal year 2004 increase was $297,021. All retainage under these contracts is expected to be paid during fiscal year 2005.

J. Cash

Cash on deposit consists of year-end receipts not processed as of the investment cutoff on June 30. TRA cash funds are held in the state treasury where they are commingled with other state funds. Minnesota Statutes, section 9.031, requires that deposits be secured by depository insurance and collateral shall be in amounts sufficient to ensure that deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral. Throughout fiscal year 2004, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all TRA deposits.

K. Accounts Receivable

Amounts classified as accounts receivable consist primarily of member and employer contributions received after the fiscal year end on salaries earned prior to June 30, 2004. Under Minnesota Statutes, section 354.52, subdivision 4, TRA employers must remit contributions at least monthly.

If contributions are not remitted in a timely manner, interest at a rate of 8.5 percent, compounded annually, is assessed. If contributions are not received within 60 days of notification by TRA, the Commissioner of Finance is authorized to deduct the balance due TRA from state aids or appropriations due to that employer unit.

L. Improved Money Purchase (IMP)

Some TRA members first hired prior to July 1, 1969, are eligible for the Improved Money Purchase (IMP) savings clause of Minnesota Statutes, section 354.55, subdivision 17. Eligibility is limited to those teachers who did not formally elect a specific retirement provision by June 30, 1972. Under the savings clause, eligible members obtain the higher of two benefit provisions: 1) The High-Five Average Formula described previously, or 2) an IMP annuity based on their accumulated employee contributions plus compounded interest and an employer match of 120 percent.

Beginning with fiscal year 1999, significant numbers of retiring members discovered that their IMP benefit was higher than the High-Five Average Formula benefit. This phenomenon occurred as strong annual investment returns during the 1990s generated high interest rates compounding on large employee contribution balances accumulated after long teaching careers. The effect will become less pronounced in periods of low or negative investment performance.

TRA has identified those members who are eligible for the IMP provision. For these members, the actuarial valuation presented estimates retirement benefit amounts under both the IMP provision and the High-Five average salary formula. The liability presented for that member is the higher of the two methods.

As of June 30, 2004, approximately 750 active members are eligible for the IMP provision. Assuming IMP eligibility remains limited to the existing, closed group of members, TRA management believes the actuarial impact of the remaining IMP-eligible members will not adversely harm the overall financial integrity of the fund.

M. Earnings Limitation Savings Account (ELSA)

Teachers under age 65 who resume teaching service for a TRA-covered employer after retirement are subject to an annual earnings limitation based on the cost-of-living index used by Social Security. If a member earns more than the limitation, which changes each January 1, the annuity payable during the following calendar year will be offset one dollar for each two dollars earned in excess of the limitation. The calendar year 2003 limit was $11,640.

The 2000 Legislature modified the way in which the earning limits are handled. Previously, any pension benefits withheld due to excess earnings reverted back to the TRA Fund. Under the new law, the pension offset amounts are redirected to a separate savings account, called the Earnings Limitation Savings Account (ELSA), and later distributed to the retiree. At age 65 or one year after termination of teaching, whichever is later, the retiree receives a lump-sum payment of the total offset amount in their ELSA account. Six percent interest compounded annually accrues on ELSA accounts.

As of June 30, 2004, TRA had 884 retirees who had exceeded the earnings limitation since the program's inception and had an ELSA account established. The total dollar value of ELSA accounts totalled $6,672,563. The total dollar amount of pension benefits withheld due to excess earnings during fiscal year 2004 was $3,365,997. ELSA assets are invested in the TRA Active Fund until distribution. Distributions of ELSA accounts for 16 retirees occurred during fiscal year 2004 and totaled $56,555 and are included as a deduction in the Statement of Changes in Plan Net Assets as a component of Refund of Contributions to Members.

N. Participating Pension Plan

All 89 employees of the Teachers Retirement Association are covered by the defined benefit plan administered by TRA. All TRA employees participate in the Coordinated Plan. TRA employees are eligible for the plan provisions described in Note I, C.

Minnesota Statutes Section 354.42 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. As of June 30, 2004, Coordinated members are required to contribute 5.0 percent of their annual covered salary. Employer contribution rates matched the rates paid by the member of 5.0 percent for Coordinated members. Total covered payroll salaries for all TRA employees during fiscal year 2004 was approximately $4.3 million. Total covered payroll salaries for the entire membership of TRA for fiscal year 2004 was approximately $3.032 billion.

Employer pension contributions for TRA employees for the years ending June 30, 2004, 2003 and 2002 were $225,214, $224,845 and $212,095, respectively, equal to the required contributions for each year as set by state statute.

O. Ownership of Office Building

The 1999 Legislature enacted authorization permitting TRA, the Public Employees Retirement Association (PERA), and the Minnesota State Retirement System (MSRS) to purchase land and construct a 130,000 square foot office building to house the administrative offices of these three state entities. Ownership of the facility is prorated based on the amount of square footage each retirement system will occupy in the building. TRA's ownership share is 40 percent. The building is located on 4.3 acres of land at 60 Empire Drive in Saint Paul. The land was purchased in 1999 for $428,988, of which TRA's share is $171,166. TRA has occupied the 4th Floor of the building since September 2001.

In June 2000, the State of Minnesota, under the authority of the Commissioner of Finance, issued 30-year revenue bonds totaling $29 million to pay for the construction of the facility. Each owner (retirement system) is responsible for principal and interest payments based on its ownership percentage. These bonds are backed by the assets of the three retirement systems, excluding equity interest in the Minnesota Post-Retirement Investment Fund (MPRIF). At fiscal year end, TRA's share of the bonds payable is $11,060,000. The bond payable decreased by $190,000 during the year. Interest expected to be paid over the remaining term of the bonds is $10,755,376. In *Figure 4*, TRA's share of the long-term bond repayment schedule including interest is summarized.

Figure 4

Schedule of Building Debt Service Payments
June 30, 2004

Fiscal Year	Principal	Interest	Total Principal and Interest
2005	$ 200,000	$ 637,598	$ 837,598
2006	$ 210,000	$ 626,848	$ 836,848
2007	$ 220,000	$ 615,560	$ 835,560
2008	$ 230,000	$ 603,735	$ 833,735
2009	$ 240,000	$ 591,373	$ 831,373
2010	$ 250,000	$ 578,473	$ 828,473
2011	$ 270,000	$ 565,035	$ 835,035
2012	$ 280,000	$ 550,455	$ 830,455
2013	$ 300,000	$ 535,195	$ 835,195
2014	$ 310,000	$ 518,695	$ 828,695
2015	$ 330,000	$ 501,490	$ 831,490
2016	$ 350,000	$ 483,010	$ 833,010
2017	$ 370,000	$ 463,235	$ 833,235
2018	$ 390,000	$ 442,145	$ 832,145
2019	$ 420,000	$ 419,720	$ 839,720
2020	$ 440,000	$ 395,570	$ 835,570
2021	$ 470,000	$ 370,050	$ 840,050
2022	$ 500,000	$ 342,438	$ 842,438
2023	$ 530,000	$ 313,063	$ 843,063
2024	$ 560,000	$ 281,925	$ 841,925
2025	$ 600,000	$ 249,025	$ 849,025
2026	$ 630,000	$ 213,775	$ 843,775
2027	$ 670,000	$ 176,763	$ 846,763
2028	$ 720,000	$ 137,400	$ 857,400
2029	$ 760,000	$ 94,200	$ 854,200
2030	$ 810,000	$ 48,600	$ 858,600
	$ 11,060,000	$ 10,755,376	$ 21,815,376

TRA's share of bond issuance costs are shown on the Statement of Plan Net Assets as Deferred Bond Charges and will be amortized over the 30-year life of the bonds.

TRA is depreciating its share of the facility over 40 years. The following depreciation schedule (*Figure 5*) summarizes the asset valuation of the office building.

Figure 5

Office Building Depreciation Schedule
June 30, 2004

Historical Cost	$11,824,395
FY 2004 Depreciation Amount	(295,911)
Prior Year Accumulated Depreciation	(589,866)
Net Asset Value of Building	$10,938,618

III. Contributions Required and Made

Minnesota Statutes, Chapter 354 sets the rates (page 64) for employee and employer contributions. These rates, expressed as level percentages of annual covered payroll, are determined to accumulate sufficient assets for paying benefits. Level percentage of payroll contribution rates are calculated using the entry age normal actuarial funding method. TRA also uses the level percentage of payroll method to amortize any unfunded liability over a closed period ending June 30, 2020. Currently, no unfunded liability exists.

Contributions totaling $310,168,459 ($159,139,548 employee and $151,028,911 employer) were made in accordance with the actuarially determined contribution requirements. On page 66, contributions are projected as sufficient to meet the required normal costs.

The sufficiency as a percent of covered payroll is 1.54 percent. This translates into a contribution sufficiency of about $49.3 million projected for fiscal year 2005. The Minnesota Legislative Commission on Pensions and Retirement annually reviews the adequacy of TRA's statutory contributions.

IV. Reserve Accounts

A. Minnesota Post Retirement Investment Fund (Post Fund)

For all retiring members, the reserves required to pay the cost of retirement benefits are transferred from the TRA Fund to the Post Fund which is managed by SBI. Participation in the Post Fund is shown at the actuarially determined required reserves level (cost basis) in accordance with Minnesota Statutes, section 11A.18, subdivision 7. The cost basis represents the estimated present value of future benefit payments promised to all current TRA benefit recipients.

The cost basis also includes a 6 percent assumed income distribution and any mortality gains or losses as determined by an independent actuary hired by the state legislature. As of June 30, 2004, TRA's share of the net assets of the Post Fund is $10.09 billion at cost and $8.22 billion at fair value.

The Post Fund income available for distribution is determined using a post-retirement benefit increase formula based on total investment return rather than realized earnings.

This formula contains both an inflation adjustment and an investment component (pages 44-45). Annuitants and other individuals receiving benefits as of July 1, 2003, are eligible to receive the full January 1, 2005, benefit increase shown in *Figure 6*.

Figure 6

January 1, 2005 Benefit Increase

Inflation-Based Benefit Increase	2.500%
Investment-Based Benefit Increase	0.000%
Total Benefit Increase	2.500%

Benefit recipients whose effective date of retirement is after July 1, 2003, but before June 2, 2004, receive a prorated amount of the January 1, 2005 benefit increase.

B. Member Reserves

Accumulated member contributions, without interest, less the amounts refunded are recorded in the member reserve. Accumulated member contributions for current retirees are transferred to the Post Fund upon retirement. Employees who terminate their employment prior to retirement may elect to receive a refund of their contributions plus interest or wait for a deferred benefit.

Amounts from ELSA Accounts (Note II, M) are considered as a member reserve since these funds are reserved to specific retirees participating in ELSA.

C. Benefit Reserves

Employer contributions and investment income are recorded in the Benefit Reserve Designation. Administrative expenses, survivor and disability benefits, investment management fees, and interest paid to the Post Fund for late reserve transfers are paid from the benefit reserve.

Required Supplemental Schedules
Schedule of Employer Contributions (Unaudited)

Dollar Amounts in Thousands

Year Ended June 30	Actuarially Required Contrib. Rate (A)	Actual Covered Payroll (B)	Actual Employee Contributions (C)	Annual Required Contribution [(A) x (B)] - (C)	Actual Employer Contribution[1]	Percentage Contributed
1995	14.73%	2,204,693	143,536	181,215	179,672	99.15%
1996	14.30%	2,268,390	148,051	176,329	184,495	104.63%
1997	12.78%	2,359,011	154,161	147,321	191,670	130.10%
1998	9.55%[2]	2,422,957	124,096	107,296	151,323	141.03%
1999	8.39%[2]	2,625,254	132,040	88,219	130,526	147.96%
2000	8.36%[2]	2,704,575	138,696	87,406	134,419	153.79%
2001	7.92%[2][3]	2,812,000	145,075	77,635	139,799	180.07%
2002	7.85%[2]	2,873,771	152,331	73,260	142,222	194.13%
2003	7.57%[2][4]	2,952,887	155,517	67,957	149,481	219.96%
2004	8.37%	3,032,483	159,140	94,679	151,029	159.52%
2005	8.46%					

[1] Includes contributions from other sources (if applicable).
[2] Actuarially Received Contribution Rate calculated according to the parameters of GASB 25 using a 30-year amortization of the negative unfunded accrued liability.
[3] Actuarially Required Contribution Rate prior to change in Actuarial Assumptions and Asset Valuation Method is 7.31%.
[4] Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 8.11%

Schedule of Funding Progress (Unaudited)

Dollar Amounts in Thousands

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A / B)	Actual Covered Payroll (Previous FY) (C)	UAAL as Percentage of Covered Payroll (B - A) / (C)
07/01/95	8,348,124	9,717,623	1,369,499	85.91%	2,204,693	62.12%
07/01/96	9,541,221	10,366,168	824,947	92.04%	2,268,390	36.37%
07/01/97	11,103,759	10,963,637	(140,122)	101.28%	2,359,011	-5.94%
07/01/98	12,727,546	12,046,312	(681,234)	105.66%	2,422,957	-28.12%
07/01/99	14,011,247	13,259,569	(751,678)	105.67%	2,625,254	-28.63%
07/01/00	15,573,151	14,802,441	(770,710)	105.21%	2,704,575	-28.50%
07/01/01	16,834,024	15,903,984	(930,040)	105.85%	2,812,000	-33.07%
07/01/02	17,378,994	16,503,099	(875,895)	105.31%	2,873,771	-30.48%
07/01/03	17,384,179	16,856,379	(527,800)	103.13%	2,952,887	-17.87%
07/01/04	17,519,909	17,518,784	(1,125)	100.01%	3,032,483	-0.04%

Teachers Retirement Association
Notes to the Required Supplemental Schedules (Unaudited)
June 30, 2004

Valuation date	July 1, 2004
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll assuming payroll increases of 5.00% per annum
Remaining amortization period	30 years remaining as of July 1, 2004
Asset valuation method	Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).

Actuarial assumptions

Investment rate of return:	
Pre-retirement	8.50% per annum
Post-retirement	6.00% per annum
Projected salary increases	Select and ultimate rates by age, with ultimate rates of 5.00% - 6.00%

Plan membership

Pensioners and beneficiaries receiving benefits	37,649
Terminated vested members entitled to, but not yet receiving benefits	10,767
Other terminated non-vested members	18,223
Active members	72,008
Total	138,647

Administrative Expenses

For the Fiscal Year Ended June 30, 2004

Personal Services		
Salaries	$	4,294,108
Employer Contributions to Teachers Retirement Association		225,214
Employer Contributions to Social Security		321,053
Insurance Contributions		797,134
Subtotal	$	5,637,509
Professional Services		
Actuarial Services	$	145,949
Audit Fees		54,669
Computer Support Services		534,725
Legal Fees		46,349
Management Consultant Services		410,256
Medical Services		46,412
Systems Development (FROST)		2,481,213
Subtotal	$	3,719,573
Communication		
Duplicating and Printing Expense	$	85,527
Postage		264,452
Telephone		58,480
Subtotal	$	408,459
Office Building Maintenance		
Lease of Office and Storage Space	$	10,623
Building and Operating Expenses		481,585
Rental of Office Machines/Furnishings		31,739
Repairs and Maintenance		253,979
Building Depreciation		295,911
Deferred Bond Charge Amortization		5,030
Bond Interest Expense		646,959
Subtotal	$	1,725,826
Other Operating Expenses		
Department Head Expenses	$	1,499
Depreciation of Office Furniture and Equipment		300,984
Dues and Subscriptions		10,224
Employee Training		23,157
Insurance Expense		3,081
Miscellaneous Administrative Expenses		10,357
State Indirect Costs		134,367
Stationery and Office Supplies		139,788
Travel - Director and Staff		37,029
Travel - Trustees		22,207
Workers' Compensation		3,188
Board Substitute Teachers		1,964
Subtotal	$	687,845
Total Administrative Expenses	$	12,179,212

Teachers Retirement Fund

Schedule of Changes in Plan Net Assets

For Fiscal Year Ended June 30, 2004

	Member
Additions	
Contributions:	
Member Contributions	$ 158,317,992
Employer Contributions	0
Earnings Limitation Savings Account (ELSA)	3,365,997
Total Contributions	161,683,989
Investment Income:	
Net Appreciation in FMV	0
Interest	0
Dividends	0
Net Gain on Sales of Pools	0
Distributed Income from Post Fund	0
Investment Management Fees	0
Net Investment Income (Loss)	0
From Securities Lending Activities:	
Securities Lending Income	0
Securities Lending Borrower Rebates	0
Securities Lending Management Fees	0
Net Income from Securities Lending	0
Other Income	0
Total Additions (Subtractions)	$ 161,683,989
Deductions	
Benefits Paid	$ 0
Earnings Limitation Savings Account (ELSA)	0
Refunds of Member Contributions	6,692,413
Administrative Expenses	0
Interest Paid Post Fund	0
Total Expenses	$ 6,692,413
Net Increase (Decrease)	$ 154,991,576
Other Changes in Reserves	
Annuities Awarded	$ (85,883,703)
Other Transfers	2,838,747
Change in Assumptions	0
Mortality Loss (Gain)	0
Total Other Changes	$ (83,044,956)
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,561,048,403
End of Year	$ 1,632,995,023

The accompanying notes are an integral part of this statement.
Note: Reserve amounts rounded to nearest dollar.

Reserves for 2004

Post Fund	Benefit	Total June 30, 2004
$ 0	$ 821,556	$ 159,139,548
0	151,028,911	151,028,911
0	0	3,365,997
0	151,850,467	313,534,456
431,632,412	490,178,953	921,811,365
0	74,255,507	74,255,507
0	561,775,797	561,775,797
0	(110,711,834)	(110,711,834)
773,145,895	0	773,145,895
(11,644,097)	(8,806,475)	(20,450,572)
1,193,134,210	1,006,691,948	2,199,826,158
10,187,936	7,732,956	17,920,892
(6,549,788)	(4,907,208)	(11,456,996)
(841,484)	(661,075)	(1,502,559)
2,796,664	2,164,673	4,961,337
0	3,900,007	3,900,007
$ 1,195,930,874	$ 1,164,607,095	$ 2,522,221,958
$ 992,120,135	$ 12,924,339	$ 1,005,044,474
3,365,997	0	3,365,997
0	169,295	6,861,708
0	12,179,212	12,179,212
0	573,379	573,379
$ 995,486,132	$ 25,846,225	$ 1,028,024,770
$ 200,444,742	$ 1,138,760,870	$ 1,494,197,188
$ 596,486,708	$ (510,603,005)	$ 0
0	(2,838,747)	0
0	0	0
14,148,702	(14,148,702)	0
$ 610,635,410	$ (527,590,454)	$ 0
7,407,221,536	4,633,336,523	13,601,606,463
$ 8,218,301,689	$ 5,244,506,939	$ 15,095,803,651

Schedule of Investment Management Expenses

For the Fiscal Year Ended June 30, 2004

Investment Pool Managers	
Minnesota State Board of Investment: Internal Operations	$ 326,364
Financial Control Systems	51,362
Pension Consulting	7,449
Richards & Tierney	54,937
Equity Pool Managers	7,044,991
Bond Pool Managers	1,321,372
MPRIF Managers (Post Fund)	11,644,097
Total Investment Expenses	$ 20,450,572

Schedule of Professional Consultant Expenses

For the Fiscal Year Ended June 30, 2004

MIS Programmers/Analysts	
BearingPoint	$ 2,481,213
Computer Horizons	261,193
IBM	1,313
Keystone	202,872
Syscom	39,355
Total MIS Programmers/Analysts Expenses	$ 2,985,946
Management	
Maximus	$ 410,256
Total Management Expenses	$ 410,256
Actuarial	
Mellon Consultants	$ 95,731
Milliman USA (LCPR)	37,808
Total Actuarial Expenses	$ 133,539
Legal	
Attorney General	$ 30,152
Groom Law Firm	12,957
Total Legal Expenses	$ 43,109
Audit	
Berwin Group	$ 10,840
Legislative Auditor	43,829
Pension Benefit Information	1,376
Total Audit Expenses	$ 56,045
Medical	
Medical Evaluations	$ 6,150
MN Department of Health	39,600
Total Medical Expenses	$ 45,750
Total Consultant Expenses	$ 3,674,645

Schedule of Retainage Payable

As of June 30, 2004

Vendor	Mellon Consultants	BearingPoint	Maximus	Total
Balance as of 07/01/03	$ 8,532	$ 1,110,784	$ 89,154	$ 1,208,470
Retained 07/01/03-06/30/04	6,563	221,621	33,825	262,009
Paid 07/01/03-06/30/04	—	—	—	—
Accrued 06/30/04	1,312	26,500	7,200	35,012
Balance as of 06/30/04	$16,407	$ 1,358,905	$130,179	$ 1,505,491

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