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STATE OF MINNESOTA
TEACHERS RETIREMENT ASSOCIATION

ACTUARIAL REPORT

Prepared for the
Board of Trustees
as of
July 1, 2006

December 11, 2006

Board of Trustees
State of Minnesota
Teachers Retirement Association
60 Empire Drive, Suite 400
St. Paul, MN 55103

Ladies and Gentlemen:

Pursuant to our agreement we have completed an actuarial valuation of the Teachers Retirement Association Fund as of July 1, 2006 and are pleased to submit our report on the results of the study. Actuarial valuations are prepared as of each July 1 and the last valuation was completed as of July 1, 2005.

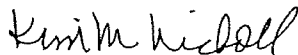
This report has been prepared in accordance with the requirements of Minnesota Statute Section 356.215 and the requirements of the Standards for Actuarial Work adopted by the Legislative Commission using employee data and asset information supplied by the Teachers Retirement Association. This report also contains schedules of Funding Progress and Employer Contributions in Tables 14 and 15 that were prepared by the Segal Company, actuary for the Joint Pension Board.

We believe that the actuarial assumptions and methods used meet the parameters set forth in GASB Statement 25 except where parameters are set by statute. The calculated contribution rates shown in this report are assumed to remain level throughout the amortization period, but are recalculated each July 1 to recognize actuarial gains and losses as they occur.

Qualified actuaries of Buck Consultants completed the valuation in accordance with accepted actuarial procedures as prescribed by the Actuarial Standards Board. The qualified actuaries are members of the American Academy of Actuaries and are experienced in performing actuarial valuations of public employee retirement systems. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice.

We look forward to discussing this report with the Board and wish to express our appreciation for the cooperation extended to us during the course of this study.

Respectfully submitted,



Kim N. Nicholl, F.S.A., E.A., M.A.A.A.
Principal and Consulting Actuary



Paul R. Wilkinson, A.S.A., E.A., M.A.A.A.
Director and Consulting Actuary

Enclosure

MINNESOTA TEACHERS RETIREMENT FUND

JULY 1, 2006
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SECTION

I

OVERVIEW

REPORT HIGHLIGHTS

(Dollars in Thousands)		
	July 1, 2006 Valuation	July 1, 2005 Valuation*
A. CONTRIBUTIONS		
1. Statutory Contributions - Chapter 354 Percentage of Payroll	11.30%	10.00%
2. Required Contributions - Chapter 356 Percentage of Payroll	12.12%	9.69%
3. Sufficiency (Deficiency) (A1-A2)	(0.82)%	0.31%
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets	\$ 19,037,046	\$ 17,754,075
b. Current Benefit Obligations	\$ 19,701,114	\$ 17,135,617
c. Funding Ratio (a/b)	96.63%	103.61%
2. Accrued Liability Funding Ratio		
a. Current Assets	\$ 19,037,046	\$ 17,754,075
b. Actuarial Accrued Liability	\$ 20,560,683	\$ 17,892,504
c. Funding Ratio (a/b)	92.59%	99.23%
3. Projected Benefit Funding Ratio		
a. Current and Expected Future Assets	\$ 23,195,264	\$ 20,788,913
b. Current and Expected Future Benefit Obligations	\$ 23,776,460	\$ 20,664,908
c. Funding Ratio (a/b)	97.56%	100.60%
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number	79,170	74,533
b. Projected Annual Payroll	\$3,742,970	\$3,446,740
c. Average Annual Salary	\$47,278	\$46,244
d. Average Age	43.27	43.01
e. Average Service	11.56	11.56
2. Others		
a. Service Retirements	40,964	35,706
b. Disability Retirements	631	581
c. Survivors	3,060	2,627
d. Deferred Retirements	11,783	9,880
e. Terminated Other Nonvested	<u>21,946</u>	<u>19,151</u>
f. Total Others	78,384	67,945
3. Total	157,554	142,478

* The July 1, 2005 results reflect the TRA valuation only, not the MTRFA valuation.

DISCUSSION HIGHLIGHTS

Plan Merger

The Laws of Minnesota (2006) Chapter 277 authorized the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA. All assets, liabilities, active, inactive and retired MTRFA members were transferred to TRA as of June 30, 2006.

Upon the merger, and as reflected in the July 1, 2006 valuation by Buck Consultants:

- There were 13,748 MTRFA members, consisting of 4,381 active members, 5,444 inactive members and 3,923 benefit recipients, increasing the total TRA membership from 143,806 to 157,554. (Note: There may be some duplication in counting records of members who were already members of the TRA.)
- MTRFA plan assets were approximately \$712 million compared to \$1.9 billion in actuarial accrued liability, measured on a post-merger basis and including the impact of benefit improvements adopted in 2006. The difference is a shortfall of \$1.2 billion, of which \$264 million was borne by the MPRIF and \$956 million by the TRA active fund.
- The contribution rates for TRA and MTRFA are identical for members, but the MTRFA employers contribute 3.64% of payroll more than TRA employers. The Fund also begins receiving approximately \$21.3 million annually in additional, previously legislated contributions that had been payable to the MTRFA.

Changes in Plan Provisions

Several plan changes were adopted since the last valuation.

- The benefit rate for all Coordinated members was increased by 0.2% for service accrued after July 1, 2006.
- The deferral augmentation rate for deferred retirement benefits was reduced to 2.5% for all years of deferral for members hired after June 30, 2006. This change did not impact this year's valuation, but will impact future year's valuations when new hires become members.
- The employee contribution rate for Coordinated members was increased effective July 1, 2006 from 5.00% to 5.50%.
- The employee contribution rate for the former MTRFA Basic members was increased effective July 1, 2006 from 8.50% to 9.00%.
- The employer contribution rates for the TRA and MTRFA employers will increase by 0.50% of payroll effective July 1, 2007. The increases is not reflected in this year's valuation, but will be reflected beginning July 1, 2007. The increase in employer contribution rates will improve the contribution sufficiency or deficiency by 0.50% of payroll beginning July 1, 2007.

Changes in Actuarial Assumptions and Methods

There have been no changes in the TRA actuarial assumptions and methods since the last valuation. The assumptions for MTRFA members were changed from last year to be the same as the TRA assumptions, with the exception of the retirement rates for MTRFA Basic members, who are eligible to retire with unreduced benefits at age 60 or after 30 years of service.

For the required contribution rate, the period for amortizing any Unfunded Actuarial Accrued Liability (UAAL) was changed from 15 years (30 years for a negative UAAL) to a period ending July 1, 2037 (31 years as of July 1, 2006).

Contributions

The required contribution rate as of July 1, 2006 is 12.12% of payroll, compared to 9.69% of payroll last year. The statutory contribution rate increased from 10.00% of payroll to 11.30% of payroll. Thus, the Fund went from having a contribution sufficiency of 0.31% of payroll last year to having a contribution deficiency of 0.82% of payroll this year. Table 11 provides additional detail on the contribution rates.

The key reasons for the change in the level of contribution sufficiency (deficiency) are:

Contribution sufficiency July 1, 2005	0.31%
Impact of plan changes on TRA members, including increase in employee contribution rates	(0.35)
Merger of MTRFA into TRA	(0.63)
Other reasons, including actuarial gains (losses)	<u>(0.15)</u>
Contribution deficiency July 1, 2006	(0.82)%

Funding Ratios

The funding ratios show the percentage of the Fund's liabilities or obligations that is covered by the Fund's assets. Three funding ratios are shown in the report highlights. In each case, the Fund's funded ratio declined from July 1, 2005 to July 1, 2006, primarily due to the plan changes and MTRFA merger.

Accrued Benefit Funding Ratio

The Accrued Benefit Funding Ratio measures Current Assets (the actuarially smoothed value) against the Current Benefit Obligations, which is the actuarial accrued liability generated by the Projected Unit Credit Funding Method. This is the method required under GASB Statement No. 5, which was the required disclosure standard prior to replacement by GASB Statement No. 25. The Projected Unit Credit funding method calculates liabilities using projected pay and "accrued" service on the valuation date, hence the title "Accrued Benefit" Funding Ratio. The Projected Unit Credit method typically results in a lower liability than the Entry Age Normal method used for funding purposes under the statutes and it therefore generates a higher funding ratio.

The Accrued Benefit Funding Ratio is 96.63% as of July 1, 2006, down from 103.61% last year.

Accrued Liability Funding Ratio

The Accrued Liability Funding Ratio measures Current Assets (the actuarially smoothed value) against the Actuarial Accrued Liability generated by the Actuarial Funding method used to determine the Fund's required contributions (the Entry Age Normal funding method). The Entry Age Normal funding method develops liabilities using projected service and pay but spreads the cost out over each member's working lifetime from entry into the plan. This is considered the official plan funding ratio and is the required disclosure under the GASB Statement No. 25.

The Accrued Liability Funding Ratio is 92.59% as of July 1, 2006, down from 99.23% last year.

Projected Benefit Funding Ratio

The Projected Benefit Funding Ratio measures the value of Current and Expected Future Assets against Current and Projected Benefit Obligations of the Fund for current retired, inactive, and active members. The projected assets take into account both the Current Assets (the actuarially smoothed value) plus the present value of future member and employer contributions for normal cost plus future employer "supplemental" contributions. Supplemental contributions are the amount of statutory employer and member contributions in excess of the required contributions for Normal Cost and expenses. The Projected Benefit Obligations are benefit liabilities based on both projected pay and service without regard to any spreading of costs. This funding ratio can be seen as a longer term view of the funding ratio, incorporating the past, present and future, since it takes into account both current and future assets and also the liability for both current and future service and pay.

The Projected Benefit Funding Ratio is 97.56% as of July 1, 2006, down from 100.60% last year.

SECTION

II

ASSETS

ASSETS

July 1, 2006 assets at cost and market value are accounted for in Table 1, which follows. Table 2 shows the changes in assets during the year ended June 30, 2006. The TRA and MTRFA figures are combined.

As required by Statute, any funding sufficiency or deficiency in the MPRIF is not reflected in this valuation. Thus, for the purpose of this valuation, the value of assets associated with the MPRIF is included on an actuarially determined, full reserve basis, rather than on the true cost or market basis.

Development of Current ("Actuarial") Assets

Section F of Table 1 shows the development of the "Current Assets" value. This value is used to determine Required Contributions. Effective with the July 1, 2000 actuarial valuation, Minnesota Statutes require that the asset value used for valuation purposes spread differences between actual return (measured on a market-value basis) and expected return on non-MPRIF assets over five years, in a manner similar to that already being used within the MPRIF. The actuarial value as of July 1, 2006 is based on the market value of assets as of June 30, 2006 less 80% of the unrecognized asset return at July 1, 2006 less 60% of the unrecognized asset return at July 1, 2005 less 40% of the unrecognized asset return at July 1, 2004 less 20% of the unrecognized asset return as of July 1, 2003. The unrecognized asset return at each July 1 is the actual return less the expected return for the prior twelve months.

TABLE 1
July 1, 2006 Accounting Balance Sheet

(Dollars in Thousands)		
	Market Value	Cost Value
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$ 83,231	\$ 83,231
2. Investments		
a. Fixed Income	1,679,142	1,781,009
b. Equity	4,800,141	4,681,425
c. Real Estate & Alternative Investments	842,143	722,460
3. Equity at Cost in Minnesota Post-Retirement Investment Fund (MPRIF)*	12,371,205	12,371,205
4. Other	2,047,850	2,047,850
5. Total Assets	\$ 21,823,712	\$ 21,687,180
B. ASSETS RECEIVABLE		
	18,821	18,821
C. AMOUNTS CURRENTLY PAYABLE		
	(2,056,862)	(2,056,862)
D. NET ASSETS AVAILABLE FOR BENEFITS		
	\$ 19,785,671	\$ 19,649,139
1. Member Reserves	\$ 1,765,117	\$ 1,765,117
2. Non-MPRIF Reserves	5,649,349	5,512,817
3. MPRIF Reserves	12,371,205	12,371,205
E. NET ASSETS AVAILABLE FOR BENEFITS		
	\$ 19,785,671	\$ 19,649,139
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Market Value of Assets Available for Benefits (E)		\$ 19,785,671
2. Unrecognized asset return at June 30, 2006	653,134	
3. Unrecognized asset return at June 30, 2005	177,282	
4. Unrecognized asset return at June 30, 2004	500,244	
5. Unrecognized asset return at June 30, 2003	(401,746)	
6. Adjustment (80% of 2. + 60% of 3. + 40% of 4. + 20% of 5.)		748,625
7. Actuarial Value of Assets (F1 – F6) (Same as “Current Assets”)		\$ 19,037,046
8. Percentage of Market Value (F7 / F1)		96.2%

* \$12,371,205,000 is the full MPRIF reserve as calculated by the Commission actuary. The fair market value is \$10,350,060,000. The difference of \$2,021,145,000 is a deficiency in the MPRIF that is accounted for separately and is not reflected in this valuation.

TABLE 2
Changes in Assets Available for Benefits
YEAR ENDING JUNE 30, 2005

	(Dollars in Thousands)		
	Non-MPRIF Assets	MPRIF Reserves	Market Value
A. ASSETS AVAILABLE AT BEGINNING OF YEAR			
1. TRA Assets	\$ 7,367,961	\$ 10,438,051	\$ 17,806,012
2. MTRFA Assets	<u>745,215</u>	<u>0</u>	<u>745,215</u>
3. Sum of Assets at Beginning of Year	\$ 8,113,176	\$ 10,438,051	\$ 18,551,227
B. OPERATING REVENUES			
1. Member Contributions	\$ 177,085	\$ 0	\$ 177,085
2. Employer Contributions	179,022	0	179,022
3. Earnings Limitation Savings Account	3,182	0	3,182
4. Investment Income	680,655	3,393	684,048
5. MPRIF Income	0	876,766	876,766
6. Net Realized Gain (Loss)	481,162	0	481,162
7. Other	29,494	0	29,494
8. Investment Fees	(13,113)	(14,680)	(27,793)
9. Net Change in Unrealized Gain (Loss)	<u>81,331</u>	<u>0</u>	<u>81,331</u>
10. Total Revenue	\$ 1,618,818	\$ 865,479	\$ 2,484,297
C. OPERATING EXPENSES			
1. Service Retirements	\$ 119,169	\$ 1,064,552	\$ 1,183,721
2. Disability Benefits	13,119	0	13,119
3. Survivor Benefits	8,977	15,213	24,190
4. Refunds	11,873	0	11,873
5. Administrative Expenses	11,913	0	11,913
6. Other	<u>1,856</u>	<u>3,182</u>	<u>5,038</u>
7. Total Disbursements	\$ 166,907	\$ 1,082,947	\$ 1,249,854
D. OTHER CHANGES IN RESERVES			
1. Annuities Awarded*	\$ (1,174,769)	\$ 1,174,769	\$ 0
2. MTRFA Assets Available At Merger	(712,586)	712,586	0
3. MTRFA Shortfall at Merger	(263,995)	263,995	0
4. MPRIF Mortality Loss (Gain)	<u>729</u>	<u>(729)</u>	<u>0</u>
5. Total Other Changes	\$ (2,150,621)	\$ 2,150,621	\$ 0
E. FUND BALANCE AT END OF YEAR			
(A + B9 - C8 + D4)	\$ 7,414,466	\$ 12,371,204	\$ 19,785,670

* Includes \$450,419,000 of TRA funds transferred to the MPRIF for MTRFA annuitants.

SECTION

III

MEMBERSHIP DATA

MEMBERSHIP DATA

Basis

The valuation was based upon data supplied by the Teachers Retirement Association. We thank them for their excellent cooperation in this area.

Demographics

Tables 3 – 6, which follow, present June 30, 2006 demographic information on active and retired members by age and service (or years retired). That information is summarized below. Table 7 reconciles the number of members from June 30, 2005 to June 30, 2006.

TABLE 3
AGE AND SERVICE DISTRIBUTION WITH AVERAGE ANNUAL SALARY
AS OF JUNE 30, 2006

ACTIVE MEMBERS - TOTAL

CURRENT AGE	YEARS OF SERVICE									TOTAL	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over		
Below 25	2,665										2,665
	\$ 30,426										\$ 30,426
25-29	8,829	1,232									10,061
	\$ 33,867	\$ 42,180									\$ 34,885
30-34	3,871	5,329	546	1							9,747
	\$ 35,146	\$ 44,501	\$ 51,766	\$ 54,660							\$ 41,193
35-39	2,798	3,268	3,882	402							10,350
	\$ 35,235	\$ 45,418	\$ 53,362	\$ 59,691							\$ 46,199
40-44	2,496	1,855	2,244	2,482	426	1					9,504
	\$ 34,276	\$ 46,245	\$ 53,646	\$ 59,039	\$ 61,875	\$ 43,095					\$ 48,891
45-49	2,624	1,769	1,614	1,834	1,934	585	1				10,361
	\$ 31,364	\$ 45,245	\$ 53,933	\$ 58,007	\$ 61,264	\$ 61,764	\$ 43,286				\$ 49,264
50-54	1,836	1,442	1,652	1,600	1,416	2,855	1,032				11,833
	\$ 34,036	\$ 44,702	\$ 52,790	\$ 58,886	\$ 61,676	\$ 63,980	\$ 63,960				\$ 54,456
55-59	1,442	982	1,263	1,317	1,190	1,787	2,587	316			10,884
	\$ 33,698	\$ 45,495	\$ 52,366	\$ 58,733	\$ 62,123	\$ 64,914	\$ 65,775	\$ 65,436			\$ 56,737
60-64	641	330	361	459	374	368	234	229	14		3,010
	\$ 30,247	\$ 44,260	\$ 52,080	\$ 57,386	\$ 62,651	\$ 66,638	\$ 73,397	\$ 72,253	\$ 65,540		\$ 53,730
64&Over	395	87	53	50	54	36	30	37	13		755
	\$ 29,554	\$ 38,258	\$ 47,263	\$ 60,163	\$ 65,713	\$ 66,197	\$ 74,419	\$ 78,284	\$ 72,721		\$ 43,075
TOTAL	27,597	16,294	11,615	8,145	5,394	5,632	3,884	582	27		79,170
	\$ 33,508	\$ 44,828	\$ 53,164	\$ 58,673	\$ 61,751	\$ 64,230	\$ 65,813	\$ 68,935	\$ 68,997		\$ 47,278

Average Age: 43.27
Average Service: 11.56

TABLE 3A
AGE AND SERVICE DISTRIBUTION WITH AVERAGE ANNUAL SALARY
AS OF JUNE 30, 2006

ACTIVE MEMBERS - NON-MTRFA

CURRENT AGE	YEARS OF SERVICE									TOTAL	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over		
Below 25	2,601										2,601
	\$ 30,891										\$ 30,891
25-29	8,601	1,200									9,801
	\$ 34,308	\$ 42,570									\$ 35,319
30-34	3,740	5,037	538	1							9,316
	\$ 35,561	\$ 44,548	\$ 51,648	\$ 54,660							\$ 41,351
35-39	2,704	3,005	3,698	399							9,806
	\$ 35,516	\$ 45,194	\$ 53,139	\$ 59,576							\$ 46,107
40-44	2,415	1,665	2,034	2,394	413	1					8,922
	\$ 34,438	\$ 45,690	\$ 52,994	\$ 58,921	\$ 61,734	\$ 43,095					\$ 48,602
45-49	2,264	1,580	1,428	1,712	1,863	580	1				9,428
	\$ 33,610	\$ 45,230	\$ 52,710	\$ 57,817	\$ 61,071	\$ 61,717	\$ 43,286				\$ 50,002
50-54	1,772	1,312	1,477	1,449	1,344	2,818	1,028				11,200
	\$ 34,171	\$ 44,202	\$ 51,751	\$ 58,174	\$ 61,229	\$ 63,882	\$ 63,924				\$ 54,223
55-59	1,389	886	1,095	1,185	1,107	1,730	2,570	312			10,274
	\$ 34,052	\$ 44,290	\$ 50,837	\$ 57,508	\$ 61,244	\$ 64,611	\$ 65,702	\$ 65,317			\$ 56,371
60-64	622	289	279	413	350	355	220	217	14		2,759
	\$ 30,570	\$ 43,049	\$ 49,684	\$ 56,557	\$ 61,845	\$ 66,292	\$ 73,393	\$ 71,833	\$ 65,540		\$ 53,102
64&Over	381	74	39	38	46	32	28	31	13		682
	\$ 29,945	\$ 40,274	\$ 47,054	\$ 58,718	\$ 64,184	\$ 63,688	\$ 73,951	\$ 79,831	\$ 72,721		\$ 42,430
TOTAL	26,489	15,048	10,588	7,591	5,123	5,516	3,847	560	27		74,789
	\$ 34,052	\$ 44,622	\$ 52,432	\$ 58,213	\$ 61,284	\$ 64,033	\$ 65,721	\$ 68,645	\$ 68,997		\$ 47,210

Average Age: 43.12
Average Service: 11.61

Consists of 74,788 Coordinated Members and one Basic Member

TABLE 3B
AGE AND SERVICE DISTRIBUTION WITH AVERAGE ANNUAL SALARY
AS OF JUNE 30, 2006

ACTIVE MEMBERS - MTRFA BASIC

CURRENT AGE	YEARS OF SERVICE								TOTAL	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39		40&Over
Below 25										
25-29										
30-34										
35-39										
40-44										
45-49										
50-54			3	5	7	22	4			41
			\$ 73,137	\$ 58,337	\$ 75,164	\$ 76,651	\$ 73,273			\$ 73,577
55-59			2	14	22	38	17	4		97
			\$ 72,154	\$ 68,058	\$ 77,931	\$ 74,992	\$ 76,779	\$ 74,748		\$ 74,903
60-64			2	8	5	8	13	12		48
			\$ 61,716	\$ 57,332	\$ 73,283	\$ 71,559	\$ 71,940	\$ 79,845		\$ 71,132
64&Over				1	1	3	2	5		12
				\$ 62,158	\$ 63,800	\$ 88,405	\$ 80,974	\$ 68,039		\$ 74,443
TOTAL			7	28	35	71	36	21		198
			\$ 69,593	\$ 63,047	\$ 76,310	\$ 75,686	\$ 74,875	\$ 76,063		\$ 73,686

Average Age: 58.34
Average Service: 27.10

TABLE 3C
AGE AND SERVICE DISTRIBUTION WITH AVERAGE ANNUAL SALARY
AS OF JUNE 30, 2006

ACTIVE MEMBERS - MTRFA COORDINATED

CURRENT AGE	YEARS OF SERVICE									TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over	
Below 25	64									64
	\$ 11,542									\$ 11,542
25-29	228	32								260
	\$ 17,243	\$ 27,590								\$ 18,516
30-34	131	292	8							431
	\$ 23,308	\$ 43,678	\$ 59,721							\$ 37,785
35-39	94	263	184	3						544
	\$ 27,138	\$ 47,968	\$ 57,851	\$ 75,006						\$ 47,861
40-44	81	190	210	88	13					582
	\$ 29,434	\$ 51,115	\$ 59,953	\$ 62,253	\$ 66,349					\$ 53,311
45-49	360	189	186	122	71	5				933
	\$ 17,239	\$ 45,370	\$ 63,320	\$ 60,675	\$ 66,331	\$ 67,299				\$ 41,808
50-54	64	130	172	146	65	15				592
	\$ 30,298	\$ 49,743	\$ 61,358	\$ 65,975	\$ 69,478	\$ 63,785				\$ 57,541
55-59	53	96	166	118	61	19				513
	\$ 24,409	\$ 56,618	\$ 62,213	\$ 69,932	\$ 72,374	\$ 72,340				\$ 60,619
60-64	19	41	80	38	19	5	1			203
	\$ 19,652	\$ 52,797	\$ 60,195	\$ 66,410	\$ 74,692	\$ 83,311	\$ 93,243			\$ 58,159
64&Over	14	13	14	11	7	1		1		61
	\$ 18,905	\$ 26,778	\$ 47,846	\$ 64,973	\$ 76,037	\$ 79,857		\$ 81,540		\$ 44,115
TOTAL	1,108	1,246	1,020	526	236	45	1	1		4,183
	\$ 20,519	\$ 47,315	\$ 60,644	\$ 65,073	\$ 69,722	\$ 70,314	\$ 93,243	\$ 81,540		\$ 47,231

Average Age: 45.16
Average Service: 10.00

TABLE 4
AGE AND YEARS OF RETIREMENT DISTRIBUTION WITH AVERAGE ANNUAL BENEFIT
AS OF JUNE 30, 2006

SERVICE RETIREMENTS - TOTAL

CURRENT AGE	YEARS OF RETIREMENT									TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over	
Below 50										
50-54	29									29
	\$ 30,853									\$ 30,853
55-59	4,244	368								4,612
	\$ 31,511	\$ 39,643								\$ 32,160
60-64	4,124	5,096	101	2			1			9,324
	\$ 27,298	\$ 29,771	\$ 29,765	\$ 1,901			\$ 2,412			\$ 28,668
65-69	1,570	4,999	2,363	60			1			8,993
	\$ 16,927	\$ 23,975	\$ 26,297	\$ 21,760			\$ 15,213			\$ 23,339
70-74	198	1,740	3,688	1,264	31	1				6,922
	\$ 14,018	\$ 24,586	\$ 31,637	\$ 28,991	\$ 28,056	\$ 9,941				\$ 28,858
75-79	41	172	1,580	2,061	1,130	33		1		5,018
	\$ 14,505	\$ 23,921	\$ 29,465	\$ 31,281	\$ 34,154	\$ 24,757		\$ 16,987		\$ 30,921
80-84	9	27	148	1,013	1,518	327	14	1		3,057
	\$ 10,771	\$ 21,518	\$ 32,447	\$ 28,547	\$ 34,798	\$ 23,843	\$ 14,720	\$ 14,403		\$ 31,154
85-89	2		6	104	866	673	113	2		1,766
	\$ 2,023		\$ 10,823	\$ 31,822	\$ 29,586	\$ 27,823	\$ 14,123	\$ 18,492		\$ 27,949
89&Over			1	4	89	535	493	105	16	1,243
			\$ 1,402	\$ 3,281	\$ 29,666	\$ 26,633	\$ 21,650	\$ 12,185	\$ 14,740	\$ 23,405
TOTAL	10,217	12,402	7,887	4,508	3,634	1,571	620	109	16	40,964
	\$ 27,136	\$ 26,901	\$ 29,574	\$ 29,872	\$ 33,172	\$ 26,489	\$ 20,122	\$ 12,365	\$ 14,740	\$ 28,196

TABLE 4A
AGE AND YEARS OF RETIREMENT DISTRIBUTION WITH AVERAGE ANNUAL BENEFIT
AS OF JUNE 30, 2006

SERVICE RETIREMENTS - NON-MTRFA

CURRENT AGE	YEARS OF RETIREMENT									
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over	TOTAL
Below 50										
50-54	17									17
	\$ 22,662									\$ 22,662
55-59	3,973	228								4,201
	\$ 31,264	\$ 37,432								\$ 31,599
60-64	3,821	4,667	37	2			1			8,528
	\$ 27,549	\$ 29,051	\$ 22,335	\$ 1,901		\$ 2,412				\$ 28,339
65-69	1,435	4,674	2,135	24						8,268
	\$ 16,787	\$ 23,575	\$ 24,663	\$ 14,944						\$ 22,653
70-74	172	1,615	3,433	1,154	6	1				6,381
	\$ 13,116	\$ 24,446	\$ 31,277	\$ 27,742	\$ 31,655	\$ 9,941				\$ 28,416
75-79	38	147	1,466	1,852	1,048	8				4,559
	\$ 14,250	\$ 22,725	\$ 29,417	\$ 30,637	\$ 33,818	\$ 19,381				\$ 30,565
80-84	5	23	131	920	1,391	264	3			2,737
	\$ 15,536	\$ 17,812	\$ 31,503	\$ 28,031	\$ 34,844	\$ 20,408	\$ 32,859			\$ 30,821
85-89	2		6	89	799	581	99	1		1,577
	\$ 2,023		\$ 10,823	\$ 31,120	\$ 29,878	\$ 27,243	\$ 14,447	\$ 28,066		\$ 27,900
89&Over			1	4	74	486	428	88	14	1,095
			\$ 1,402	\$ 3,281	\$ 27,962	\$ 27,239	\$ 21,754	\$ 10,724	\$ 13,982	\$ 23,536
TOTAL	9,463	11,354	7,209	4,045	3,318	1,341	530	89	14	37,363
	\$ 27,141	\$ 26,205	\$ 28,877	\$ 29,095	\$ 33,165	\$ 25,818	\$ 20,452	\$ 10,919	\$ 13,982	\$ 27,752

TABLE 4B
AGE AND YEARS OF RETIREMENT DISTRIBUTION WITH AVERAGE ANNUAL BENEFIT
AS OF JUNE 30, 2006

SERVICE RETIREMENTS - MTRFA

CURRENT AGE	YEARS OF RETIREMENT									
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over	TOTAL
Below 50										
50-54	12									12
	\$ 42,456									\$ 42,456
55-59	271	140								411
	\$ 35,124	\$ 43,245								\$ 37,890
60-64	303	429	64							796
	\$ 24,134	\$ 37,608	\$ 34,060							\$ 32,194
65-69	135	325	228	36			1			725
	\$ 18,419	\$ 29,728	\$ 41,599	\$ 26,304		\$ 15,213				\$ 31,165
70-74	26	125	255	110	25					541
	\$ 19,985	\$ 26,402	\$ 36,489	\$ 42,087	\$ 27,192					\$ 34,074
75-79	3	25	114	209	82	25		1		459
	\$ 17,732	\$ 30,956	\$ 30,079	\$ 36,982	\$ 38,445	\$ 26,478		\$ 16,987		\$ 34,459
80-84	4	4	17	93	127	63	11	1		320
	\$ 4,816	\$ 42,824	\$ 39,716	\$ 33,654	\$ 34,298	\$ 38,238	\$ 9,773	\$ 14,403		\$ 34,007
85-89				15	67	92	14	1		189
				\$ 35,991	\$ 26,101	\$ 31,483	\$ 11,836	\$ 8,917		\$ 28,358
89&Over					15	49	65	17	2	148
					\$ 38,073	\$ 20,626	\$ 20,967	\$ 19,743	\$ 20,048	\$ 22,435
TOTAL	754	1,048	678	463	316	230	90	20	2	3,601
	\$ 27,081	\$ 34,442	\$ 36,981	\$ 36,664	\$ 33,253	\$ 30,405	\$ 18,179	\$ 18,797	\$ 20,048	\$ 32,801

TABLE 5
AGE AND YEARS OF RETIREMENT DISTRIBUTION WITH AVERAGE ANNUAL BENEFIT
AS OF JUNE 30, 2006

DISABILITY RETIREMENTS - TOTAL

CURRENT AGE	YEARS OF RETIREMENT									TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over	
Below 50	33	14	5							52
	\$ 8,745	\$ 8,003	\$ 8,490							\$ 8,521
50-54	46	29	13	2						90
	\$ 15,233	\$ 12,418	\$ 15,038	\$ 6,801						\$ 14,110
55-59	139	90	29	9	2	1				270
	\$ 20,183	\$ 20,749	\$ 24,221	\$ 13,676	\$ 23,769	\$ 6,403				\$ 20,564
60-64	64	78	52	13	3	2				212
	\$ 18,344	\$ 27,837	\$ 27,256	\$ 18,196	\$ 45,522	\$ 8,043				\$ 24,301
65-69	7									7
	\$ 16,168									\$ 16,168
70-74										
75-79										
80-84										
85-89										
89&Over										
TOTAL	289	211	99	24	5	3				631
	\$ 17,585	\$ 21,379	\$ 23,815	\$ 15,551	\$ 36,821	\$ 7,496				\$ 19,858

TABLE 5A
AGE AND YEARS OF RETIREMENT DISTRIBUTION WITH AVERAGE ANNUAL BENEFIT
AS OF JUNE 30, 2006

DISABILITY RETIREMENTS - NON-MTRFA

CURRENT AGE	YEARS OF RETIREMENT								TOTAL	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39		40&Over
Below 50	30	14	5							49
	\$ 9,148	\$ 8,003	\$ 8,490							\$ 8,754
50-54	45	26	12	2						85
	\$ 15,210	\$ 13,639	\$ 12,668	\$ 6,801						\$ 14,173
55-59	131	86	27	9	1	1				255
	\$ 19,655	\$ 20,100	\$ 21,995	\$ 13,676	\$ 9,596	\$ 6,403				\$ 19,750
60-64	61	76	49	12	3	2				203
	\$ 18,101	\$ 27,792	\$ 24,660	\$ 15,370	\$ 45,522	\$ 8,043				\$ 23,457
65-69	7									7
	\$ 16,168									\$ 16,168
70-74										
75-79										
80-84										
85-89										
89&Over										
TOTAL	274	202	93	23	4	3				599
	\$ 17,340	\$ 21,324	\$ 21,470	\$ 13,962	\$ 36,540	\$ 7,496				\$ 19,274

TABLE 5B
AGE AND YEARS OF RETIREMENT DISTRIBUTION WITH AVERAGE ANNUAL BENEFIT
AS OF JUNE 30, 2006

DISABILITY RETIREMENTS - MTRFA

CURRENT AGE	YEARS OF RETIREMENT									TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over	
Below 50	3									3
	\$ 4,716									\$ 4,716
50-54	1	3	1							5
	\$ 16,265	\$ 1,834	\$ 43,470							\$ 13,048
55-59	8	4	2		1					15
	\$ 28,831	\$ 34,713	\$ 54,270		\$ 37,942					\$ 34,399
60-64	3	2	3	1						9
	\$ 23,284	\$ 29,538	\$ 69,659	\$ 52,102						\$ 43,334
65-69										
70-74										
75-79										
80-84										
85-89										
89&Over										
TOTAL	15	9	6	1	1					32
	\$ 22,061	\$ 22,603	\$ 60,164	\$ 52,102	\$ 37,942					\$ 30,793

TABLE 6
AGE AND YEARS OF RETIREMENT DISTRIBUTION WITH AVERAGE ANNUAL BENEFIT
AS OF JUNE 30, 2006

SURVIVORS - TOTAL

CURRENT AGE	YEARS OF RETIREMENT									TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over	
Below 50	37	16	16		3					72
	\$ 8,457	\$ 8,594	\$ 18,598		\$ 16,694					\$ 11,084
50-54	40	15	4		2					61
	\$ 15,276	\$ 10,897	\$ 10,774		\$ 4,326					\$ 13,545
55-59	112	36	13	5						166
	\$ 18,803	\$ 16,037	\$ 15,156	\$ 5,207						\$ 17,508
60-64	76	156	22	3	1					258
	\$ 22,435	\$ 22,088	\$ 22,934	\$ 8,546	\$ 28,258					\$ 22,129
65-69	27	155	155	13	3	1		1		355
	\$ 14,079	\$ 22,254	\$ 19,551	\$ 21,744	\$ 16,722	\$ 18,333		\$ 14,661		\$ 20,354
70-74	6	88	297	150	30	21	4		2	598
	\$ 15,314	\$ 22,573	\$ 27,251	\$ 26,033	\$ 30,538	\$ 22,766	\$ 16,211		\$ 5,748	\$ 25,999
75-79	3	13	145	198	152	19	3	1	2	536
	\$ 24,550	\$ 23,395	\$ 26,595	\$ 28,040	\$ 31,800	\$ 29,883	\$ 13,552	\$ 11,406	\$ 5,781	\$ 28,453
80-84	1	1	19	154	267	54	8	3	1	508
	\$ 53,388	\$ 8,534	\$ 25,513	\$ 26,884	\$ 30,859	\$ 26,054	\$ 20,587	\$ 8,531	\$ 5,940	\$ 28,601
85-89		1	2	13	158	117	14	2	3	310
		\$ 11,604	\$ 10,322	\$ 19,688	\$ 31,065	\$ 31,017	\$ 21,282	\$ 32,643	\$ 7,767	\$ 29,716
89&Over			2		12	96	67	13	6	196
			\$ 29,118		\$ 22,284	\$ 26,747	\$ 26,525	\$ 11,294	\$ 10,429	\$ 24,898
TOTAL	302	481	675	536	628	308	96	20	14	3,060
	\$ 17,662	\$ 20,965	\$ 24,572	\$ 26,469	\$ 30,736	\$ 28,142	\$ 24,430	\$ 13,188	\$ 8,205	\$ 25,126

TABLE 6A
AGE AND YEARS OF RETIREMENT DISTRIBUTION WITH AVERAGE ANNUAL BENEFIT
AS OF JUNE 30, 2006

SURVIVORS - NON-MTRFA

CURRENT AGE	YEARS OF RETIREMENT									TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over	
Below 50	32	7	2							41
	\$ 8,037	\$ 3,782	\$ 2,357							\$ 7,034
50-54	39	13	4		1					57
	\$ 15,047	\$ 8,933	\$ 10,774		\$ 1,360					\$ 13,113
55-59	108	35	11	4						158
	\$ 18,285	\$ 16,387	\$ 14,399	\$ 4,866						\$ 17,255
60-64	70	148	19	3						240
	\$ 22,623	\$ 21,811	\$ 21,349	\$ 8,546						\$ 21,845
65-69	27	148	146	9	2					332
	\$ 14,079	\$ 22,300	\$ 19,246	\$ 13,402	\$ 2,354					\$ 19,927
70-74	6	78	264	126	8	8	2		2	494
	\$ 15,314	\$ 22,786	\$ 27,357	\$ 23,466	\$ 25,426	\$ 20,725	\$ 11,416		\$ 5,748	\$ 25,206
75-79	3	13	141	192	134	6	3	1	2	495
	\$ 24,550	\$ 23,395	\$ 26,807	\$ 27,707	\$ 31,899	\$ 31,610	\$ 13,552	\$ 11,406	\$ 5,781	\$ 28,293
80-84	1	1	18	151	261	40	5	2	1	480
	\$ 53,388	\$ 8,534	\$ 24,097	\$ 27,179	\$ 30,839	\$ 24,846	\$ 18,061	\$ 6,548	\$ 5,940	\$ 28,650
85-89			1	13	156	109	9	1	3	292
			\$ 2,201	\$ 19,688	\$ 31,096	\$ 30,818	\$ 21,061	\$ 33,800	\$ 7,767	\$ 29,846
89&Over			1		12	92	61	10	5	181
			\$ 34,890		\$ 22,284	\$ 26,642	\$ 27,424	\$ 9,564	\$ 9,222	\$ 25,238
TOTAL	286	443	607	498	574	255	80	14	13	2,770
	\$ 17,488	\$ 21,071	\$ 24,538	\$ 25,707	\$ 30,752	\$ 28,077	\$ 25,203	\$ 10,996	\$ 7,570	\$ 24,950

TABLE 6B
AGE AND YEARS OF RETIREMENT DISTRIBUTION WITH AVERAGE ANNUAL BENEFIT
AS OF JUNE 30, 2006

SURVIVORS - MTRFA

CURRENT AGE	YEARS OF RETIREMENT									TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Over	
Below 50	5	9	14		3					31
	\$ 11,140	\$ 12,336	\$ 20,918		\$ 16,694					\$ 16,441
50-54	1	2			1					4
	\$ 24,205	\$ 23,661			\$ 7,292					\$ 19,705
55-59	4	1	2	1						8
	\$ 32,789	\$ 3,774	\$ 19,323	\$ 6,570						\$ 22,518
60-64	6	8	3		1					18
	\$ 20,232	\$ 27,225	\$ 32,971		\$ 28,258					\$ 25,909
65-69		7	9	4	1	1		1		23
		\$ 21,266	\$ 24,502	\$ 40,514	\$ 45,457	\$ 18,333		\$ 14,661		\$ 26,517
70-74		10	33	24	22	13	2			104
		\$ 20,910	\$ 26,398	\$ 39,513	\$ 32,397	\$ 24,021	\$ 21,007			\$ 29,765
75-79			4	6	18	13				41
			\$ 19,107	\$ 38,688	\$ 31,064	\$ 29,085				\$ 30,386
80-84			1	3	6	14	3	1		28
			\$ 51,001	\$ 12,054	\$ 31,706	\$ 29,505	\$ 24,798	\$ 12,497		\$ 27,763
85-89		1	1		2	8	5	1		18
		\$ 11,604	\$ 18,442		\$ 28,674	\$ 33,720	\$ 21,678	\$ 31,486		\$ 27,613
89&Over			1			4	6	3	1	15
			\$ 23,346			\$ 29,165	\$ 17,382	\$ 17,061	\$ 16,461	\$ 20,796
TOTAL	16	38	68	38	54	53	16	6	1	290
	\$ 20,778	\$ 19,723	\$ 24,872	\$ 36,453	\$ 30,566	\$ 28,457	\$ 20,568	\$ 18,304	\$ 16,461	\$ 26,802

TABLE 7
RECONCILIATION OF MEMBERS
YEAR ENDING JUNE 30, 2006

TOTAL MEMBERS

	<u>Actives</u>	<u>Inactives</u>
A. AS OF JUNE 30, 2005	79,289	34,012
B. ADDITIONS	7,778	5,302
C. DELETIONS		
1. Service Retirement	(2,083)	(420)
2. Disability	(104)	(24)
3. Death	(49)	(43)
4. Terminated - No Refund	0	(1,942)
5. Terminated - Refund	(472)	(924)
6. Returned to Active	0	(2,056)
7. Terminated - Inactives	(5,186)	0
8. Transfers to IRAP	0	0
D. DATA ADJUSTMENTS	(3)	(176)
E. TOTAL ON JUNE 30, 2006	79,170	33,729
Vested	61,741	11,783
Non-Vested	17,429	21,946

RECIPIENTS

	<u>Retirement Annuitants</u>	<u>Disabled</u>	<u>Survivors</u>
A. AS OF JUNE 30, 2005	39,209	606	2,904
B. ADDITIONS	2,548	89	296
C. DELETIONS			
1. Service Retirement Conversions	0	(49)	0
2. Death	(796)	(16)	(60)
3. Annuity Expired	(14)	0	(75)
4. Returned to Active	0	(5)	0
5. Cancelled	0	0	0
D. DATA ADJUSTMENTS	17	6	(5)
E. TOTAL ON JUNE 30, 2006	40,964	631	3,060

TABLE 7A
RECONCILIATION OF MEMBERS
YEAR ENDING JUNE 30, 2006

NON-MTRFA MEMBERS

	<u>Actives</u>	<u>Inactives</u>
A. AS OF JUNE 30, 2005	74,533	29,031
B. ADDITIONS	7,293	4,601
C. DELETIONS		
1. Service Retirement	(1,956)	(362)
2. Disability	(102)	(24)
3. Death	(48)	(39)
4. Terminated - No Refund	0	(1,942)
5. Terminated - Refund	(429)	(822)
6. Returned to Active	0	(1,982)
7. Terminated - Inactives	(4,499)	0
8. Transfers to IRAP	0	0
D. DATA ADJUSTMENTS	(3)	(176)
E. TOTAL ON JUNE 30, 2006	74,789	28,285
Vested	57,995	10,235
Non-Vested	16,794	18,050

	<u>RECIPIENTS</u>		
	<u>Retirement Annuitants</u>	<u>Disabled</u>	<u>Survivors</u>
A. AS OF JUNE 30, 2005	35,706	581	2,627
B. ADDITIONS	2,366	82	266
C. DELETIONS			
1. Service Retirement Conversions	0	(49)	0
2. Death	(715)	(13)	(51)
3. Annuity Expired	(14)	0	(67)
4. Returned to Active	0	(5)	0
5. Cancelled	0	0	0
D. DATA ADJUSTMENTS	20	3	(5)
E. TOTAL ON JUNE 30, 2006	37,363	599	2,770

TABLE 7B
RECONCILIATION OF MEMBERS
YEAR ENDING JUNE 30, 2006

MTRFA MEMBERS

	<u>Actives</u>	<u>Inactives</u>
A. AS OF JUNE 30, 2005	4,756	4,981
B. ADDITIONS	485	701
C. DELETIONS		
1. Service Retirement	(127)	(58)
2. Disability	(2)	0
3. Death	(1)	(4)
4. Terminated - No Refund	0	0
5. Terminated - Refund	(43)	(102)
6. Returned to Active	0	(74)
7. Terminated - Inactives	(687)	0
8. Transfers to IRAP	0	0
D. DATA ADJUSTMENTS	0	0
E. TOTAL ON JUNE 30, 2006	4,381	5,444
Vested	3,746	1,548
Non-Vested	635	3,896

	<u>RECIPIENTS</u>		
	<u>Retirement Annuitants*</u>	<u>Disabled</u>	<u>Survivors</u>
A. AS OF JUNE 30, 2005	3,503	25	277
B. ADDITIONS	182	7	30
C. DELETIONS			
1. Service Retirement Conversions	0	0	0
2. Death	(81)	(3)	(9)
3. Annuity Expired	0	0	(8)
4. Returned to Active	0	0	0
5. Cancelled	0	0	0
D. DATA ADJUSTMENTS	(3)	3	0
E. TOTAL ON JUNE 30, 2006	3,601	32	290

* Member and payee of a domestic relations order are counted as one person

SECTION

IV

FUNDING STATUS

FUNDING STATUS

The tables that follow present the funding status of the Fund on a variety of bases. These are the Actuarial Balance Sheet (Table 8) and the development of the Required Contribution Rate (Tables 9 and 11). The sources of actuarial gains and losses during the year are shown on Table 10. Each table is described below in more detail.

Actuarial Balance Sheet

Table 8 shows the assets and benefit obligations used to determine the Accrued Benefit Funding Ratio and Projected Benefit Funding Ratio. It shows any shortfall or surplus of assets compared to obligations on a current basis, comparing Current Assets (the actuarially smoothed value) to Current Benefit Obligations. It also compares assets and benefit obligations on a projected basis, taking into account the present value of future benefit accruals and future contributions.

Current Benefit Obligations are the actuarial accrued liability generated by the Projected Unit Credit Funding Method. The Projected Unit Credit funding method calculates liabilities using projected pay and "accrued" service on the valuation date. Projected Benefit Obligations are benefit liabilities based on both projected pay and service without regard to any spreading of costs. The projected assets take into the present value of future member and employer contributions for normal cost plus future employer "supplemental" contributions. Supplemental contributions are the amount of statutory employer and member contributions in excess of the required contributions for Normal Cost and expenses.

Unfunded Actuarial Accrued Liability

Table 9 shows the derivation of the Unfunded Actuarial Accrued Liability under the Entry Age Normal Actuarial Cost Method, which is the funding method used by the Fund. Under this method costs are spread as a level percentage of payroll starting when each member enters into the plan. The unfunded actuarial accrued liability is amortized over a period to July 1, 2037 (31 years) as a level percentage of payroll.

Actuarial Gains and Losses

Changes in the Unfunded Actuarial Accrued Liability (UAAL) during the year are shown in Table 10. The UAAL increased from \$138,429,000 last year to \$1,523,637,000 this year. The increase in the UAAL was due to the result of plan changes, the merger of MTRFA into the TRA Fund, and other experience factors including salary increases greater than expected and a net investment loss on the value of assets under the actuarial asset smoothing methodology.

Determination of Contribution Sufficiency

Table 11 shows a comparison of statutory and required contribution rates for the fund. The required contribution rate consists of an amount to pay the plan's Normal Cost for the year, an allocation for administrative expenses, and a supplemental payment toward amortization of the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percent of payroll over a period ending July 1, 2037 (31 years from the July 1, 2006 valuation date).

TABLE 8
Actuarial Balance Sheet
JULY 1, 2006

(Dollars in Thousands)				
A.	CURRENT ASSETS (TABLE 1, F7)		\$ 19,037,046	
B.	EXPECTED FUTURE ASSETS			
	1. Present Value of Expected Future Statutory Supplemental Contributions		\$ 942,441	
	2. Present Value of Future Normal Costs		<u>3,215,777</u>	
	3. Total Expected Future Assets		\$ 4,158,218	
C.	TOTAL CURRENT AND EXPECTED FUTURE ASSETS		\$ 23,195,264	
		Non-Vested	Vested	Total
D.	CURRENT BENEFIT OBLIGATIONS			
	1. Benefit Recipients*			
	a. Retirement Annuities	\$ 0	\$ 11,674,339	\$ 11,674,339
	b. Disability Benefits	0	158,313	158,313
	c. Surviving Spouse and Child Benefits	0	640,614	640,614
	2. Deferred Retirements with Augmentation	0	344,166	344,166
	3. Former Members without Vested Rights	0	35,186	35,186
	4. Active Members			
	a. Retirement Annuities	39,884	6,243,066	6,282,950
	b. Disability Benefits	105,499	0	105,499
	c. Survivors' Benefits	47,392	0	47,392
	d. Deferred Retirements	6,721	337,226	343,947
	e. Refund Liability Due to Death or Withdrawal	<u>0</u>	<u>68,708</u>	<u>68,708</u>
	5. Total Current Benefit Obligations	\$ 199,496	\$ 19,501,618	\$ 19,701,114
E.	EXPECTED FUTURE BENEFIT OBLIGATIONS			<u>4,075,346</u>
F.	TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS			\$ 23,776,460
G.	UNFUNDED CURRENT BENEFIT OBLIGATIONS (D5 - A)			\$ 664,068
H.	UNFUNDED CURRENT BENEFIT OBLIGATIONS AND EXPECTED UNFUNDED FUTURE BENEFIT OBLIGATIONS (F - C)			\$ 581,196

TABLE 9
Determination of Unfunded Actuarial Accrued Liability (UAAL) and
Supplemental Contribution Rate
JULY 1, 2006

(Dollars in Thousands)			
	Actuarial Present Value of Projected Benefits (1)	Actuarial Present Value of Future Normal Costs (2)	Actuarial Accrued Liability (3) = (1) - (2)
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)			
1. Active Members			
a. Retirement Annuities	\$ 9,900,043	\$ 2,498,211	\$ 7,401,832
b. Disability Benefits	190,304	78,112	112,192
c. Survivor Benefits	85,968	36,857	49,111
d. Deferred Retirements	621,192	346,462	274,730
e. Refund due to Death or Withdrawal	126,334	256,135	(129,801)
f. Total	\$ 10,923,841	\$ 3,215,777	\$ 7,708,064
2. Deferred Retirements with Future Augmentation			
	344,166	0	344,166
3. Former Members without Vested Rights			
	35,186	0	35,186
4. Annuitants in MPRIF			
	12,305,563	0	12,305,563
5. Recipients not in MPRIF			
	167,704	0	167,704
6. Total	\$ 23,776,460	\$ 3,215,777	\$ 20,560,683
B. DETERMINATION OF UNFUNDED AAL			
1. AAL (A6)			\$ 20,560,683
2. Current Assets (Table 1, F7)			19,037,046
3. UAAL (B1-B2)			\$ 1,523,637
4. Ratio of Assets to AAL (B2)/(B1)			92.59%
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE (STATUTORY AMORTIZATION DATE)			
1. Present Value of Future Payrolls Through the Amortization Date of July 1, 2037 (31 Years)			\$ 70,860,243
2. Supplemental Contribution Rate (B3/C1)			2.15%
D. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE (GASB 25 30-YEAR AMORTIZATION PERIOD)			
1. Present Value of Future Payrolls Through the Amortization Date of July 1, 2036 (30 Years)			\$ 69,520,828
2. Supplemental Contribution Rate (B3/D1)			2.19%

TABLE 9
Determination of Unfunded Actuarial Accrued Liability (UAAL) and
Supplemental Contribution Rate
JULY 1, 2006

(Continued)

(Dollars in Thousands)			
	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
	(1)	(2)	(3) = (1) - (2)
E. BREAKOUT OF ACTUARIAL ACCRUED LIABILITY (AAL) - <u>NON-MTRFA MEMBERS</u>			
1. Active Members			
a. Retirement Annuities	\$ 9,332,825	\$ 2,351,501	\$ 6,981,324
b. Disability Benefits	178,813	73,651	105,162
c. Survivor Benefits	80,748	34,837	45,911
d. Deferred Retirements	589,322	328,325	260,997
e. Refund due to Death or Withdrawal	122,390	244,490	(122,100)
f. Total	<u>\$ 10,304,098</u>	<u>\$ 3,032,804</u>	<u>\$ 7,271,294</u>
2. Deferred Retirements with Future Augmentation	292,138	0	292,138
3. Former Members without Vested Rights	31,735	0	31,735
4. Annuitants in MPRIF	10,926,293	0	10,926,293
5. Recipients not in MPRIF	154,594	0	154,594
6. Total	<u>\$ 21,708,858</u>	<u>\$ 3,032,804</u>	<u>\$ 18,676,054</u>
F. BREAKOUT OF ACTUARIAL ACCRUED LIABILITY (AAL) - <u>MTRFA MEMBERS</u>			
1. Active Members			
a. Retirement Annuities	\$ 567,218	\$ 146,710	\$ 420,508
b. Disability Benefits	11,491	4,461	7,030
c. Survivor Benefits	5,220	2,020	3,200
d. Deferred Retirements	31,870	18,137	13,733
e. Refund due to Death or Withdrawal	3,944	11,645	(7,701)
f. Total	<u>\$ 619,743</u>	<u>\$ 182,973</u>	<u>\$ 436,770</u>
2. Deferred Retirements with Future Augmentation	52,028	0	52,028
3. Former Members without Vested Rights	3,451	0	3,451
4. Annuitants in MPRIF	1,379,270	0	1,379,270
5. Recipients not in MPRIF	13,110	0	13,110
6. Total	<u>\$ 2,067,602</u>	<u>\$ 182,973</u>	<u>\$ 1,884,629</u>

TABLE 10
Changes in Unfunded Actuarial Accrued Liability (UAAL)
YEAR ENDING JUNE 30, 2006

	(Dollars in Thousands)
A. UAAL AT BEGINNING OF YEAR	\$ 138,429
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING	
1. Normal Cost and Expenses	\$ 322,586
2. Contribution	(356,107)
3. Interest at 8.50% per annum on A, B1 and B2	10,342
4. Total (B1 + B2 + B3)	\$ (23,179)
C. EXPECTED UAAL AT END OF YEAR (A + B4)	\$ 115,250
D. INCREASE (DECREASE) DUE TO ACTUARIAL LOSSES (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED	
1. Salary Increases	\$ 270,555
2. Investment Return	127,224
3. MPRIF Mortality*	(729)
4. Mortality of Other Benefit Recipients*	0
5. Other Items	(159,300)
6. Total	\$ 237,750
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS (C + D6)	\$ 353,000
F. INCREASE (DECREASE) IN UAAL DUE TO PLAN AMENDMENTS	214,859
G. INCREASE (DECREASE) IN UAAL DUE TO CHANGES IN ACTUARIAL METHODS	0
H. INCREASE (DECREASE) IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS	0
I. INCREASE (DECREASE) IN UAAL DUE TO MERGER WITH MTRFA	955,778
J. UAAL AT END OF YEAR (E + F + G + H + I)	\$ 1,523,637

Items A-H reflect the impact of changes and plan experience for TRA before the merger with MTRFA.

* As calculated by Joint Pension Board actuary.

TABLE 11
Determination of Contribution Sufficiency
JULY 1, 2006

(Dollars in Thousands)		
	Percentage of Payroll	Dollar Amount
A. STATUTORY CONTRIBUTIONS – CHAPTER 354 (TOTAL)		
1. Employee Contributions	5.51 %	\$ 206,374
2. Employer Contributions	5.22	195,455
3. Supplemental Contributions:		
a. 1993 Legislation	0.13	5,000
b. 1996 Legislation	0.08	3,000
c. 1997 Legislation	0.36	13,314
4. Total Statutory Contributions	11.30 %	\$ 423,143
B. REQUIRED CONTRIBUTIONS – CHAPTER 356 (TOTAL)		
1. Normal Cost		
a. Retirement Annuities	7.65 %	\$ 286,373
b. Disability Benefits	0.22	8,126
c. Survivor Benefits	0.10	3,829
d. Deferred Retirements	0.97	36,463
e. Refund due to Death or Withdrawal	0.71	26,568
f. Total Normal Cost	9.65 %	\$ 361,359
2. Supplemental Contribution: Amortization by July 1, 2037 of UAAL	2.15	80,474
3. Allowance for Administrative Expenses	0.32	11,978
4. Total Required Contributions	12.12 %	\$ 453,811
C. CONTRIBUTION SUFFICIENCY (DEFICIENCY) (A4-B4) (TOTAL)	(0.82) %	\$ (30,668)

Note: Projected annual payroll for fiscal year beginning on July 1, 2006 is \$3,742,970,000.

TABLE 11
Determination of Contribution Sufficiency
JULY 1, 2006

(Continued)

	(Dollars in Thousands)	
	Percentage of Payroll	Dollar Amount
D. STATUTORY CONTRIBUTIONS – CHAPTER 354 (NON-MTRFA)		
1. Employee Contributions	5.50 %	\$ 194,195
2. Employer Contributions	5.00	176,541
3. Total Contributions	10.50 %	\$ 370,736
E. REQUIRED CONTRIBUTIONS – CHAPTER 356 (NON-MTRFA)		
1. Normal Cost		
a. Retirement Annuities	7.59 %	\$ 267,864
b. Disability Benefits	0.22	7,612
c. Survivor Benefits	0.10	3,599
d. Deferred Retirements	0.98	34,447
e. Refund due to Death or Withdrawal	0.72	25,330
f. Total Normal Cost	9.61 %	\$ 338,852

Note: Projected annual payroll for fiscal year beginning on July 1, 2006 is \$3,530,813,000 for non-MTRFA employees.

TABLE 11
Determination of Contribution Sufficiency
JULY 1, 2006

(Continued)

(Dollars in Thousands)		
	Percentage of Payroll	Dollar Amount
F. STATUTORY CONTRIBUTIONS – CHAPTER 354 (MTRFA)		
1. Basic Members		
a. Employee Contributions	9.00 %	\$ 1,313
b. Employer Contributions	12.64	1,844
c. Total Basic Contributions	21.64 %	\$ 3,157
2. Coordinated Members		
a. Employee Contributions	5.50 %	\$ 10,866
b. Employer Contributions	8.64	17,070
c. Total Coordinated Contributions	14.14 %	\$ 27,936
3. Total MTRFA Contributions		
a. Employee Contributions	5.74 %	\$ 12,179
b. Employer Contributions	8.92	18,914
c. Total MTRFA Contributions	14.66 %	\$ 31,093
G. REQUIRED CONTRIBUTIONS – CHAPTER 356 (MTRFA)		
1. Normal Cost		
a. Retirement Annuities	8.72 %	\$ 18,509
b. Disability Benefits	0.24	514
c. Survivor Benefits	0.11	230
d. Deferred Retirements	0.95	2,016
e. Refund due to Death or Withdrawal	0.58	1,239
f. Total Normal Cost	10.60 %	\$ 22,508

Note: Projected annual payroll for fiscal year beginning on July 1, 2006 is \$14,590,000 for MTRFA Basic Members and \$197,567,000 for MTRFA Coordinated Members.

SECTION

V

**ACTUARIAL ASSUMPTIONS
AND METHODS**

ACTUARIAL ASSUMPTIONS AND METHODS

Statutes and Standards

Actuarial methods, assumptions and techniques are governed by the Minnesota Statutes and the Standards for Actuarial Work established by the State of Minnesota Legislative Commission on Pensions and Retirement. Currently these call for the use of a preretirement interest rate of 8.5%, and a post-retirement interest rate of 6.0%.

The salary scale assumption is comprised of two components: a 5.00% inflation component and a merit and longevity scale that varies on the basis of the member's age and service.

The actuarial method required to determine contributions, also governed by the Statutes and Standards, is the Entry Age Normal Actuarial Cost Method. Under this method normal costs are determined in a manner that spreads costs as a level percentage of payroll. Unfunded liabilities are amortized to July 1, 2037 as a level percentage of total payroll assuming 5% payroll growth.

Summary

Tables summarizing the assumptions and methods used in the valuation follows.

TABLE 12
Summary of Actuarial Assumptions and Methods

Interest: Pre-Retirement: 8.5% per annum
Post-Retirement: 6% per annum

Salary Increases: Ten-year select (based on service) and ultimate table. Reported salary for prior fiscal year, with new hires annualized, increased according to ultimate rates in Table 12C to the current fiscal year and annually for each future year. During the ten-year select period, a factor is added to the ultimate rates. The factor is 0.3% times the excess of 10 minus the number of completed years of service.

Mortality: Pre-Retirement:
Male - 1983 GAM (Male table) set back 12 years
Female - 1983 GAM (Female table) set back 10 years
Post-Retirement:
Male - Same as above, except set back 6 years
Female - Same as above, except set back 3 years
Post-Disability:
Male - 1965 Railroad Retirement Board Mortality for Disabled Annuitants up to age 54. For ages 55 - 64, graded rates between the 1965 Railroad Retirement Board and the Post-Retirement mortality assumption. For ages 65 and older, the Post-Retirement mortality table.
Female - 1965 Railroad Retirement Board Mortality for Disabled Annuitants up to age 54. For ages 55 - 64, graded rates between the 1965 Railroad Retirement Board and the Post-Retirement mortality assumption. For ages 65 and older, the Post-Retirement mortality table.
Revert to post-retirement assumption at retirement.

Retirement Age: Graded rates beginning at age 55 as shown in the rate Table 12A

Separation: First three (3) years of employment:

Gender	Separation Rates by Year		
	1	2	3
Male	45%	12%	6%
Female	40%	10%	8%

Thereafter: Shown in Table 12A.

TABLE 12
Summary of Actuarial Assumptions and Methods
(Continued)

Disability:	Shown in Table 12A.
Expenses:	Prior year administrative expenses expressed as percentage of prior year payroll (.33% of payroll).
Return of Contributions:	All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with 6% interest or the value of their deferred benefits. IMP participants are assumed to receive interest credits of 8.50%.
Family Composition:	85% of male Members and 65% of female Members are assumed married. Wives are assumed to be three years younger than their husbands. Members are assumed to have no children.
Combined Service Annuity	Liabilities for active and deferred vested participants are increased by 1.4% and 4.0%, respectively to account for the effect of some members having eligibility for the Combined Service Annuity.
Benefit Increases After Retirement:	Payment of earnings on retired reserves in excess of 6% accounted for by 6% post-retirement interest rate assumption.
Joint and Survivor Elections:	Married Members assumed to elect the subsidized joint and survivor form of annuity as follows: <div style="margin-left: 40px;">Males—15% elect 50% J&S option; 25% elect 75% J&S option; 55% elect 100% J&S option;</div> <div style="margin-left: 40px;">Females—20% elect 50% J&S option; 10% elect 75% J&S option; 30% elect 100% J&S option.</div>
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method with normal costs expressed as a level percentage of earnings. Under this method Actuarial Gains (losses) reduce (increase) the Unfunded Actuarial Accrued Liability.

TABLE 12
Summary of Actuarial Assumptions and Methods
(Continued)

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 preceding four fiscal years. Unrecognized asset return is the difference between actual and expected net return on the Market Value of Assets. Transition rules were in effect between July 1, 2000 and July 1, 2003.
Payment on the Unfunded Actuarial Accrued Liability:	Level percentage of payroll each year to the statutory amortization date (July 1, 2037) assuming total payroll increases of 5% per annum. If there is a negative Unfunded Actuarial Accrued Liability, the surplus amount shall be amortized over 30 years as a level percentage of payroll.

TABLE 12A
Probabilities of Separation

AGE	PRERETIREMENT DEATH		WITHDRAWAL		DISABILITY		RETIREMENT			
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MTRFA BASIC		OTHER	
							Less Than 30Yrs Service	30 or More Yrs Service	Rule of 90	Other
20	.03%	.01%	3.70%	4.50%	.00%	.00%	0%	0%	0%	0%
21	.03	.01	3.60	4.50	.00	.00	0	0	0	0
22	.03	.01	3.50	4.50	.00	.00	0	0	0	0
23	.03	.01	3.40	4.50	.00	.00	0	0	0	0
24	.03	.01	3.30	4.50	.00	.00	0	0	0	0
25	.03	.01	3.20	4.50	.00	.00	0	0	0	0
26	.03	.01	3.10	4.50	.00	.00	0	0	0	0
27	.03	.02	3.00	4.50	.00	.00	0	0	0	0
28	.03	.02	2.90	4.50	.00	.00	0	0	0	0
29	.03	.02	2.80	4.50	.00	.00	0	0	0	0
30	.04	.02	2.70	4.50	.00	.00	0	0	0	0
31	.04	.02	2.60	4.50	.01	.01	0	0	0	0
32	.04	.02	2.50	4.50	.01	.01	0	0	0	0
33	.04	.02	2.50	4.30	.01	.01	0	0	0	0
34	.04	.02	2.50	4.10	.01	.01	0	0	0	0
35	.04	.03	2.50	3.90	.01	.01	0	0	0	0
36	.04	.03	2.50	3.70	.02	.02	0	0	0	0
37	.05	.03	2.50	3.50	.02	.02	0	0	0	0
38	.05	.03	2.45	3.25	.02	.02	0	0	0	0
39	.05	.03	2.40	3.00	.02	.02	0	0	0	0
40	.05	.03	2.35	2.75	.03	.03	0	0	0	0
41	.06	.04	2.30	2.50	.03	.03	0	0	0	0
42	.06	.04	2.25	2.25	.03	.03	0	0	0	0
43	.06	.04	2.20	2.20	.04	.04	0	0	0	0
44	.07	.04	2.15	2.15	.04	.04	0	0	0	0
45	.07	.05	2.10	2.10	.05	.05	40	0	0	0
46	.08	.05	2.05	2.05	.06	.06	40	0	0	0
47	.09	.05	2.00	2.00	.07	.07	40	0	0	0
48	.09	.06	1.95	1.95	.08	.08	40	0	0	0
49	.10	.06	1.90	1.90	.09	.09	40	0	0	0

TABLE 12A
Probabilities of Separation
(Continued)

AGE	PRERETIREMENT DEATH		WITHDRAWAL		DISABILITY		RETIREMENT			
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MTRFA BASIC		OTHER	
							Less Than 30Yrs Service	30 or More Yrs Service	Rule of 90	Other
50	.10%	.07%	1.85%	1.85%	.11%	.10%	40%	0%	0%	0%
51	.11	.07	1.80	1.80	.13	.11	40	0	0	0
52	.12	.08	1.75	1.75	.15	.12	40	0	0	0
53	.14	.08	1.70	1.70	.17	.13	40	0	0	0
54	.15	.09	1.65	1.65	.19	.14	40	0	0	0
55	.17	.10	.00	.00	.22	.16	40	0	50	9
56	.19	.11	.00	.00	.24	.18	40	0	50	9
57	.22	.12	.00	.00	.26	.20	40	0	50	9
58	.25	.14	.00	.00	.28	.22	40	0	50	9
59	.28	.15	.00	.00	.30	.24	40	0	50	12
60	.31	.16	.00	.00	.33	.25	25	0	50	12
61	.35	.18	.00	.00	.37	.26	25	0	50	20
62	.39	.19	.00	.00	.41	.27	25	0	50	20
63	.43	.21	.00	.00	.46	.28	25	0	50	20
64	.48	.23	.00	.00	.52	.29	25	0	50	20
65	.52	.25	.00	.00	.00	.00	40	0	50	50
66	.57	.28	.00	.00	.00	.00	40	0	35	35
67	.61	.31	.00	.00	.00	.00	40	0	35	35
68	.66	.34	.00	.00	.00	.00	40	0	35	35
69	.71	.38	.00	.00	.00	.00	40	0	35	35
70	.77	.42	.00	.00	.00	.00	60	0	35	35

TABLE 12B
Years of Life Expectancy After Service Retirement

YEARS OF LIFE EXPECTANCY			YEARS OF LIFE EXPECTANCY		
AGE	MALE	FEMALE	AGE	MALE	FEMALE
50	34.68	37.77	80	10.72	12.03
51	33.74	36.81	81	10.15	11.40
52	32.82	35.86	82	9.60	10.79
53	31.90	34.92	83	9.08	10.20
54	30.98	33.97	84	8.57	9.63
55	30.08	33.03	85	8.10	9.09
56	29.18	32.10	86	7.64	8.57
57	28.30	31.16	87	7.21	8.07
58	27.42	30.24	88	6.81	7.58
59	26.55	29.31	89	6.43	7.11
60	25.68	28.39	90	6.07	6.66
61	24.83	27.48	91	5.73	6.23
62	23.98	26.57	92	5.41	5.81
63	23.13	25.67	93	5.10	5.41
64	22.29	24.78	94	4.82	5.02
65	21.46	23.89	95	4.54	4.66
66	20.64	23.02	96	4.28	4.31
67	19.83	22.15	97	4.04	3.98
68	19.02	21.29	98	3.80	3.67
69	18.23	20.43	99	3.58	3.37
70	17.45	19.59	100	3.37	3.10
71	16.69	18.76	101	3.16	2.84
72	15.95	17.94	102	2.98	2.60
73	15.23	17.13	103	2.80	2.36
74	14.52	16.34	104	2.62	2.14
75	13.84	15.57	105	2.45	1.94
76	13.18	14.81	106	2.28	1.74
77	12.54	14.08	107	2.11	1.55
78	11.92	13.38	108	1.94	1.37
79	11.31	12.69	109	1.77	1.19

1983 GAM Male set back 6 years.

1983 GAM Female set back 3 years.

TABLE 12C
Salary Increase by Age

AGE	TOTAL SALARY INCREASE	AGE	TOTAL SALARY INCREASE
20	6.00%	46	5.10%
21	6.00	47	5.00
22	6.00	48	5.00
23	6.00	49	5.00
24	6.00	50	5.00
25	6.00	51	5.00
26	6.00	52	5.00
27	6.00	53	5.00
28	6.00	54	5.00
29	6.00	55	5.00
30	6.00	56	5.00
31	6.00	57	5.00
32	6.00	58	5.10
33	6.00	59	5.20
34	6.00	60	5.30
35	6.00	61	5.40
36	6.00	62	5.50
37	6.00	63	5.60
38	5.90	64	5.70
39	5.80	65	5.70
40	5.70	66	5.70
41	5.60	67	5.70
42	5.50	68	5.70
43	5.40	69	5.70
44	5.30	70	5.70
45	5.20		

SECTION

VI

**SUMMARIES OF
PLAN PROVISIONS**

TABLE 13A
 Summary of Plan Provisions
 - NON-MTRFA BASIC MEMBERS -

Eligibility	<p>A public school or MnSCU teacher who is not covered by the Social Security Act, except for teachers employed by St. Paul or Duluth public schools or by the University of Minnesota.</p> <p>No community college teacher is a Member if that person elects coverage under Chapter 354B.</p>
Contributions	<p>Member: 9.00% of Salary</p> <p>Employer: 9.00% of Salary</p>
Allowable Service	<p>A day of credit is earned if 5 hours are taught that day. A year is earned if 170 days of service are credited. Credit may also be provided for certain leaves if contributions are paid into the fund.</p>
Salary	<p>Compensation used for contribution purposes excluding lump sum annual or sick leave payments, severance payments, any payments made in lieu of employer paid fringe benefits or expenses, and employer contributions to a Section 457 deferred compensation plan.</p>
Average Salary	<p>Average of the 5 highest successive years of Salary. Average Salary must be based on all years of Allowable Service if less than 5 years.</p>
Retirement	
<u>Retirement Benefit</u>	
Normal Retirement Eligibility	<p>Age 65 and 3 years of Allowable Service. Age 62 with 30 years of Allowable Service. Proportionate Retirement Annuity is available at age 65 and 1 year of Allowable Service.</p>
Early Retirement Eligibility	<p>Age 55 and 3 years of Allowable Service. Any age with 30 years of Allowable Service. Rule of 90: Age plus Allowable Service totals 90.</p>

TABLE 13A
Summary of Plan Provisions
- NON-MTRFA BASIC MEMBERS -
(Continued)

Amount

The greater of:

2.20% of Average Salary for the first 10 years of Allowable Service and 2.70% of Average Salary for each subsequent year with reduction of 0.25% for each month the Member is under age 65 at time of retirement or under age 62 if 30 years of Allowable Service. No reduction if age plus years of Allowable Service totals 90,

Or

2.70% of Average Salary for each year of Allowable Service assuming augmentation to age 65 at 3% per year and actuarial reduction for each month the Member is under age 65.

Or

For eligible Members, money purchase annuity equal to the actuarial equivalent of 220% of the Member's accumulated contributions with interest.

Form of Payment

Life annuity.

Actuarially equivalent options are:

- 50%, 75% or 100% joint and survivor with bounce back feature without additional reduction (option is canceled if Member is pre-deceased by beneficiary)
- 15 year certain and life
- Guaranteed refund.

Benefit Increases

Benefits may be increased each January 1 based on a formula in Minnesota Statute consisting of both an inflation component and an investment based component of the Minnesota Post Retirement Investment Fund (MPRIF). A Member who has been receiving a benefit for at least 12 full months as of the previous June 30 will receive a full increase. Members receiving benefits for at least 1 full month but less than 12 full months as of the previous June 30 will receive a partial pro rata increase.

TABLE 13A
 Summary of Plan Provisions
 - NON-MTRFA BASIC MEMBERS -
 (Continued)

Disability

Disability Benefit

Eligibility	Total and permanent disability before normal retirement age with 3 years of Allowable Service.
Amount	Normal Retirement Benefit based on Allowable Service and Average Salary at disability without reduction for commencement before normal retirement age unless an optional annuity plan is selected. Supplemental benefit of \$25 per month to age 65 or the five year anniversary of the effective date of the disability benefit, whichever is later. Payments stop at normal retirement age or the five year anniversary of the effective date of the disability benefit, whichever is later. Payments stop earlier if disability ceases or death occurs. Benefits may be reduced upon resumption of partial employment. If death occurs before retirement status, the surviving spouse and dependent children are eligible for survivor benefits.
Form of Payment	Same as for retirement.
Benefit Increases	Adjusted by TRA to provide same increase as MPRIF.

Retirement After Disability

Eligibility	Normal retirement age or the five year anniversary of the effective date of the disability benefit, whichever is later.
Amount	Any optional annuity continues. Otherwise the larger of the disability benefit paid before normal retirement age or the normal retirement benefit available at normal retirement age, or an actuarially equivalent optional annuity.
Benefit Increases	Same as for retirement.

TABLE 13A
 Summary of Plan Provisions
 - NON-MTRFA BASIC MEMBERS -
 (Continued)

Death

Surviving Spouse Benefit

Eligibility	Active Member with 18 months of Allowable Service or Member receiving a disability benefit.
Amount	50% of Salary paid during the last full fiscal year preceding death. Maximum family benefit is \$1,000 per month. Benefits paid until spouse's death. Surviving spouse optional annuity or a refund of contributions may be elected in lieu of this benefit.

**Surviving Dependent
 Children's Benefit**

Eligibility	Active Member with 18 months of Allowable Service or Member receiving a disability benefit.
Amount	10% of Salary paid during the last full fiscal year preceding death. Family benefit minimum (including spouse's benefit) of 50% of Salary and maximum of \$1,000 per month. Benefits paid until child marries, dies, or attains age 18 (age 22 if full time student).

**Surviving Spouse
 Optional Annuity**

Eligibility	Any active Member or former Member with 3 years of Allowable Service, who dies before retirement benefits commence.
Amount	Survivor's payment of the 100% joint and survivor benefit the Member could have elected if retired or an actuarially equivalent 5-, 10-, 15- or 20-year term annuity, if elected. Upon the death of any member under age 55, the benefit is reduced based on the plan's early retirement reduction to age 55 and further reduced below age 55 using 50% of the otherwise applicable early retirement factors. If no surviving spouse, then an actuarially equivalent dependent child benefit is paid to age 20 or for five years, if longer.

TABLE 13A
Summary of Plan Provisions
- NON-MTRFA BASIC MEMBERS -
(Continued)

Benefit Increases Adjusted by TRA to provide same increase as MPRIF except surviving spouse optional annuity increases which are paid from MPRIF.

Refund of Contributions

Eligibility Member dies before receiving any retirement benefits and survivor benefits are not elected.

Amount The excess of the Member's contributions over any disability benefits paid plus 6% interest, compounded annually, if death occurred on or after May 16, 1989.

Termination

Refund of Contributions

Eligibility Thirty days following termination of teaching service.

Amount Member's contributions with 6% interest compounded annually if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund.

Deferred Benefit

Eligibility Vested at time of termination. The current requirement is 3 years of Allowable Service.

Amount Benefit computed under law in effect at termination and increased by the following annual percentage: 0% before 7/1/71, 5% from 7/1/71 to 1/1/81, and 3% thereafter until January 1 of the year following attainment of age 55 and 5% thereafter until the annuity begins. Amount is payable as a normal or early retirement.

Or

For eligible Members, money purchase annuity equal to the actuarial equivalent of 220% of the Member's accumulated contributions with interest.

Summary of Significant Changes

There have been no changes in the Plan Provisions since the last valuation.

TABLE 13B
Summary of Plan Provisions
- MTRFA BASIC MEMBERS -

Eligibility	A teacher who is employed by the Board of Education of Special School District No. 1, other than a charter school, and who is no covered by the Social Security Act. Certain part-time licensed employees are covered as well as employees of the Minneapolis Teachers Retirement Fund.
Contributions	Member: 9.00% of Salary Employer: 9.00% of Salary (9.50% after June 30, 2007) Employer Supplemental: 3.64% of Salary
Teaching Service	A year is earned during a calendar year if the member is employed in a covered position and employee contributions are deducted. Certain part-time service and military service is also included.
Salary	Total compensation. Excludes lump sum payments for unused vacation leave or unused sick leave at separation.
Average Salary	Average of the 5 highest successive years of Salary.
<i>Retirement</i>	
<u>Retirement Benefit</u>	
Normal Retirement Eligibility	Age 60, or any age with 30 years of Teaching Service.
Normal Retirement Amount	2.50% of Average Salary for each year of Teaching Service.
Early Retirement Eligibility	Age 55 with less than 30 years of Teaching Service.
Early Retirement Amount	The greater of: 2.25% of Average Salary for each year of Teaching Service with reduction of 0.25% for each month the Member is under age first eligible for a normal retirement benefit. Or 2.50% of Average Salary for each year of Teaching Service assuming augmentation to age first eligible for a normal retirement benefit at 3% per year and actuarial reduction for each month the Member is under age first eligible for a normal retirement benefit.

TABLE 13B
 Summary of Plan Provisions
 - MTRFA BASIC MEMBERS -
 (Continued)

An alternative benefit is available to members who are at least age 50 and have 7 years of Teaching Service. The benefit is based on the accumulation of the 6.50% "city deposits" to the Retirement Fund. Other benefits are also provided under this alternative depending on the member's age and Teaching Service.

Form of Payment

Life annuity.

Actuarially equivalent options are:

- 50%, 75% or 100% joint and survivor with bounce back feature without additional reduction (option is canceled if Member is pre-deceased by beneficiary)
- 10 or 15 year certain and life

Benefit Increases

Benefits may be increased each January 1 based on a formula in Minnesota Statute consisting of both an inflation component and an investment based component of the Minnesota Post Retirement Investment Fund (MPRIF). A Member who has been receiving a benefit for at least 12 full months as of the previous June 30 will receive a full increase. Members receiving benefits for at least 1 full month but less than 12 full months as of the previous June 30 will receive a partial pro rata increase.

Disability

Disability Benefit

Eligibility

Total and permanent disability before normal retirement age with 3 years of Teaching Service.

Amount

An annuity based on continued accumulation of member and city contributions at the current rate for a period of 15 years (but not beyond age 65) plus an additional benefit equal to the smaller of 100% of the annuity provided by the city contributions only or \$150 per month. A member with 20 years of Teaching Service also receives an additional \$7.50 per month. Benefits may be reduced on resumption of partial employment, or stopped if disability ceases or death occurs.

Form of Payment

Same as for retirement.

Benefit Increases

Same as for retirement.

TABLE 13B
 Summary of Plan Provisions
 - MTRFA BASIC MEMBERS -
 (Continued)

Death

Choice of Benefit A, B or C.

Benefit A

Eligibility

Death before retirement.

Amount

The accumulation of member and city contributions plus 6% interest if death occurred on or after May 16, 1989. Paid as a life annuity, 15-year certain and life annuity or lump sum. If an annuity is chosen the beneficiary also receives additional benefits.

Benefit B

Eligibility

Active Member with 7 years of Teaching Service, or a former Member age 60 with 7 years of Teaching Service who dies before retirement or disability benefits begin.

Amount

The actuarial equivalent of any benefits the member could have received if he had resigned on the date of death.

Benefit C

Eligibility

Active Member who dies and leaves surviving children.

Amount

A monthly benefit of \$248.30 to the surviving widow while caring for a child and an additional \$248.30 per month for each surviving dependent child. The maximum family benefit is \$579.30 per month. These benefits may be increased by the Board of Trustees. Benefits to the widow cease upon death or when no longer caring for an eligible child. Benefits for dependent children cease upon marriage or age 18 (age 22 if a full time student).

Benefit Increases

Same as for retirement.

TABLE 13B
Summary of Plan Provisions
- MTRFA BASIC MEMBERS -
(Continued)

Termination

Refund of Contributions

Eligibility	Termination of Teaching Service.
Amount	Member's contributions with 6% interest compounded annually. A deferred annuity may be elected in lieu of a refund.

Deferred Benefit

Eligibility	Seven years of Teaching Service.
Amount	Benefit computed under law in effect at termination and increased by 3% thereafter until January 1 of the year following attainment of age 55 and 5% thereafter until the annuity begins. Amount is payable as a normal or early retirement. In addition, the interest earned on the member and city contributions between termination and age 60 can be applied to provide an additional annuity.

Summary of Significant Changes

The employee contribution rate increased from 8.50% to 9.00% of payroll beginning July 1, 2006. The employer non-supplemental contribution rate will increase from 9.00% to 9.50% of payroll beginning July 1, 2007. The increase in the employer contribution rate is not reflected in the July 1, 2006 valuation, but will be reflected beginning with the July 1, 2007 valuation.

TABLE 13C
 Summary of Plan Provisions
 - COORDINATED MEMBERS -

Eligibility	<p>A public school or MNSCU teacher who is covered under the Social Security Act, except for teachers employed by St. Paul or Duluth public schools or by the University of Minnesota.</p> <p>No MNSCU teacher will become a new Member unless that person elects coverage as defined by Minnesota Statutes Chapter 354B.</p>
Contributions	<p>Member: 5.50% of Salary</p> <p>Employer: 5.00% of Salary</p>
Allowable Service	<p>A day of credit is earned if 5 hours are taught that day. A year is earned if 170 days of service are credited. Credit may also be provided for certain leaves if contributions are paid into the fund.</p>
Salary	<p>Compensation used for contribution purposes excluding lump sum annual or sick leave payments, severance payments, and any payments made in lieu of employer paid fringe benefits or expenses and employer contributions to a Section 457 deferred compensation plan.</p>
Average Salary	<p>Average of the 5 highest successive years of Salary. Average Salary must be based on all years of Allowable Service if less than 5 years.</p>

Retirement

Retirement Benefit

Normal Retirement Eligibility	<p>First hired before July 1, 1989:</p> <p>Age 65 and 3 years of Allowable Service. Age 62 with 30 years of Allowable Service. Proportionate Retirement Annuity is available at age 65 and 1 year of Allowable Service.</p> <p>First hired after June 30, 1989:</p> <p>The greater of age 65 or the age eligible for full Social Security retirement benefits (but not greater than age 66) and 3 years of Allowable Service. Proportionate Retirement Annuity is available at normal retirement age and 1 year of Allowable Service.</p>
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TABLE 13C
Summary of Plan Provisions
- COORDINATED MEMBERS -
(Continued)

Early Retirement Eligibility

First hired before July 1, 1989:

Age 55 and 3 years of Allowable Service. Any age with 30 years of Allowable Service. Rule of 90: Age plus Allowable Service totals 90.

First hired after June 30, 1989:

Age 55 with 3 years of Allowable Service.

Amount

First hired before July 1, 1989:

The greater of:

1.20% of Average Salary for the first 10 years of Allowable Service, 1.70% for each subsequent year of Allowable Service prior to July 1, 2006, and 1.90% for each year of Allowable Service accrued after July 1, 2006. No reduction if age plus years of Allowable Service totals 90. Otherwise, reduction of 0.25% for each month the Member is under age 65 at time of retirement or under age 62 if 30 years of Allowable Service,

Or

1.70% of Average Salary for each year of Allowable Service prior to July 1, 2006 and 1.90% for each year of Allowable Service accrued after July 1, 2006, assuming augmentation to age 65 at 3% per year and actuarial reduction for each month the Member is under age 65.

Or

For eligible Members, money purchase annuity equal to the actuarial equivalent of 220% of the Member's accumulated contributions with interest.

First hired after June 30, 1989:

1.70% of Average Salary for each year of Allowable Service prior to July 1, 2006 and 1.90% for each year of Allowable Service accrued after July 1, 2006, assuming augmentation to the age eligible for full Social Security retirement benefits at 3% per year and actuarial reduction for each month the Member is under the full Social Security benefit retirement age (but not greater than age 66).

TABLE 13C
 Summary of Plan Provisions
 - COORDINATED MEMBERS -
 (Continued)

Form of Payment	Life annuity. Actuarially equivalent options are: <ul style="list-style-type: none"> • 50%, 75% or 100% joint and survivor with bounce back feature without additional reduction (option is canceled if Member is pre-deceased by beneficiary) • 15 year certain and life • Guaranteed refund.
Benefit Increases	Benefits may be increased each January 1 depending on the investment performance of the Minnesota Post Retirement Investment Fund (MPRIF). A Member who has been receiving a benefit for at least 12 full months as of the previous June 30 will receive a full increase. Members receiving benefits for at least 1 full month but less than 12 full months as of the previous June 30 will receive a partial pro rata increase.
<i>Disability</i>	
<u>Disability Benefit</u>	
Eligibility	Total and permanent disability before normal retirement age with 3 years of Allowable Service.
Amount	Normal Retirement Benefit based on Allowable Service and Average Salary at disability without reduction for commencement before normal retirement age unless an optional annuity plan is elected. Payments stop at normal retirement age or the five-year anniversary of the effective date of the disability benefit, whichever is later. Payments stop earlier if disability ceases or death occurs. Benefits may be reduced upon resumption of partial employment.
Form of Payment	Same as for retirement.
Benefit Increases	Adjusted by TRA to provide same increase as MPRIF.

TABLE 13C
 Summary of Plan Provisions
 - COORDINATED MEMBERS -
 (Continued)

Retirement After Disability

Eligibility	Normal retirement age or the five year anniversary of the effective date of the disability benefit, whichever is later.
Amount	Any optional annuity continues. Otherwise the larger of the disability benefit paid before normal retirement age or the normal retirement benefit available at normal retirement age, or an actuarially equivalent optional annuity.
Benefit Increases	Same as for retirement.

Death

**Surviving Spouse
 Optional Annuity**

Eligibility	Any active Member or former Member with 3 years of Allowable Service, who dies before retirement benefits commence.
Amount	Survivor's payment of the 100% joint and survivor benefit the Member could have elected if retired or an actuarially equivalent 5-, 10-, 15- or 20-year term annuity, if elected. If commencement is prior to age 65 (age 62 if 30 years of service), the benefit is reduced same as early retirement with half the applicable reduction factor used from age 55 to the actual commencement age. If no surviving spouse, then an actuarially equivalent dependent child benefit is paid to age 20 or for five years, if longer.
Benefit Increases	Same as for retirement.

Refund of Contributions

Eligibility	Member dies before receiving any retirement benefits and the surviving spouse optional annuity is not elected.
Amount	The excess of the Member's contributions over any disability benefits paid with 6% interest, compounded annually if death occurred on or after May 16, 1989.

TABLE 13C
Summary of Plan Provisions
- COORDINATED MEMBERS -
(Continued)

Termination

Refund of Contributions

Eligibility	Thirty days following termination of teaching service.
Amount	Member's contributions with 5% interest compounded annually if termination occurred before May 16, 1989, and 6% interest compounded annually if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund.

Deferred Benefit

Eligibility	Vested at time of termination. The current requirement is 3 years of Allowable Service.
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Amount	First hired before July 1, 2006: Benefit computed under law in effect at termination and increased by the following annual percentage: 0% before 7/1/71, 5% from 7/1/71 to 1/1/81, and 3% thereafter until January 1 of the year following attainment of age 55 and 5% thereafter until the annuity begins. Amount is payable as a normal or early retirement.
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Or

For eligible Members, money purchase annuity equal to the actuarial equivalent of 220% of the Member's accumulated contributions with interest.

First hired after June 30, 2006:

Benefit computed under law in effect at termination and increased by 2.50% compounded annually until the annuity begins. Amount is payable as a normal or early retirement.

TABLE 13C
Summary of Plan Provisions
- COORDINATED MEMBERS -
(Continued)

Summary of Significant Changes

The Laws of Minnesota (2006) Chapter 277 authorized the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA. All assets, liabilities, active, inactive and retired MTRFA members were transferred to TRA as of June 30, 2006.

As part of Chapter 277, all TRA Coordinated members receive an improved formula multiplier (1.7% to 1.9% per year) for years of service worked beginning and after July 1, 2006. TRA Coordinated employee contribution rates were increased 0.50% beginning July 1, 2006.

All TRA members first hired July 1, 2006 and after are eligible for a reduced deferred augmentation of 2.5% per year between date of termination and effective date of retirement. TRA members hired prior to July 1, 2006 are eligible for a deferred annuity augmentation of 3% per year prior to age 55 and 5% per year from age 55 until date of retirement.

SECTION

VII

**GASB 25
DISCLOSURE**

TABLE 14
 Schedule of Funding Progress*
 (Dollars 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)
07/01/91	\$5,614,924	\$7,213,720	\$1,598,796	77.84%	\$1,943,375	82.27%
07/01/92	6,324,733	7,662,522	1,337,789	82.54%	1,989,624	67.24%
07/01/93	7,045,937	8,266,059	1,220,122	85.24%	2,065,881	59.06%
07/01/94	7,611,936	9,115,266	1,503,330	83.51%	2,150,300	69.91%
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	14,684,046	(889,105)	106.05%	2,704,575	(32.87)%
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	(1,126)	100.01%	3,032,483	(0.04)%
07/01/05	17,752,917	18,021,410	268,493	98.51%	3,121,571	8.60%
07/01/06	19,035,612	20,679,111	1,643,499	92.05%	3,430,645	47.91%

*As calculated by Commission actuary and Joint Pension Board actuary.

TABLE 15
Schedule of Employer Contributions*
(Dollars in Thousands)

Year Ended June 30	Actuarially Required Contribution Rate (A)	Actual Covered Payroll (B)	Actual Member Contributions (C)	Annual Required Contribution [(A)x(B)]-(C)	Actual Employer Contribution ⁽¹⁾	Percentage Contributed
1991	13.11%	\$1,943,375	\$89,313	\$165,463	\$159,439	96.36%
1992	13.04%	1,989,624	91,506	167,941	162,370	96.68%
1993	13.13%	2,065,881	94,709	176,541	168,071	95.20%
1994	12.75%	2,150,300	100,803	173,360	171,855	99.13%
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⁾	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⁾	2,952,887	155,577	67,957	149,481	219.96%
2004	8.37% ⁽²⁾	3,032,483	159,140	94,679	151,029	159.52%
2005	8.46% ⁽²⁾	3,121,571	160,982	103,103	157,693	152.95%
2006	9.05% ⁽³⁾	3,430,645	177,085	133,389	179,022	134.21%

* As calculated by Commission actuary and Joint Pension Board actuary.

(1) Includes contributions from other sources (if applicable).

(2) Actuarially Required Contribution Rate calculated according to parameters of GASB 25 using a 30-year amortization of the negative unfunded accrued liability.

(3) Actuarially Required Contributions calculated according to parameters of GASB 25 using a 30-year amortization of the negative unfunded accrued liability, and post-merger of the Minneapolis Teachers Retirement Fund Association.