Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

Teachers Retirement Association of Minnesota

A Pension Trust Fund of the State of Minnesota

Retirement Systems of Minnesota

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Laurie Fiori Hacking

Executive Director

Report Prepared by the Administrative Division

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers Retirement Association, Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Oliver S. Cox

President

Jeffrey L. Esser

Executive Director

Letter of Transmittal

Laurie Fiori Hacking
Executive Director

December 31, 2007

Members of the Board of Trustees
Teachers Retirement Association
60 Empire Drive, Suite 400
Saint Paul, MN 55103

Dear Trustee:

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of the Teachers Retirement Association (TRA) for the fiscal year ended June 30, 2007, our 76th year of service.

A system of internal controls is in place to help monitor and safeguard assets, ensure transactions are carried out in accordance with Minnesota statutes, and promote efficient operations. The Minnesota Office of the Legislative Auditor annually conducts a financial and legal compliance audit of the Association. Management believes that the accompanying statements, schedules, and tables are fairly presented. We are solely responsible for the content of this report, including its financial statements, which should be helpful in understanding information about TRA and comparing our operating results with those of other teacher retirement systems.

Readers are encouraged to refer to the Management Discussion and Analysis on pages 14-17 for an overview of additions to and deductions from the TRA Fund and additional financial reporting detail for the fiscal year.

TRA Profile

Although the TRA Board of Trustees has a broad scope of authority in the operations and management of TRA, the pension fund is also governed by federal laws and state statutes. For financial reporting purposes, TRA is considered a pension trust fund of the State of Minnesota, and TRA financial results are incorporated into the Comprehensive Annual Financial Report of the State of Minnesota.

As of June 30, 2007, TRA had 566 reporting employer units, 77,694 active members and a total of 46,538 retirees, survivors, beneficiaries and disabilitants who were receiving monthly benefits. TRA follows the provisions of statements promulgated by the Governmental Accounting Standards Board (GASB) including GASB Statement

No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. TRA's Comprehensive Annual Financial Report also complies with Minnesota Statutes, Section 356.20. Transactions are reported on the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is made.

We contract for actuarial services from the firm Mercer Consulting of Minneapolis, Minnesota. However, the annual actuarial valuation of the pension fund is prepared by The Segal Company of Chicago, Illinois, the actuary jointly retained by the six largest Minnesota public pension plans to prepare actuarial reports for the larger retirement plans for legislative review. The Minnesota Office of the Attorney General provides legal counsel to our Board of Trustees. Most financial transactions, including the disbursements from the pension fund, are processed through the centralized controls of the Minnesota Accounting and Procurement System, under the supervision of the state departments of Finance and Administration. During fiscal year 2007, benefit payments and refunds for former members of the Minneapolis Teachers Retirement Fund Association (MTRFA) were disbursed from checking accounts TRA held with Wells Fargo Bank, accounts acquired from the June 30, 2006 merger with MTRFA. As of October 2007, payments to former members of the MTRFA were transitioned to the same centralized payment process as other TRA members. TRA is currently in the process of closing the Wells Fargo checking accounts.

TRA's Economic Condition

All TRA assets are invested under the authority and direction of the State Board of Investment (SBI). TRA invested assets have two main components: the Active Fund (assets of TRA active and inactive members) and the Minnesota Post Retirement Investment Fund (assets for TRA retirees and benefit recipients). The MPRIF (Post Fund) consists of the assets of not only TRA benefit recipients, but also the benefit recipients of the other two major statewide public pension associations: the Minnesota State Retirement System and the Public Employees Retirement Association. A listing of investment managers of TRA pooled investments can be found on pages 37-38.

The SBI has developed strategic asset allocation and other investment policies to represent the long-term funding needs of our members and benefit recipients. The SBI, along with its Investment Advisory Council (IAC), continually reviews its policies to ensure sufficient assets are available to finance promised benefits. The executive directors of the three statewide retirement systems serve on the seventeen-member IAC and represent their members in advising the SBI on investment-related matters.

Investment Results

Capital markets were strong during fiscal year 2007. The U.S. stock market increased 20.1 percent, as measured by the Russell 3000. Strong corporate profits, and favorable mergers and acquisitions activity outweighed concerns about a weakening housing market, continued tensions in the Middle East, and oil price increases.

International stock markets displayed continued strength for the fourth year in a row. The Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States (ACWI Ex U.S.), which represents the developed and emerging international markets outside the U.S., returned 29.6 percent for the fiscal year.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, rose 6.1 percent during the fiscal year. The Federal Reserve Board left monetary policy unchanged over the course of the fiscal year, as rising inflation remained the Fed's primary concern rather than a slowing of economic growth.

Within this investment environment, the retirement assets under the SBI's control produced the following results:

- The Basic Retirement Funds (including the TRA Active Fund) for active members increased 18.5 percent during fiscal year 2007. Over the latest ten year period, the fund has experienced an annualized return of 8.5 percent.
- The Minnesota Post Retirement Investment Fund (Post Fund) for retired members increased 18.2 percent for fiscal year 2007. Overall the Post Fund provided a ten year annualized return of 8.1 percent.

- The lifetime post-retirement benefit increase will be 2.50 percent for eligible retirees on January 1, 2008. The increase represents the maximum inflation component payable in the Post Fund's annual adjustment formula. The federal Consumer Price Index for inflation (CPI-W) for fiscal year 2007 was 2.67 percent. For the sixth straight year, no investment-based component will be paid. As of June 30, 2007, the liabilities of the Post Fund exceed its assets, leaving a deficit of an estimated $2.3 billion. The deficit of the Post Fund must be fully recovered before any future investment-based adjustment is given. Benefit recipients should expect inflation-only annual benefit adjustments, capped at 2.5 percent, until the deficit is recovered.

Economic Conditions and Outlook

Minnesota's economy grew during the 2007 fiscal year, but it failed to keep pace with the national averages on a number of key measures. Payroll employment increased by 35,000 between June 2006 and June 2007. This amount was almost identical to that seen in fiscal year 2006, leaving the state with 1.3 percent more jobs than at the start of the fiscal year. However, U.S. payroll employment is currently reported to have grown by 1.4 percent over that same period. Minnesota's unemployment rate was identical to the U.S. rate of 4.5 percent in June 2007, an increase of 0.7 percent from the 3.8 percent rate reported for the state for June 2006. The U.S. rate fell by 0.1 percent during that same period.

Personal income growth during fiscal year 2007 again failed to keep pace with the U.S. average. Personal income in Minnesota grew by 5.2 percent between the second quarter of 2006 and the second quarter of 2007. The U.S. average growth rate was 6.4 percent. Personal income growth in Minnesota has been slipping compared to its national counterpart for more than two years. During calendar year 2006, personal income grew by 5.1 percent, 1.5 percent less than the comparable national growth rate of 6.6 percent. Per capita personal income in Minnesota was $38,751 in calendar 2006, 5.8 percent more than the U.S. average. In calendar 2005, per capital personal income in Minnesota was 7.1 percent more than the U.S. average. In calendar year 2003 and calendar year 2004, personal income was 9.0 percent more than its U.S. counterpart.

More forecasters expect slower than trend growth for the national economy in fiscal 2008. Global Insight, the state's national economic consultant, calls for real Gross Domestic Product (GDP) to grow at a 2.3 percent annual rate over the fiscal year. Much of that growth occurred during the first quarter of the fiscal year when a real GDP growth of 4.9 percent was reported. Global Insight's November baseline forecast calls for growth during the remaining three quarters of the fiscal year to average just 1.2 percent at an annual rate. Extended weakness in the housing sector, credit problems, and higher energy prices are the reasons for the slow growth forecast.

The Minnesota outlook for fiscal 2008 is slightly more pessimistic than the national outlook. State employment is projected to decline by 11,000 jobs between the third quarter of calendar 2007 and the third quarter of calendar 2008. Employment in the construction and manufacturing sectors remains a concern. The housing slump seems to have had a more severe impact on Minnesota's economy than on the national economy. Personal income growth in Minnesota is forecast to be 3.9 percent. Nationally, a growth of 4.7 percent is projected. Personal income growth in Minnesota will again be bolstered by strong farm sector earnings.

Legislation

The 2006 Minnesota Legislature passed major public pension legislation affecting TRA throughout fiscal year 2007. The legislation included the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA on June 30, 2006. With the merger, the benefit promises to nearly 14,000 MTRFA retired, active and inactive members were secured from the prospects of a looming default. The legislature transferred the MTRFA assets, liabilities and members to TRA and provided TRA with additional contributions and direct aid payments over a 30-year period to amortize the liabilities assumed. The results of the June 30, 2007 actuarial valuation on page 59 indicate that TRA is receiving sufficient contributions to amortize the unfunded liability assumed in the merger.

The legislature also provided a benefit increase to most TRA members in the form of an improved formula multiplier (1.7 percent to 1.9 percent) for years of service provided after June 30, 2006. The benefit improvement will help improve the level of Minnesota's initial benefit structure as compared to similarly situated states. It will also help Minnesota school district employers in recruiting and retaining talented teachers in furthering the goals of the state's educational system. The 2007 session of the Minnesota legislature enacted a pension bill that contained items of an administrative nature only.

Actuarial Funding Status

We are expecting the 2008 legislature to consider pension legislation addressing the deficit within the Minnesota Post Retirement Investment Fund (Post Fund.) Due to an actuarial reporting change authorized by the Legislative Commission on Pensions and Retirement (LCPR), the actuarial valuation presented in this report reports TRA's share of the assets of the Post Fund at fair value. This change is very important as the actuarial results now clearly show the underlying funding deficit that has existed within the Post Fund for the past five years. Since the Post Fund is a separate legal fund apart from TRA, current Minnesota law presumes that any funding deficit within the Post Fund is to be carried forward and recovered through higher than expected Post Fund investment returns in future years. The TRA Basic Fund, under current law, is not responsible for transferring additional reserves, to amortize its share of the Post Fund deficit. The actuarial valuation on page 70 calculates that required contributions would need to be increased by 1.86 percent of covered payroll if the TRA Fund were to start amortizing its share of the Post Fund deficit. We expect the financing structure and the deficit issue of the Post Retirement Fund to be a major legislative topic in 2008.

Major Initiatives

The major internal activity during the fiscal year was implementing the many facets of the MTRFA merger. In September 2007, the final conversion of MTRFA data into the TRA database was achieved. The conversion work was very complex as some data in electronic form on MTRFA members did not exist or was incomplete. The conversion of paper files on former MTRFA members into the TRA document imaging system is also progressing. Shortly after the merger, we closed the Minneapolis office and transferred employees and records to our Saint Paul office. Until October 1, 2007, benefit payments were processed using the MTRFA systems in place at the time of the merger. Former MTRFA benefit recipients saw no interruption in their benefit payments.

The number of new retirements from last year increased again with 2,558 new retirements during fiscal 2007. Clearly, the "baby boom" generation is beginning to retire and our demographic profile indicates the trend will accelerate over the next decade. TRA also offers an array of member online functionality to allow members still in active service to plan their future retirement. Benefit recipients are offered the ability to change addresses, modify their tax withholdings, and monitor their payment amounts.

We recognize that technology is but one component of our customer service menu. Our individual and group retirement counseling sessions receive consistently positive feedback. With the increasing number of members approaching retirement, one of our challenges is to maintain the high standards of personal attention already provided. Another way we believe we can meet the challenge is to stimulate retirement planning at younger ages to improve the learning curve prior to when the individual is very close to retirement. We are planning improvements to our preretirement counseling offerings, publications, and web site to work toward that goal.

Awards and Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers Retirement Association for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the ninth consecutive year that the Association has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report is possible only through the combined efforts of our employees, employer units, and professional consultants. It is intended to provide a complete and reliable portrayal of the financial status of the pension fund as a basis for making management decisions and determining responsible stewardship over the assets held in trust for the members of the Association. We have notified employer unit officials and other interested persons about the availability of the report on the TRA web site. Copies will be provided upon request. Our sincere appreciation is extended to all who assisted in and contributed toward the completion of this publication.

Respectfully submitted,

Laurie Fiori Hacking	John Wicklund
Executive Director	Assistant Executive Director
	Administration

Board of Trustees

As of December 1, 2007

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Elected Member
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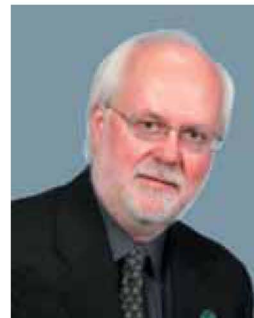

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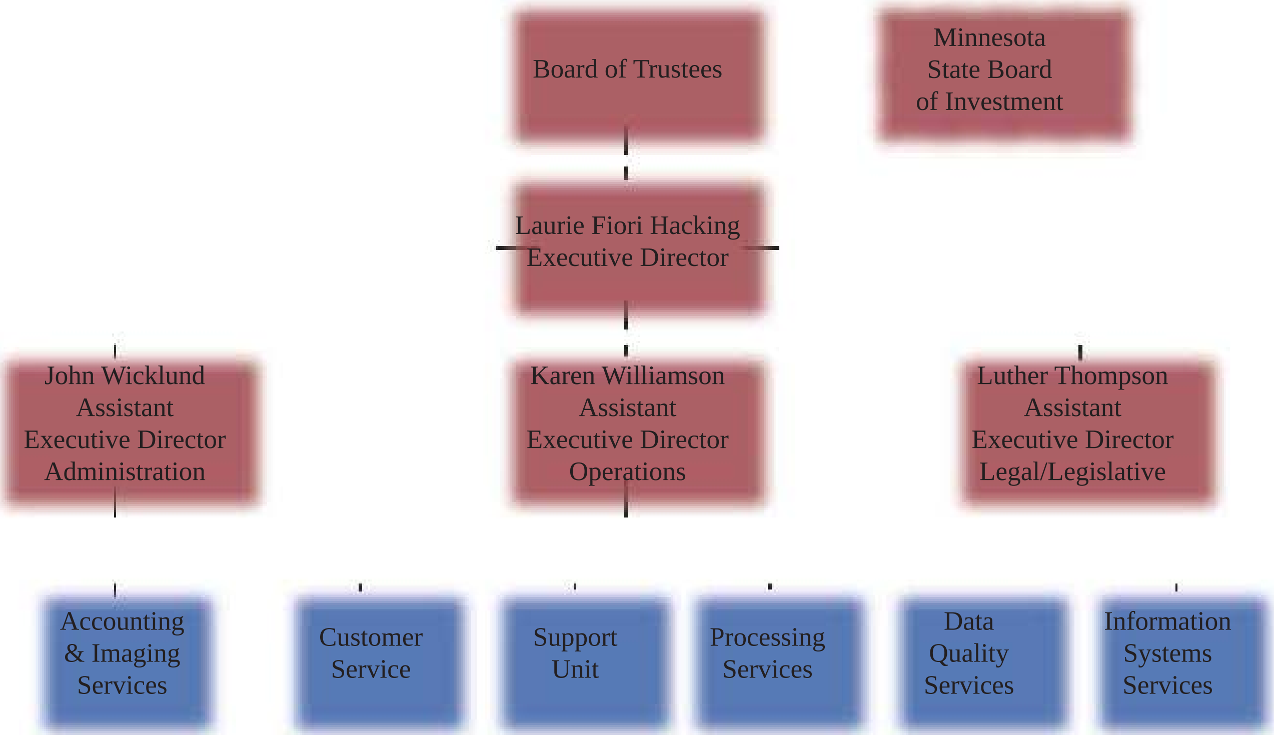
Administrative Organization

As of December 2007



Consulting Services

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Chicago, Illinois

Auditor

Office of the Legislative Auditor
Saint Paul, Minnesota

Investment

Minnesota State Board of Investment
Saint Paul, Minnesota

Legal Counsel

Office of the Attorney General
Saint Paul, Minnesota

Medical Advisor

Minnesota Department of Health
Minneapolis, Minnesota

Mission Statement

TRA provides retirement, disability and death benefits to Minnesota college faculty, administrators, public school teachers, retirees, their families and beneficiaries.

Our mission is to enhance the quality of life for Minnesota teachers and their beneficiaries and to assist them in planning for an independent and financially secure retirement.

To this end we are committed to offering quality customer services by providing retirement counseling, maintaining member data, administering funds, communicating accurate information and delivering benefits.

Our Values

Accuracy	Ensure that all information received, maintained and provided is clear and accurate.
Quality	Make high-quality services accessible to our customers.
Timeliness	Provide timely receipt and dissemination of information.
Efficiency	Make efficient use of technological and human resources in a team environment
Employee Excellence	Provide ongoing employee development that encourages cooperation and mutual respect, focuses on common goals and recognizes superior performance.

Teachers Retirement Association of Minnesota

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Auditor's Report

OLA **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

Ms. Laurie Hacking, 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, 2007, 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, 2007, 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 our report dated December 14, 2007, 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 are supplementary information required by accounting principles generally accepted in the

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Members of the Board of Trustees
Ms. Laurie Hacking, Executive Director
Teachers Retirement Association of Minnesota
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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, and the Plan Statement, as 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, and the Plan Statement, 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

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 14, 2007

Management Discussion and Analysis

June 30, 2007

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, 2007. 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

- The Net Assets Held in Trust for Pension Benefits increased in value by about $2.17 billion during fiscal year 2007 for a total of about $19.94 billion. The Association generated additions of about $3.47 billion during the fiscal year. Plan benefits and other expenses totaled about $1.30 billion during the fiscal year.
- 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) invested by the Minnesota State Board of Investment (SBI.) The fair value of the TRA Active Fund at June 30, 2007, was about $ 8.30 billion. TRA's fair value of assets in MPRIF was $11.64 billion, for a combined total of approximately $19.94 billion.
- Investment returns for the TRA Active Fund and the Minnesota Post Retirement Investment Fund for the 2007 fiscal year were 18.5 percent and 18.2 percent, respectively generating net investment income of about $3.06 billion.
- Contributions paid by members and employers during fiscal year 2007 totaled about $409.1 million. The fiscal year 2006 total was $377.4 million.
- Pension benefits paid to retirees and beneficiaries during fiscal year 2007 was $1.27 billion. The fiscal year 2006 total was $1.22 billion, representing an increase of about $50 million during the year.
- Refunds of member contributions plus interest during fiscal year 2007 were $12.1 million. The fiscal year 2006 total was $11.9 million.
- Administrative expenses of the fund during fiscal year 2007 were $10.64 million. The fiscal year 2006 total was $11.91 million, representing a decrease of $1.27 million during the fiscal year.

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, 2007 the accrued liability funding ratio for TRA was 87.54 percent, a decrease from the comparable funding ratio of 92.05 percent as of June 30, 2007. The funded ratio decrease for fiscal year 2007 is due to a change in the asset valuation method for the Minnesota Post Retirement Investment Fund (Post Fund).

TRA's unfunded liability on June 30, 2006 was $1.64 billion. The June 30, 2007 unfunded liability increased to $2.68 billion, an increase of $1.04 billion. The primary force increasing the unfunded liability was the asset valuation method change with the Post Retirement Fund producing a deficit status where the previous asset valuation method resulted in no unfunded liability. TRA's unfunded liability, by state law, must be extinguished by June 30, 2037. Key actuarial funding ratios can be seen on page 58.

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. It can be thought of as a snapshot of the financial position of TRA at that specific point in time.

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 refund 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 20-31) 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 32) 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 32) presents historical trend information about the annual required contributions of employers and the actual contributions made by employers. Notes to the Required Supplemental Schedules can be found on page 33.

Other supporting schedules are also presented. The Schedule of TRA Administrative Expenses (page 36) presents the overall cost of administering the Association. The Schedule of Changes in Plan Net Assets, separated by reserve accounts, is presented on pages 34-35. The Schedule of Investment Management Expenses (page 37) 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. The Schedule of Professional Consultant Expenses (page 38) further details this category of administrative expense.

Financial Analysis of the TRA Fund

Plan Assets

Total plan assets of the TRA Fund as of June 30, 2007, were $23.12 billion and were mostly comprised of cash, investments and contributions due from employers. Total plan net assets increased $3.30 billion (16.7 percent) from the June 30, 2006, total of $19.82 billion. The primary reasons for the increase were the exceptionally strong investment performance during fiscal year 2007 and a large receivable of $71.2 million resulting from positive actuarial experience on TRA's reserves in the Post Retirement Fund.

Plan Liabilities

Total liabilities as of June 30, 2007, were $3.18 billion, an increase of 54.4 percent from the June 30, 2006, liability amount of $2.06 billion. The primary reason for the increase was a 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, 2007, by $19.94 billion. The amount is higher than the June 30, 2006, amount of $17.76 billion by $2.18 billion. The increase in the fair value of investments is primarily attributable to the generally favorable market conditions experienced during fiscal year 2007, as evidenced by investment returns exceeding 18 percent. 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 achieve 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 2007 were $ 3.47 billion, a 48.3 percent increase from the $2.34 billion in fiscal year 2006. Most of the increase is due to higher investment returns in 2007 as compared to fiscal year 2006.

Total retirement contributions for fiscal year 2007 increased about $31.7 million from the previous fiscal year for a combined fiscal year 2007 total of about $409.1 million. Most of the increase can be attributed to an increase in the employee contribution rate on July 1, 2006. Retirement contributions during fiscal year 2007 were calculated at 5.5 percent employee and 5.0 percent employer for Coordinated members of TRA.

A positive net investment return of $3.06 billion was achieved for fiscal year 2007. This amount increased by $1.11 billion from fiscal year 2006 when a net investment gain of $1.95 billion occurred. The increase is attributable to higher investment returns for fiscal year 2007. Investment returns for the TRA Active Fund and

Plan Net Assets

Dollar Amounts in Thousands

	2007	2006	Change
Cash and Investments	$ 23,022,442	$ 19,791,097	$ 3,231,345
Receivables	86,138	18,821	67,317
Other	11,107	11,470	(363)
Total Assets	23,119,687	19,821,388	3,298,299
Total Liabilities	3,180,805	2,056,861	1,123,944
Plan Net Assets	$ 19,938,882	$ 17,764,527	$ 2,174,355

Changes in Plan Net Assets

Dollar Amounts in Thousands

	2007	2006	Change
Additions			
Member Contributions	$ 199,869	$ 177,085	$ 22,784
Employer Contributions	209,219	200,285	8,934
Net Investment Income	3,056,492	1,951,778	1,104,714
Other	7,901	11,413	(3,512)
Total Additions	$ 3,473,481	$ 2,340,561	$ 1,132,920
Deductions			
Monthly Benefits	$ 1,273,094	$ 1,224,212	$ 48,882
Refunds of Contributions	12,088	11,872	216
Administrative Expenses	10,635	11,913	(1,278)
Other	3,309	1,856	1,453
Total Deductions	$ 1,299,126	$ 1,249,853	$ 49,273
Change in Plan Net Assets	$ 2,174,355	$ 1,090,708	$ 1,083,647

the Minnesota Post Retirement Investment Fund were 18.5 percent and 18.2 percent, respectively, for fiscal year 2007. During fiscal year 2006, the comparable investment returns were 12.6 percent (Active Fund) and 12.0 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. Retirement benefits expenses increased by about $48.9 million due to new retirements and a cost-of-living adjustment of 2.50 percent on January 1, 2007 for most TRA benefit recipients. Member refunds of $12.1 million increased by about $216 thousand during fiscal year 2007 from the fiscal year 2006 total of $11.9 million. Administrative expenses decreased by 10.7 percent during the fiscal year - from $11.9 million in fiscal year 2006 to about $10.6 million for fiscal year 2007. Overall, fund expenses rose nearly $49.3 million during fiscal year 2007.

Actuarial Highlights

The financial health of a public pension plan is not exclusively assessed by analyzing the Basic financial statements. These financial statements should also be reviewed in conjunction with the Schedule of Funding Progress and the Schedule of Contributions From the Employer and Other Contributing Entities (page 32) to determine if TRA is becoming stronger or weaker over time.

TRA'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, 2007, the accrued liability funding ratio for TRA was 87.54 percent, a decrease from the comparable funding ratio of 92.05 percent as of June 30, 2006. The funded ratio decrease for fiscal year

2007 resulted from the change in the method of valuing the assets of the Post Retirement Fund for actuarial purposes.

TRA's unfunded liability on June 30, 2006 was $1.64 billion. The June 30, 2007 unfunded liability increased to $2.68 billion, an increase of $1.04 billion. The unfunded liability, by state law, must be extinguished by June 30, 2037.

Post Retirement Fund

When members retire, an amount equal to the present value of expected future benefits is transferred from the TRA Active Fund to the Minnesota Post Retirement Investment Fund (MPRIF or Post Retirement Fund) to pay those benefits. The Post Retirement Fund is composed of retiree assets from TRA, along with the assets for benefit recipients from the Minnesota State Retirement System (MSRS) and the Public Employee Retirement Association (PERA). Due to large post retirement benefit increases granted to benefit recipients during the 1990's and early 2000's and the subsequent severe downturn in the investment markets during 2001-2003, the Post Retirement Fund incurred deep financial losses. Since 2003, strong investment returns and lower post-retirement adjustments have improved the Post Retirement Fund's funding status. As of June 30, 2007, the Post Retirement Fund is now about 91 percent funded with total assets of about $25.2 billion and liabilities of about $27.5 billion. TRA's share of the $2.3 billion deficit is about $1.32 billion.

The Standards for Actuarial Work approved by the Legislative Commission on Pensions and Retirement (LCPR) as required by Minnesota Statute Section 3.85, subdivision 10 were modified in August 2007 to specify that the fair value of the Post Retirement Fund should be considered as the actuarial value of the underlying assets (pages 62-65). Previously, a different methodology was used that did not clearly disclose the underlying funding surplus or deficit that existed. The change in 2007 had the effect of reducing the actuarial value of TRA assets by about $1.32 billion from what would have been reported had the LCPR not adopted the change in methodology (see pages 53 and 59). We believe the asset valuation change was necessary and now provides an accurate funding portrayal of TRA's share of the Post Retirement Fund for readers of this report.

The required contribution rate needed to maintain funding of TRA benefits (page 70) reflects the inclusion of TRA's share of the unfunded liabilities within the Post Fund. The impact of 1.86 percent of covered payroll is significant and is currently not funded through employee and/or employer contributions. Current state law assumes the deficit of the Post Retirement Fund will be recovered through positive investment returns greater than the investment earnings assumption of 8.5 percent over an extended period of time. The TRA Board of Trustees, in coordination with MSRS and PERA, are preparing a reform package for consideration by the 2008 legislature. The proposal addresses the scenario that strong investment returns will eliminate the Post Retirement Fund deficit. Under this scenario, the Post Retirement Fund would remain a discrete and separate fund. The legislation also addresses the risk that an investment market downturn could occur and worsen the funding status. If this scenario should occur, the Post Retirement Fund would be abolished and the assets and liabilities for retired individuals would revert to the retirement system from which the individual retired. Should this unfavorable scenario occur, the unfunded liability of retired teachers in the Post Retirement Fund at the time of merger would revert to become the funding responsibility of TRA.

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 at an isolated point in time. Although the funding ratio of the TRA Fund decreased from 92.0 percent to 87.5 percent for the fiscal year, the reason for the decline was the asset valuation change in the Post Retirement Fund as set by the LCPR. The increased unfunded actuarial accrued liability (from $1.64 billion to $2.68 billion) will be closely monitored. The Board of Trustees will strive to improve the 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 or actuarial 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, 2007

Assets		
Cash and short-term investments		
Cash	$	2,320,249
Building Account Cash		100,481
Short-term investments		97,488,547
Total Cash and Short-term Investments	$	99,909,277
Receivables		
Employer Contributions	$	14,498,411
Due from the Post Fund		71,220,989
Investment Income		417,043
Bond Interest		1,130
Total Receivables	$	86,137,573
Investments (at fair value)		
Equity in the Post Fund	$	11,639,534,590
Fixed Income Pool		1,791,305,693
Minneapolis Pool		143,497
Alternative Investments Pool		923,534,481
Indexed Equity Pool		1,330,977,094
Domestic Equity Pool		2,735,514,947
Global Equity Pool		1,340,570,519
Total Investments	$	19,761,580,821
Securities Lending Collateral	$	3,160,951,648
Building		
Land	$	171,166
Building and Equipment		11,820,116
Reserve for Building Depreciation		(1,772,272)
Deferred Bond Charge		145,857
Reserve for Deferred Bond Charge Amortization		(30,177)
Total Building	$	10,334,690
Capital Assets Net of Accumulated Depreciation	$	772,961
Total Assets	$	23,119,686,970
Liabilities		
Current		
Accounts Payable	$	8,619,638
Accrued Compensated Absences		673,790
Accrued Expenses - Building		42,132
Bonds Payable		230,000
Bonds Interest Payable		47,544
Retainage Payable		40,346
Securities Lending Collateral		3,160,951,648
Total Current Liabilities	$	3,170,605,098
Long Term		
Bonds Payable		10,200,000
Total Liabilities	$	3,180,805,098
Net Assets Held in Trust for Pension Benefits	$	19,938,881,872

(A Schedule of Funding Progress for the plan is presented on page 32.)
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, 2007

Additions		
Contributions		
Employee	$	199,868,969
Employer		187,338,732
Direct Aid (State/City/County)		21,880,398
Earnings Limitation Savings Account (ELSA)		3,533,005
Total Contributions	$	412,621,104
Investment Income		
Net Appreciation in Fair Value of Investments	$	2,241,864,121
Interest		98,826,387
Dividends		736,619,361
Less Investment Expenses		(27,883,172)
Net Investment Income	$	3,049,426,697
From Securities Lending Activities		
Securities Lending Income	$	139,993,009
Securities Lending Expenses:		
Borrower Rebates		(130,801,815)
Management Fees		(2,125,797)
Total Securities Lending Expenses		(132,927,612)
Net Income from Securities Lending		7,065,397
Total Net Investment Income	$	3,056,492,094
Other Income	$	4,368,274
Total Additions	$	3,473,481,472
Deductions		
Retirement Benefits Paid	$	1,269,560,379
Earnings Limitation Savings Account (ELSA)		3,533,005
Refunds of Contributions to Members		12,088,193
Administrative Expenses		10,635,365
Interest Paid to the Post Fund		3,309,099
Total Deductions	$	1,299,126,041
Net Increase (decrease)	$	2,174,355,431
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	$	17,764,526,441
End of Year	$	19,938,881,872

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2007

I. Summary of Significant Accounting Policies

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 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.

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 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 prior to

Figure 1

Employer Units

June 30, 2007

Independent school districts	343
Joint powers units	37
Colleges and universities	39
State agencies	7
Charter schools	139
Professional organizations	1
Total Employer Units	566

Membership

June 30, 2007

Retirees, disabilitants and beneficiaries receiving benefits	46,538
Terminated employees with deferred vested benefits	12,636
Total	59,174
Current employees	
Vested	61,180
Non-vested	16,514
Total	77,694

July 1, 2006. Under Tier II, the annuity accrual rate for Coordinated members is 1.7 percent of average salary for each year of service prior to July 1, 2006. All members first hired beginning July 1, 1989 and after are Coordinated members and only eligible for Tier II benefits.

Beginning July 1, 2006, improved formula multipliers for Coordinated members are applicable for years of service provided after June 30, 2006. The formula multiplier increase is 0.2 percent per year (1.7 percent to 1.9 percent) for post-June 30, 2006 years of service.

Former Minneapolis Teachers Retirement Fund Association (MTRFA) members with Basic Program eligibility retain the plan provisions of the Basic Program as defined in the MTRFA Articles of Incorporation and Bylaws as they existed at merger. Approximately 125 former MTRFA active members retain Basic Program coverage.

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 only available upon reaching their normal Social Security retirement age, not to exceed 66 years of age. A reduced retirement annuity is also available to vested members retiring at age 55 or later.

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.

D. 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.

E. Additional Transfer of Required Reserves Based on Final 2006 Actuarial Valuation

The Laws of Minnesota (2006) Chapter 277, Article 3, Section 9 established Minnesota Statute Section 354.70 authorizing and defining the merger of the Minneapolis Teachers Retirement Association Fund (MTRFA) into TRA. All assets and liabilities for the 13,783 active, inactive, and retired MTRFA members were transferred to TRA as of June 30, 2006. MTRFA held approximately $712.58 million at fair value at the time of the merger.

In June 2006, TRA's actuarial consultant, the Segal Company, estimated the actuarial accrued liability of the former MTRFA benefit recipients at $1.427 billion. Reserves necessary to fund the future benefit payments for former MTRFA retirees were transferred to the Minnesota Post Retirement Investment Fund (MPRIF or Post Fund). Under the legislation, the required reserves necessary to be funded were to be calculated using the estimated June 30, 2006 funding ratio of the Post Fund, which was estimated at 81.5 percent. A portion of the required reserves remained unfunded so the MTRFA benefit recipients were funded at the same funding level as other benefit recipients in the MPRIF. On June 30, 2006, the TRA Fund transferred $450.419 million to MPRIF as an estimate of the required reserves necessary for former MTRFA benefit recipients.

Under the legislation, TRA was required to review the above estimate once the July 1, 2006 actuarial valuation was completed to ensure sufficient required reserves were transferred to MPRIF for the former MTRFA benefit recipients. The actuarial reports indicated that the final required reserves, including the cost of the January 1, 2007 benefit adjustment and mortality experience, were $1.437 billion. The Minnesota State Board of Investment (SBI) determined that the final funding ratio of MPRIF on June 30, 2006 was actually 84.53 percent. By February 1, 2007, the TRA Fund had transferred an additional $49.906 million to MPRIF to complete the reserve transfer. The final amount necessary to transfer from the TRA Fund to MPRIF for MTRFA benefit recipient reserves totaled $500.325 million.

The funding transfer of former MTRFA retirees into MPRIF is summarized in *Figure 2* below:

F. 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.

G. Investment Policies and Valuation Methodology

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, 2007, the TRA Fund's share of the Active Member Funds administered by SBI at fair value was approximately 33 percent ($8.22 billion - TRA and $24.78 billion - total). The TRA share of the net assets of the Minnesota Post Retirement Investment Fund (Post Fund) at fair values totaled 46.3 percent ($11.64 billion - TRA and $25.17 billion - total). *Figure 3* on page 23 provides specific totals of TRA investments by category.

Figure 2

Summary of MTRFA Transfer to MPRIF (Post Fund)

Amounts in Thousands	June 30, 2006 Estimated	Mortality Gain from Actuarial Valuation	Adjustment for COLA Paid on 1/1/07	Adjustment from 81.5% to 84.5% Post Fund Funding Ratio	Final Post Fund Transfer Amounts
Actuarial Accrued Liability (AAL) of MTRFA Benefit Recipients	$1,427,000	$(23,684)	$34,417		$1,437,733
MTRFA Asset Transfer	$ 712,586				$ 712,586
Additional Transfer from TRA Fund	$ 450,419	$(23,684)	$29,094	$ 44,496	$ 500,325
Unfunded Amount for Post Fund	$ 263,995		$ 5,323	$(44,496)	$ 224,822
Total Required Reserves for Former MTRFA Benefit Recipients	$1,427,000				$1,437,733

Figure 3

TRA Investment Portfolio

June 30, 2007

Basic (Active) Fund	Cost	Fair
Pooled Accounts		
Fixed Income	$ 1,879,442,894	$ 1,791,305,693
Domestic Equity	2,709,444,867	2,735,514,947
Indexed Equity	1,099,380,484	1,330,977,094
Global Equity	1,111,272,462	1,340,570,519
TRA Minneapolis Equity	87,273	143,497
Alternative Investments	818,233,942	923,534,481
Total	$ 7,617,861,922	$ 8,122,046,231
Short-Term Pooled Cash	97,488,547	97,488,547
Post Fund Account	12,956,924,405	11,639,534,590
Total Invested	$20,672,274,874	$19,859,069,368

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.

3. 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.

4. Investments in the pooled accounts are reported at fair value. *Figure 3* provides a summary of the cost and fair values of the investments as of June 30, 2007, 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.

   The TRA Minneapolis Equity Account was created to account for the settlement of investment activity related to the external money managers of the former Minneapolis Teachers Retirement Fund Association (MTRFA). Upon completion of the post-merger investment settlement with the former MTRFA money managers, proceeds will be transferred to other pooled investments in accordance with SBI policies.

   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 income of $3,049,426,697 for fiscal year 2007. On page 24, *Figure 4* 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

Figure 4

Net Investment Income

Investment Income	**Fiscal Year 2007**
Net Appreciation in Fair Value	$ 1,062,634,594
Net Gain on Sales of Investment Pools	144,121,047
Interest	98,826,387
Dividends	736,619,361
MN Post-Retirement Fund: Distributed Income	1,035,108,480
Less Investment Expenses	(27,883,172)
Net Investment Income	$ 3,049,426,697

funds participating in the pooled investment accounts (see page 37). TRA's share of these expenses totaled are:

TRA Active Fund	$ 11,560,759
MN Post Retirement Fund	16,322,413
Total	$ 27,883,172

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

H. Securities Lending

Governmental Accounting Standards Board (GASB) Statement 28 Disclosures

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, at the direction of the SBI, certain securities held by State Street as custodian and received cash (United States and foreign currency), 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. Under Minnesota Statutes, Section 11A.24, borrowers were required to deliver collateral for each loan in amounts at least equal to the market value of the loaned securities.

SBI did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During fiscal year 2007, SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in a separate investment pool. As of June 30, 2007, such investment pool had an average duration of 53 days and an average weighted maturity of 430 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2007, 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, 2007, were $3,160,951,648 and $3,074,738,096, 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.

I. Investment Risk

Government Accounting Standards Board (GASB) Statement 40 Disclosures

The Minnesota State Board of Investment (SBI) is responsible for the investing of TRA assets under the authority of Minnesota Statutes, Section 11A.24. The following disclosures apply to TRA investments. Cash deposit disclosures are included in Note N.

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The State Board of Investment (SBI) has policies designed to minimize credit risk. They may invest funds in governmental obligations provided the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. They may invest funds in corporate obligations provided the issue is rated among the top four quality categories by a nationally recognized rating agency. They may also invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories provided that:

- The aggregate value of these obligations may not exceed 5 percent of the fund for which the state board is investing;
- Participation is limited to 50 percent of a single offering; and
- Participation is limited to 25 percent of an issuer's obligations.

SBI may also invest in bankers acceptances, deposit notes of U.S. banks, certificates of deposit, mortgage securities, and asset backed securities rated in the top four quality categories by a nationally recognized rating agency. Commercial paper must be rated in the top two categories.

TRA's share of the SBI's exposure to credit risk, based on S & P Quality Ratings, is as follows:

Quality Rating	Fair Value (in thousands)
BBB or Better	$5,942,662
BB or Lower	133,766
Not Rated	169,679

Interest rate risk is the risk that changes in interest rates of debt instruments could adversely affect the fair value of an investment. The State Board of Investment does not have a policy on interest rate risk. TRA's share of the debt securities are held in external investment pools and have the following weighted average maturities:

Security	Weighted Average Maturity (in Years)
Stock Options	0.02
External Cash Equivalent Pools	0.14
U.S. Agencies	4.03
Municipal Bonds	5.68
U.S. Treasuries	6.56
Corporate Debt	9.78
Asset-Backed Securities	12.57
Mortgage-Backed Securities	25.27

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect the fair value of an investment. Government obligations, including guaranteed or insured issues of the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African

Figure 5

Assessment of Currency Risk
International Investment Securities at Fair Value

Currency	Cash	Debt	Equity
Australian Dollar			$ 48,239,988
Brazilian Real			12,489,277
Canadian Dollar			61,463,235
Euro			354,104,170
Hong Kong Dollar			44,533,079
Indian Rupee			16,228,742
Japanese Yen			192,136,460
New Taiwan Dollar			18,299,513
Norwegian Krone			10,182,421
Pound Sterling			213,204,315
Singapore Dollar			13,045,971
South African Rand			14,472,833
South Korean Won			22,711,200
Swedish Krona			27,068,430
Swiss Franc			65,344,573
Other	$ 16,985,781	$ 1,206,075	$ 42,412,636
Total	$ 16,985,781	$ 1,206,075	$ 1,155,936,843

Development Bank, must pay interest and principal in U.S. dollars. The principal and interest of obligations of corporations, including those corporations incorporated or organized under the laws of the Dominion of Canada or any province thereof, must also be paid in U.S. dollars. TRA's share of investments as of June 30, 2007, were distributed among the currencies as shown in *Figure 5*, above.

J. 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 $61,312 is considered a short-term liability. The total, $673,790 is shown as a liability on the Statement of Plan Net Assets. The total increased by $33,428 during fiscal year 2007.

K. Capital Assets

Capital assets are capitalized at the time of acquisition at cost. Assets with a cost in excess of $2,000 are capitalized. 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, 2007, Statement of Plan Net Assets. The year-end balance plus changes during the year are:

	June 30 2007	June 30 2006	Change
Cost Value	$ 2,600,278	$ 2,697,124	$ (96,846)
Accumulated Depreciation	1,827,317	1,862,929	35,612
Net Capital Asset Value	772,961	834,195	$ (61,234)

L. 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 70, line B3).

M. 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, 2007, TRA has a current liability of $40,346 established to represent contractual payments reasonably expected to be paid upon successful completion of the contract. The schedule on page 37 details the retainage held. On June 30, 2006, the long-term liability of retainage was $31,500. The fiscal year 2007 increase was $8,846.

N. 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 2007, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all TRA deposits.

O. 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, 2007. Under Minnesota Statutes, section 354.52, subdivision 4, TRA employers must remit contributions within 14 days after the member is paid.

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.

P. 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 Defined Benefit Provisions described in Note C, 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, many 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 1990's generated high interest rates compounding on large employee contribution balances accumulated after long teaching careers. The effect becomes less pronounced in periods of low or negative investment performance.

TRA has identified those members who remain 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, 2007, approximately 400 active and inactive 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.

Q. 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 2006 limit was $12,480 and the calendar year 2007 limit was $12,960.

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. Six percent interest compounded annually accrues on ELSA accounts. At age 65 or one year after termination of teaching, whichever is later, the retiree may apply for a lump-sum payment of their ELSA account. Alternatively, the retiree may also choose a rollover of their ELSA account balance into an eligible retirement plan or individual retirement account (IRA) as specified by Section 402(c) of the Internal Revenue Code.

As of June 30, 2007, TRA had 1,389 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 totaled $17.99 million. The total dollar amount of pension benefits withheld due to excess earnings during fiscal year 2007 was $3.53 million. ELSA assets are invested in the TRA Active Fund until distribution. Distributions of ELSA accounts for 75 retirees occurred during fiscal year 2007 and totaled $1.2 million and are included as a deduction in the Statement of Changes in Plan Net Assets as a component of Refund of Contributions to Members.

R. Participating Pension Plan

All 88 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 1, 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. During fiscal year 2007, Coordinated members were required to contribute 5.5 percent of their annual covered salary. Employers contributed 5.0 percent of their annual covered salary for Coordinated members. Total covered payroll salaries for all TRA employees during fiscal year 2007 was approximately $4.8 million. Total covered payroll salaries for the entire membership of TRA for fiscal year 2007 was approximately $3.53 billion.

Employer pension contributions for TRA employees for the years ending June 30, 2007, 2006 and 2005 were $246,388, $231,074 and $233,924, respectively, equal to the required contributions for each year as set by state statute.

S. 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 occupies 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 $10,430,000. The bond payable decreased by $220,000 during the year. Interest expected to be paid over the remaining term of the bonds is $8,875,370. In *Figure 6*, TRA's share of the long-term bond repayment schedule including interest is summarized.

Figure 6

Schedule of Building Debt Service Payments

(TRA Share @ 40%)

June 30, 2007

Fiscal Year	Principal	Interest	Total Principal and Interest
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
	$ 10,430,000	$ 8,875,370	$ 19,305,370

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 depreciation schedule, shown in *Figure 7* on page 30, summarizes the asset valuation of the office building.

Figure 7

Office Building and Equipment Depreciation Schedule

(TRA Share at 40%)
June 30, 2007

Historical Cost	$	11,820,116
FY 2007 Depreciation Amount		(295,734)
Prior Year Accumulated Depreciation		(1,476,538)
Net Asset Value of Building and Equipment	$	10,047,844

T. Operating Lease

As a condition of the MTRFA merger on June 30, 2006, TRA is committed to the lease of office space in Minneapolis through January 31, 2009. TRA and the State of Minnesota are attempting to sublet the space in order to mitigate future obligations.

For accounting purposes, this lease is classified as an operating lease. Lease expenditures for fiscal year 2007 totaled $47,581. Minimum rental payments are required as follows.

Minimum Rental Payments

Fiscal Year Ended June 30		Amount
2008		56,453
2009		34,072
Total	$	90,525

II. Contributions Required and Made

Minnesota Statutes, Chapter 354 sets the rates (page 70) 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 the fund's unfunded liability over a closed period ending June 30, 2037.

Contributions totaling $409,088,099 ($199,868,969 employee and $209,219,130 employer) were made in accordance with the actuarially determined contribution requirements. On page 70, statutory contributions are projected as insufficient to meet the required contributions.

The deficiency as a percent of covered payroll is 1.65 percent. This translates into a contribution deficiency of about $63.1 million projected for fiscal year 2008. As described in Note III, A below, the deficiency exists due to a funding deficit in the Minnesota Post Retirement Investment Fund. On July 1, 2007, the TRA employer contribution rates increased by 0.50 percent as authorized by Minnesota Laws (2006) Chapter 277, Article 3, Section 7. The Minnesota Legislative Commission on Pensions and Retirement annually reviews the adequacy of TRA's statutory contributions.

III. Reserve Accounts

A. Minnesota Post Retirement Investment Fund (Post Fund)

For all retiring members, the reserves required to pay the cost of their annuity are transferred to the MPRIF where the funds are invested along with funds from the other statewide retirement systems. Annual adjustments in annuities are calculated in accordance with Minnesota Statutes Section 11A.18, subd. 9. The adjustment formula consists of both an inflation component and an investment component.

The MPRIF is a legally required reserve account under Minnesota Statutes Section 11A.18. TRA's share of the MPRIF investments is shown at fair value. Participation in the MPRIF is determined by the actuarially required reserve level in accordance with Minnesota Statutes Section 11A.18, subd. 7. It includes a 6 percent assumed income distribution and any mortality gains or losses incurred during the year. As of June 30, 2007, TRA's share of the required reserves (liabilities) of the MPRIF was $12.96 billion.

TRA's share of the fair value of MPRIF on June 30, 2007 was $11.64 billion. Under Minnesota Statutes, the deficit of $1.32 billion ($12.96 - $11.64) is assumed to be recovered by future investment gains of the MPRIF.

On page 70, the actuarial impact of the MPRIF deficit upon required contributions is quantified at 1.86 percent of covered payroll. Current Minnesota law does not require that additional reserve transfers from the TRA Fund to MPRIF be made to amortize the $1.32 billion deficit.

The 2008 Minnesota Legislature is expected to consider MPRIF funding issues, including options to resolve the current deficit.

The annual benefit adjustment formula contains both an inflation adjustment and an investment component (pages 92-93). Annuitants and other individuals receiving benefits as of July 1, 2006, are eligible to receive the full January 1, 2008, benefit increase shown in *Figure 8*.

Figure 8

January 1, 2008 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, 2006, but before June 2, 2007, receive a prorated amount of the January 1, 2008 benefit increase.

Effective with the January 1, 2011 benefit increase, the maximum annual adjustment will be limited to 5.0 percent.

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 1, Q) 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 Contributions From the Employer and Other Contributing Entities (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	Percentage Contributed
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	155,577	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]	3,121,557	160,982	103,103	157,693	152.95%
2006	9.05% [5]	3,430,645	177,085	133,389	200,286 [1]	150.15%
2007	12.16% [6]	3,532,159	199,869	229,642	209,219 [1]	91.11%
2008	13.44% [7]					

[1] Includes contributions of direct aids to MTRFA from the State of Minnesota, the City of Minneapolis, and the Minneapolis School District.
[2] Actuarially Received Contributions calculated according to the parameters of GASB 25 using a 30-year amortization of the negative unfunded actuarial 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%.
[5] Actuarially Required Contribution Rate shown is the contribution rate stated in the TRA July 1, 2005 actuarial valuation.
[6] Actuarially Required Contributions calculated according to parameters of GASB 25 (30-year amortization period), and post-merger of the Minneapolis Teachers Retirement Fund Association.
[7] Actuarially Required Contribution Rate prior to change in Asset Valuation Method is 11.58%.

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)
07/01/98	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%
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%
07/01/07	18,794,389	21,470,315	2,675,926	87.54%	3,532,159	75.76%

Teachers Retirement Association
Notes to the Required Supplemental Schedules (Unaudited)
June 30, 2007

Valuation date	July 1, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll assuming payroll increases of 5.00 percent per annum
Remaining amortization period	30 years remaining as of July 1, 2007 (June 30, 2037)
Asset valuation method	**TRA Active Fund** 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). **Minnesota Post Retirement Fund** Assets valued at fair value per legislative policy. The change was adopted August 20, 2007, and applies to valuation reports July 1, 2007 and after.

Actuarial assumptions

Investment rate of return:

Pre-retirement	8.50 percent per annum
Post-retirement	6.00 percent per annum
Projected salary increases	Select and ultimate rates by age, with ultimate rates of 5.00 percent - 6.00 percent
Inflation rate	5.00 percent per annum

Plan membership

Pensioners and beneficiaries receiving benefits	46,538
Terminated vested members entitled to, but not yet receiving benefits	12,636
Other terminated non-vested members	22,914
Active members	77,694
Total	159,782

Teachers Retirement Fund
Schedule of Changes in Plan Net Assets

For Fiscal Year Ended June 30, 2007

	Member
Additions	
Contributions:	
Employee Contributions	$ 198,848,751
Employer Contributions	0
Direct Aid (State/City/County)	0
Earnings Limitation Savings Account (ELSA)	3,533,005
Total Contributions	202,381,756
Investment Income:	
Net Appreciation in FMV of Investments	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
Assets from MTRFA merger	0
Other Income	0
Total Additions (Subtractions)	$ 202,381,756
Deductions	
Benefits Paid	$ 0
Earnings Limitation Savings Account (ELSA)	0
Refunds of Member Contributions	11,649,821
Administrative Expenses	0
Interest Paid Post Fund	0
Total Expenses	$ 11,649,821
Net Increase (Decrease)	$ 190,731,935
Other Changes in Reserves	
Annuities Awarded	$ (122,311,614)
Other Transfers	(33,627,726)
Change in Assumptions	0
Mortality Loss (Gain)	0
Total Other Changes	$ (155,939,340)
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,765,117,058
End of Year	$ 1,799,909,653

Note: Reserve amounts rounded to nearest dollar.

Reserves for 2007

Post Fund	Benefit	Total June 30, 2007
$ 0	$ 1,020,218	$ 199,868,969
0	187,338,732	187,338,732
0	21,880,398	21,880,398
0	0	3,533,005
0	210,239,348	412,621,104
694,982,725	367,651,869	1,062,634,594
0	98,826,387	98,826,387
0	736,619,361	736,619,361
0	144,121,047	144,121,047
1,035,108,480	0	1,035,108,480
(16,322,413)	(11,560,759)	(27,883,172)
1,713,768,792	1,335,657,905	3,049,426,697
83,168,080	56,824,929	139,993,009
(77,740,064)	(53,061,751)	(130,801,815)
(1,253,877)	(871,920)	(2,125,797)
4,174,139	2,891,258	7,065,397
0	0	0
0	4,368,274	4,368,274
$ 1,717,942,931	$ 1,553,156,785	$ 3,473,481,472
$ 1,256,478,337	$ 13,082,042	$ 1,269,560,379
3,533,005	0	3,533,005
0	438,372	12,088,193
0	10,635,365	10,635,365
0	3,309,099	3,309,099
$ 1,260,011,342	$ 27,464,878	$ 1,299,126,041
$ 457,931,589	$ 1,525,691,907	$ 2,174,355,431
$ 900,038,092	$ (777,726,478)	$ 0
0	33,627,726	0
0	0	0
(68,495,077)	68,495,077	0
$ 831,543,015	$ (675,603,675)	$ 0
10,350,059,985	5,649,349,398	17,764,526,441
$ 11,639,534,589	$ 6,499,437,630	$ 19,938,881,872

TRA

Administrative Expenses

For the Fiscal Year Ended June 30, 2007

Personal Services	
Salaries	$ 4,790,817
Employer Contributions to Teachers Retirement Association	246,388
Employer Contributions to Social Security	350,122
Insurance Contributions	872,927
Employee Training	26,605
Workers' Compensation	2,217
Subtotal	$ 6,289,076
Communication	
Duplicating and Printing Expense	$ 92,262
Postage	395,541
Telephone	74,933
Subtotal	$ 562,736
Office Building Maintenance	
Lease of Office and Storage Space	$ 52,241
Building and Operating Expenses	448,380
Rental of Office Machines/Furnishings	67,601
Repairs and Maintenance	251,742
Building Depreciation	295,733
Deferred Bond Charge Amortization	5,030
Bond Interest Expense	611,807
Subtotal	$ 1,732,534
Professional Services	
Actuarial Services	$ 236,423
Audit Fees	115,779
Computer Support Services	715,816
Legal Fees	179,907
Management Consultant Services	46,280
Medical Services	54,255
Subtotal	$ 1,348,460
Other Operating Expenses	
Department Head Expenses	$ 1,382
Depreciation of Office Furniture and Equipment	335,902
Dues and Subscriptions	11,157
Insurance Expense	2,802
Miscellaneous Administrative Expenses	10,707
State Indirect Costs	68,389
Stationery and Office Supplies	183,577
Travel - Director and Staff	59,968
Travel - Trustees	27,475
Board Substitute Teachers	1,019
Loss on Disposal of Equipment	181
Subtotal	$ 702,559
Total Administrative Expenses	$ 10,635,365

Schedule of Investment Management Expenses

For the Fiscal Year Ended June 30, 2007

Investment Pool Managers	
Bond Pool Managers	$ 1,407,323
Equity Pool Managers	9,705,671
Financial Control Systems	46,180
Investment Board	345,844
MPRIF Managers	16,322,413
Pension Consulting	6,656
Richards & Tierney	49,085
Total Investment Expenses	$ 27,883,172

Schedule of Retainage Payable

As of June 30, 2007

Vendor	Buck Consultants	Total
Balance as of 07/01/06	$ 31,500	$ 31,500
Retained 07/01/06-06/30/07	8,163	8,163
Paid 07/01/06-06/30/07	—	—
Accrued 06/30/07	683	683
Balance as of 06/30/07	$ 40,346	$ 40,346

Schedule of Professional Consultant Expenses

For the Fiscal Year Ended June 30, 2007

Investment Pool Managers		
Investment Board	$	345,844
Financial Control Systems		46,180
Pension Consulting		6,656
Richards & Tierney		49,085
Equity Pool Managers		9,705,671
Bond Pool Managers		1,407,323
MPRIF Managers		16,322,413
Total Investment Pool Managers	$	27,883,172
MIS Programmers/Analysts		
Fishnet Security	$	88,900
Keystone		460,453
Total MIS Programmers/Analysts Expenses	$	549,353
Actuarial		
Buck/Mellon Consultants	$	178,488
Segal Company (LCPR)		57,935
Total Actuarial Expenses	$	236,423
Legal		
Attorney General	$	36,118
Groom Law Group		37,529
Minneapolis Liquidating Trust		105,538
Paradigm Reporting and Captioning		722
Total Legal Expenses	$	179,907
Audit		
Berwyn Group	$	18,728
Legislative Auditor		49,663
Minnesota Department of Health		241
Office of the State Auditor		47,147
Total Audit Expenses	$	115,779
Management Consulting		
CEM Benchmarking	$	35,000
Minnesota Department of Administration (Management Analysis)		11,280
Total Management Consulting	$	46,280
Medical		
Dr. David Johnson	$	4,690
Independent Medical Services		2,050
Medical Evaluations		6,050
Minnesota Department of Health		36,165
Dr. Ronald Vessey		5,300
Total Medical Expenses	$	54,255
Total Consultant Expenses	$	29,065,169

Teachers Retirement Association of Minnesota

Investments

Investments

Investments

Investments

Investments

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State Board of Investment Letter

MINNESOTA STATE BOARD OF INVESTMENT

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November 30, 2007

Fiscal Year 2007 Investment Report: State Board of Investment

INVESTMENT AUTHORITY

The assets of the Teacher Retirement Association are invested along with the assets of the Public Employees Retirement Association and the Minnesota State Retirement System under the direction and authority of the State Board of Investment in accordance with Minnesota Statutes, Chapters 11A and 356A. The SBI includes Minnesota's governor, auditor, secretary of state and attorney general. The Legislature has established a 17-member Investment Advisory Council to advise the SBI and its staff on investment-related matters. TRA's executive director is a member of the Council.

INVESTMENT POLICY

Investment policy stipulates that the SBI will operate within standard investment practices of the prudent person. The SBI will exercise the judgment and care, under prevailing circumstances, which persons of prudence, discretion and intelligence exercise in the management of their own affairs. This work is not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived from this activity (Minnesota Statutes, section 11A.09). The SBI is authorized to own government obligations, corporate obligations, various short-term obligations, corporate stocks, venture capital interests, mutual funds, resource investments and real estate interests subject to specific boundaries (Minnesota Statutes, Section 11A.24). Particularly, pension-fund assets are to be invested for the exclusive benefit of the fund members (Minnesota Statutes, Section 356.001, subd. 1).

INVESTMENT OBJECTIVES

Pension-fund assets are managed and accounted for separately in the SBI's Basic Funds and the Post Retirement Investment Fund. The SBI reviews the performance of all the assets in each fund and as two funds combined.

TRA's pension contributions from employees and employers are invested in the SBI's Basic Funds. TRA does not own any underlying assets, but instead owns a share of the asset class pools of the Basic Funds. Since these assets normally accumulate in the Basic Funds for thirty or more years, SBI's objective is to take advantage of the long investment time horizon offered by public and private investments in order to meet its actuarial return target of 8.5 percent annually and ensure that sufficient funds are available to finance promised benefits at the time of retirement.

When a member retires, TRA transfers assets on behalf of the member to the Minnesota Post Retirement Investment Fund (MPRIF). The assets of the MPRIF, which include the eight plans that participate in the Basic Fund and the Legislative and Survivors' Retirement Fund, finance monthly annuity payments paid to retirees.

Monies in the MPRIF are generally invested somewhat more conservatively, but still heavily in equities, to take advantage of the 15-year to 20-year time horizon associated with the length of time a typical retiree can be expected to draw benefits. The actuarial return target for the MPRIF is 6 percent.

COMBINED FUNDS

The combined funds, while not existing under statute, represent the assets of the active and retired public employees who participate in the defined benefit plans of TRA, PERA, and MSRS. The SBI looks at the combined funds for comparison purposes only, since most public pension plans do not separate the assets of their active employees and retirees. The long-term objectives of the combined funds are to:

- Provide returns that are 3 to 5 percentage points greater than inflation over the latest 20-year period;
- Outperform a composite market index weighted in a manner that reflects the actual asset mix of the combined funds over the latest 10-year period.

As of June 30, 2007, the combined funds returned 7.0 percentage points above the Consumer Price Index over the last 20 years and outperformed the Composite Index by 0.2 percentage points over the past ten years.

INVESTMENT PRESENTATION

Data reported in the investment section of this comprehensive annual financial report is presented in conformance with the presentation standards of the Chartered Financial Analysts (CFA) Institute. Investment returns were prepared using a time-weighted rate of return methodology in accordance with those standards.

Respectfully submitted,

Howard Bicker

Howard Bicker
Executive Director

Investment Summary

Prepared by TRA management with data obtained from the State Board of Investment's Fiscal Year 2007 Annual Report

The assets of the Minnesota Teachers Retirement Association (TRA) are invested under the direction and authority of the State Board of Investment (SBI). The investment portfolio for the active members of TRA has a fair value of approximately $8.22 billion. In addition, TRA's share of the assets of the Minnesota Post Retirement Investment Fund (Post Fund), from which retiree benefits are paid, is approximately $11.64 billion, at fair value.

The four-member SBI Board consists of Governor Tim Pawlenty (Chair), Secretary of State Mark Ritchie, Attorney General Lori Swanson, and State Auditor, Rebecca Otto. Howard Bicker serves as SBI's Executive Director.

The Legislature has established a 17-member Investment Advisory Council (IAC) to advise the SBI and its staff on investment-related matters.

- The mission statement of the Investment Advisory Council is: The IAC fulfills its statutory duty to the SBI by providing advice and independent due diligence review of the investment policy and implementation recommendations that guide the SBI's investment of assets.
- SBI appoints ten members experienced in finance and investment. These members traditionally have come from the Minneapolis and Saint Paul corporate investment community.

Investment Advisory Council

As of December 2007

Michael Troutman, Chair
Strategic Planning and Development (Retired)
Board of Pensions Evangelical Lutheran Church in America

Malcolm W. McDonald, Vice Chair
Director and Corporate Secretary (Retired)
Space Center, Inc.

Frank Ahrens, II
Governor's Appointee
Active Employee Representative

Jeffery Bailey
Director-Benefits Finance
Target Corporation

David Bergstrom
Executive Director
MN State Retirement System

John E. Bohan
Vice Pres., Pension Investments (Retired)
Grand Metropolitan-Pillsbury

Kerry Brick
Manager, Pension Investments
Cargill, Inc.

Douglas Gorence
Chief Investment Officer
U of M Foundation Investment Advisors

Laurie Fiori Hacking
Executive Director
Teachers Retirement Association

Tom Hanson
Commissioner
MN Department of Finance

Heather Johnston
Governor's Appointee
Active Employee Representative

P. Jay Kiedrowski
Senior Fellow
Humphrey Institute
University of Minnesota

Judith W. Mares
Chief Investment Officer
Alliant Tech Systems, Inc.

Gary R. Norstrem
Treasurer (Retired)
City of Saint Paul

Daralyn Peifer
Vice President and Treasurer
General Mills, Inc.

Mary Vanek
Executive Director
Public Employees Retirement Assn.

1 position vacant

Richards & Tierney, Inc. of Chicago are general consultants to the SBI. Pension Consulting Alliance of Studio City, California, serves as a special project consultant. Investment performance methodology is reported in compliance with the mandatory requirements of the Chartered Financial Analyst (CFA) Institute. All investments made by SBI are governed by the prudent person rule and other standards codified in Minnesota Statutes, Chapters 11A and 356A.

- The Commissioner of Finance and the executive directors of TRA, the Minnesota State Retirement System and the Public Employees Retirement Association are permanent members of the Council.
- Two active employee representatives and one retiree representative are appointed to the Council by the Governor.
- The Council has formed three committees organized around broad investment subjects relevant to SBI's decision-making: Asset Allocation, Stock and Bond Managers and Alternative Investments.
- All proposed investment policies are reviewed by the appropriate Committee and the full Council before they are presented to SBI for action.

Basic Retirement Funds

Investment Objectives

The pension contributions of active TRA members are invested through the Basic Retirement Funds (Basic Funds) administered by SBI. SBI has one overriding responsibility with respect to its management of the Basic Funds: to ensure that sufficient funds are available to finance promised benefits at the time of retirement. All assets in the Basic Retirement Funds, including TRA, are managed externally by outside money management firms retained by contract.

The Basic Funds invest the pension contributions of most Minnesota public employees, including TRA members, during their working years. Employee and employer contribution rates are specified in state law as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these projected pension costs, the Basic Funds must generate investment returns of at least 8.5 percent on an annualized basis over time.

Normally, pension assets will accumulate in the Basic Funds for thirty to forty years during an employee's years of active service. This provides the Basic Funds with a long investment time horizon and permits SBI to take advantage of long run return opportunities offered by common stocks and other investments in order to meet its actuarial return target.

SBI measures the performance of the Basic Funds relative to a composite of market indices that is weighted in a manner that reflects their long-term asset allocation policy. The Basic Funds are expected to exceed the composite index over a ten-year period. Investment returns were prepared using a time-weighted rate of return methodology, based upon fair values, net of investment expenses. Performance is measured net of all fees and costs to assure that SBI's focus is on its true net return.

Asset Allocation

The allocation of assets among stocks, bonds, and alternative investments can have a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. Consequently, SBI has focused considerable attention on the selection of an appropriate long-term asset allocation policy for the Basic Funds. It should be noted that the unfunded allocation to alternative investments in the Basic Funds is held in domestic stocks until it is needed for investment. As a result, the actual amount invested in domestic stocks was above its long-term target.

During Fiscal Year 2004, the Board provisionally revised its long term asset allocation targets for the Basic Funds. Upon the Post Retirement Fund achieving its alternative investment target, the Basic Funds' allocation target may increase from 15 percent to 20 percent by decreasing the fixed income target from 24 percent to 19 percent. Additionally, the Basic Funds will invest in yield-oriented investments as part of its allocation to alternative investments.

Basic Funds Asset Mix
June 30, 2007

	Actual Mix	Policy Mix
Domestic Stocks	49.6%	45.0%
International Stocks	16.3%	15.0%
Bonds	22.1%	24.0%
Alternative Assets	10.9%	15.0%
Unallocated Cash	1.1%	1.0%
Total	100.0%	100.0%

Total Return Vehicles

SBI invests the majority of the Basic Funds' assets in *common stocks* (both domestic and international). A large allocation is consistent with the investment time horizon of the Basic Funds and the advantageous long-term risk-return characteristics of common stocks. Including international stocks in the asset mix allows SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio. The rationale underlying the inclusion of *private equity* alternative assets (e.g., venture capital) is similar.

SBI recognizes that this sizable policy allocation to common stock and private equity likely will produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters or even years of disappointing results. Nevertheless, the long run return benefits of this policy are expected to compensate for the additional volatility.

Diversification Vehicles

Other asset classes are included in the Basic Funds both to provide some insulation against highly inflationary or deflationary environments and to diversify the portfolio sufficiently to avoid excessive return volatility.

Real estate and resource (oil and gas) investments provide an inflation hedge that other financial assets cannot offer. In periods of rapidly rising prices, these "hard" assets have appreciated in value at a rate at least equal to the inflation rate. Further, even under more normal financial conditions, such as low to moderate inflation, the returns on these assets are not highly correlated with common stocks. As a result, their inclusion in the Basic Funds serves to dampen return volatility.

Yield oriented alternative investments provide the opportunity for higher long term returns than those typically available from bonds yet still generate sufficient current income. Typically, these investments (e.g., subordinated debt, mezzanine or resource income investments such as producing properties) are structured more like fixed income securities with the opportunity to participate in the appreciation of the underlying assets. While these investments may have an equity component, they display a return pattern more like a bond. As such, they will help reduce the volatility of the total portfolio, but should also generate higher returns relative to more traditional bond investments.

The allocation to *bonds* acts as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long-term bonds, are expected to protect principal and generate significant capital gains. And, like real estate and resource funds, under normal financial conditions, bonds help to diversify the Basic Funds and thereby control return volatility.

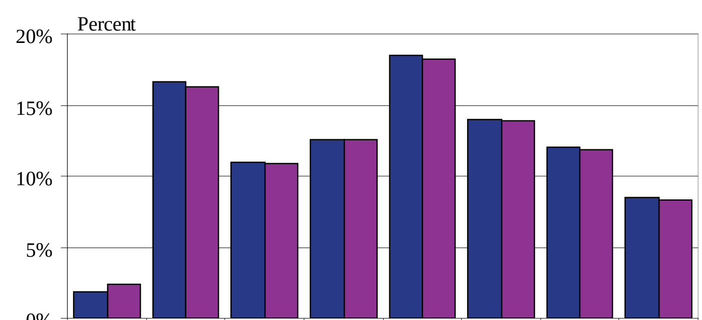
Rate of Return Results

The Basic Funds produced a total rate of return for fiscal year 2007 of 18.5 percent. Over the last five years, the Basic Funds have generated an annualized return of 12.0 percent. The current fair value of the total Basic Funds is about $25.0 billion. TRA's share of the fund is approximately 33 percent or $8.22 billion.

As stated earlier, the Basic Funds are expected to exceed the return of a composite of market indices over a ten-year period. Performance relative to this standard will measure two effects:

- The ability of the managers selected by SBI, in aggregate, to add value to the returns available from the broad capital markets.
- The impact of SBI's rebalancing activity. (SBI rebalances the total fund when market movements take the stock or bond segments above or below their long-term asset allocation targets. The

Basic Funds Performance vs. Composite Index



	2003	2004	2005	2006	2007	3 Yr.	5 Yr.	10 Yr.
Basic Fund	1.9%	16.6%	11.0%	12.6%	18.5%	14.0%	12.0%	8.5%
Composite Index	2.4%	16.3%	10.9%	12.6%	18.2%	13.9%	11.9%	8.3%

policy imposes a low risk discipline of *buy low-sell high* between asset classes on a total fund basis.)

For the ten-year period ending June 30, 2007, the Basic Funds out-performed the composite index by 0.2 percentage point annualized. The Fund exceeded the composite index over the last five years, and over the most recent fiscal year by 0.1 and 0.3 percentage points, respectively. Actual returns relative to the total fund composite index over the last five years are shown in the graph on the previous page.

Post Retirement Fund

When a member retires, TRA transfers assets on behalf of the member to the Minnesota Post Retirement Investment Fund (Post Fund). The Post Fund includes the assets of retired public employees covered by nine statewide retirement plans: the eight plans which participate in the Basic Funds as well as the Legislative and Survivors Retirement Fund.

The assets of the Post Fund finance monthly annuity payments paid to retirees. On June 30, 2007, the Post Fund had a market value of about $25.2 billion. TRA retirees' portion of this value is approximately $11.64 billion or 46 percent. The Post Fund generated an investment return of 18.2 percent for fiscal year 2007.

All assets in the Post Retirement Fund are managed externally by outside money management firms retained by contract.

Investment Objectives

The investment time horizon of the Post Fund is 15-20 years and corresponds to the length of time a typical retiree can be expected to draw benefits. While this is shorter than the time horizon of the Basic Funds, it is still sufficiently long to allow SBI to take advantage of the long-run return opportunities offered by common stock in order to meet its actuarial return target as well as to finance retirement benefit increases.

SBI measures the performance of the Post Fund relative to a composite of market indices that is weighted in a manner that reflects its long-term asset allocation policy. The Post Fund is expected to exceed the composite index over a ten-year period. Investment returns were prepared using a time-weighted rate of return methodology, based upon fair values, net of investment expenses. Performance is measured net of all fees and costs to assure that SBI's focus is on true net return.

Post Fund Asset Mix
June 30, 2007

	Actual Mix	Policy Mix
Domestic Stocks	49.4%	45.0%
International Stocks	16.4	15.0
Bonds	23.4	25.0
Alternative Assets	8.5	12.0
Unallocated Cash	2.3	3.0
Total	100.0%	100.0%

Asset Allocation

The current long-term asset allocation policy and actual asset mix of the Post Fund at the end of fiscal year 2007 is presented in the above table. The asset allocation policy is under constant review. During Fiscal Year 2004, the SBI revised its long term asset allocation targets for the Post Fund. The allocation target for alternative investments was increased from 5 percent to 12 percent, while decreasing domestic equity from 50 percent to 45 percent and decreasing fixed income from 27 percent to 25 percent. Additionally, the Post Fund will invest in private equity, real estate, and resource investments as well as yield-oriented investments as part of its allocation to alternative investments. Finally, unvested portions of alternative investments will be invested in domestic equities instead of bonds.

The majority of the Post Fund's assets are invested in *common stocks* (both domestic and international). A large allocation is consistent with the moderately long time horizon of the Post Fund and the advantageous long-term, risk-return characteristics of common stocks. Including international stocks in the asset mix allows SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio.

SBI recognizes that this sizable allocation will be likely to produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters or even years of disappointing results. Nevertheless, the long-run return benefits of this policy are expected to compensate for the additional volatility. The asset allocation is under constant review.

The Board includes other asset classes in the Post Fund both to provide some insulation against highly deflationary environments and to diversify the portfolio sufficiently to avoid excessive return volatility. Including private equity in the Post Fund is intended to enhance returns and reduce the risk of the total portfolio.

Real estate and resource (oil and gas) investments provide an inflation hedge that other financial assets cannot offer. In periods of rapidly rising prices, these assets have appreciated in value at a rate at least equal to the inflation rate. Further, even under more normal financial conditions, such as low to moderate inflation, the returns on these assets are not highly correlated with common stocks. As a result, their inclusion in the Post Fund also serves to dampen return volatility.

The bonds in the Post Fund act as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long term bonds, are expected to protect principal and generate significant gains. And, under normal financial conditions, bonds diversify the Post Fund, thereby controlling return volatility on a year-to-year basis.

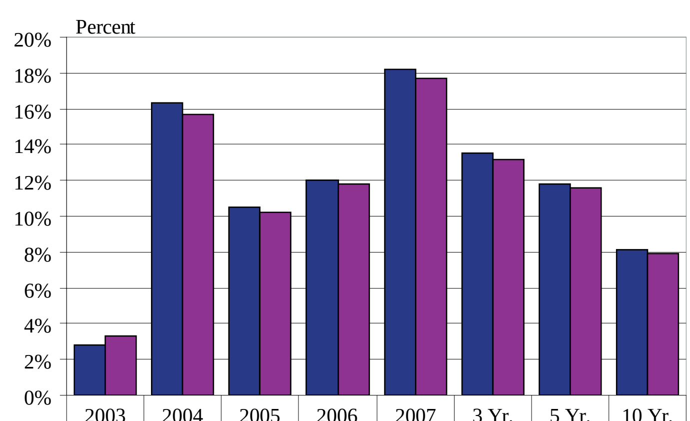
Yield oriented alternative investments provide the opportunity for higher long term returns than those typically available from bonds, yet still generate sufficient current income to be compatible with the objectives of the Post Fund. Typically, these investments (e.g., subordinated debt, mezzanine or resource income investments such as producing properties) are structured more like fixed income securities with the opportunity to participate in the appreciation of the underlying assets. While these investments may have an equity component, they display a return pattern more like a bond. As such, they will help reduce the volatility of the total portfolio, but should also generate higher returns relative to more traditional bond investments.

Investment Management and Performance

In order to gain greater operating efficiency, the Post Fund shares with the Basic Funds the same domestic stock, bond and international stock managers. The Post Fund is expected to exceed the return of a composite of market indices over a ten-year period. The Post Fund's performance exceeded its composite market index by 0.2 percentage point for the most recent ten year period since July 1, 1997. The fund exceeded the composite index by 0.2 percentage points for the most recent five year period. For fiscal year 2007, the fund exceeded the composite index by 0.5 percentage points.

Actual returns relative to the total fund composite index over the last five years are shown in the graph below.

Post Fund Performance vs. Composite Index



	2003	2004	2005	2006	2007	3 Yr.	5 Yr.	10 Yr.
Post Fund	2.8%	16.3%	10.5%	12.0%	18.2%	13.5%	11.8%	8.1%
Composite Index	3.3%	15.7%	10.2%	11.8%	17.7%	13.2%	11.6%	7.9%

The Basic Funds and the Post Fund share many of the same stock and bond managers. This is accomplished by grouping managers together, by asset class, into several investment pools. The individual funds participate in the investment pools by purchasing units which function much like shares of a mutual fund.

This investment management structure allows SBI to gain greater operating efficiency within asset classes and to keep money management costs as low as possible for all participants. Investment management fees are summarized on the schedule on pages 37-38. Further information on investment activity, management fees and commissions paid, and a listing of specific investments owned by the pooled accounts can be obtained from the Minnesota State Board of Investment, Suite 355, 60 Empire Drive, Saint Paul, MN 55103.

Benefit Increase Formula

The retirement benefit annual increase formula of the Post Fund is based on a combination of two components as specified in Minnesota Statute:

- ***Inflation Component***. Each year, retirees receive an inflation-based adjustment equal to 100 percent of inflation, up to a maximum of 2.5 percent specified in statute. The inflation component is granted regardless of investment performance. The cap is necessary to maintain the actuarial soundness of the entire plan. It is the difference between the return assumption for the Basic funds (8.5 percent), and the return assumption for the Post Fund (6.0 percent).
- ***Investment Component***. Each year, retirees also receive an investment-based adjustment, provided net investment gains are above the amount needed to finance the Post Fund's 6.0 percent actuarial assumption and the inflation adjustment described previously. Investment gains and losses are spread over five years to smooth out the volatility of returns. In addition, all accumulated investment losses must be recovered before an investment-based adjustment is granted.

The Post Fund will provide a benefit increase of 2.50 percent for fiscal year 2007 payable January 1, 2008. As noted earlier, this increase is comprised of two components:

- *Inflation component* of 2.50 percent. The increase is the maximum inflation component allowable under Minnesota statute. The actual Consumer Price Index for wage earners (CPI-W) for the twelve months ending June 30, 2007, was 2.67 percent. (CPI-W is the same inflation index used to calculate increases in Social Security payments.)
- *Investment component* of 0.000 percent. This represents a portion of the market value increase that exceeds the amount needed to cover the actuarial 6.0 percent assumed rate of return and the inflation adjustment.

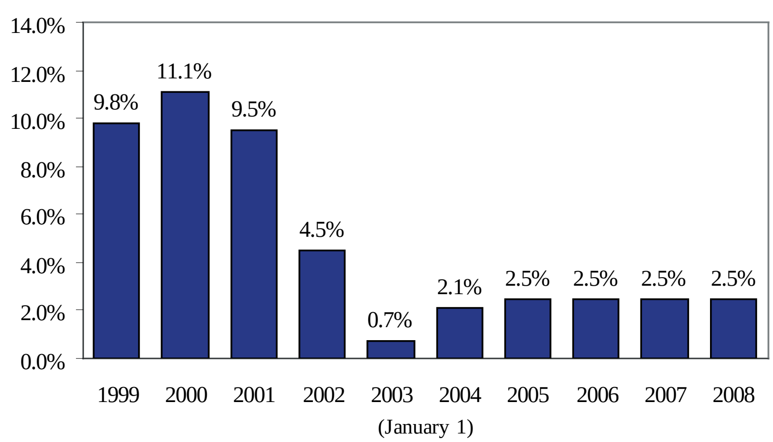
Effective with the benefit adjustment of January 1, 2011, the maximum benefit increase will be limited to a maximum of 5.0 percent, combined for the inflation and investment components. The maximum inflation component of 2.5 percent will remain.

As of June 30, 2007, the Post Retirement Fund had total assets of about $25.2 billion at fair value. Total liabilities (present value of expected future benefit payments to current benefit recipients) are an estimated $27.5 billion. The estimated $2.3 billion deficit (TRA's share is about $1.32 billion) must be recovered in full before an investment-based component will be paid. Consequently, until strong positive investment gains occur over an extended period of time to absorb the existing deficit, a positive investment component should not be expected.

Benefit increases granted for the past ten years are shown in the graph.

Recent Post Retirement Benefit Increases

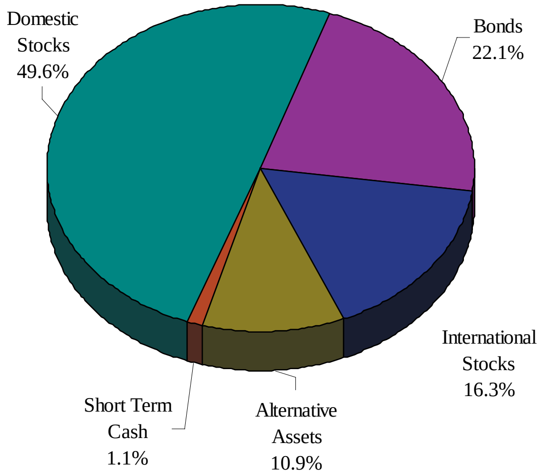
Rounded to the nearest tenth of one percent



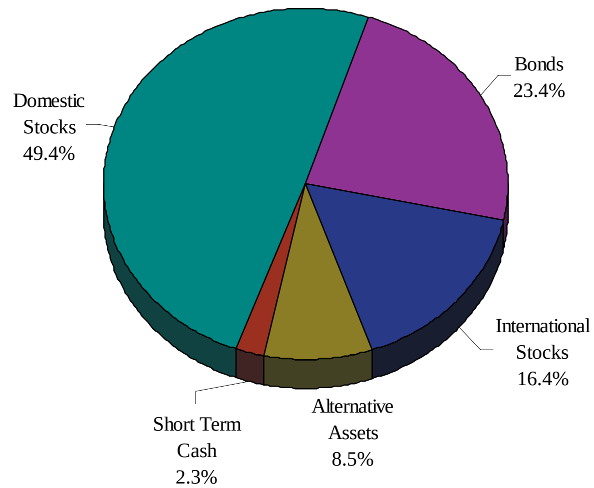
Teachers Retirement Fund
Portfolio Distribution

June 30, 2007

Basic Fund
(Active Members)



Post Fund
(Retirees)



Teachers Retirement Fund
Performance of Asset Pools (Net of Fees)

June 30, 2007

	Rates of Return (Annualized)			
	FY 2007	**3-Year**	**5-Year**	**10-Year**
Domestic Stock Pool	**19.7%**	**12.3%**	**11.3%**	**7.1%**
Domestic Equity Asset Class Target* (*Reflects Wilshire 5000 as reported prior to FY 2000, the Wilshire 5000 Investable from 7/1/1999 thru 9/30/03; and the Russell 3000 since 10/1/2003.)	20.1%	12.4%	11.6%	7.2%
Bond Pool	**6.3%**	**4.3%**	**5.0%**	**6.3%**
Asset Class Target	6.1%	4.0%	4.5%	6.0%
International Stock Pool	**30.3%**	**24.6%**	**18.8%**	**8.3%**
Asset Class Target	29.6%	24.5%	19.3%	7.9%
Alternative Assets (Real Estate, Private Equity, Resource Pool and Yield Oriented Pool)	**25.6%**	**31.9%**	**22.2%**	**17.7%**
Inflation (No Established Index for Alternative Assets)	2.7%	2.9%	2.8%	2.6%

All investment performance methodology is reported in compliance with the mandatory requirements of the Chartered Financial Analysts (CFA) Institute, as described on page 43.

Teachers Retirement Fund
List of Largest Assets Held

June 30, 2007

Composite Holdings of Top Ten Equities

By Fair Value

Security	$ Fair Value (Millions)	% of Portfolio
Exxon Mobil Corp	$242.1	1.22%
General Electric Co	188.8	0.95%
Microsoft Corp	145.8	0.74%
Citigroup Inc	141.3	0.71%
Bank Amer Corp	139.4	0.70%
AT&T Inc	129.9	0.65%
Pfizer, Inc.	120.5	0.61%
Proctor and Gamble Co	118.9	0.60%
Aetna	109.1	0.55%
Prime Property Fund Morgan	106.3	0.54%

Composite Holdings of Top Ten Bond Holdings

By Fair Value

Security	Coupon	$ Fair Value (Millions)	% of Portfolio
ABN AMRO TRI PARTY C	5.15%	156.1	0.79
FNMA TBA JUL 30 SINGLE FAM	6.00%	131.1	0.66
FNMA TBA JUL 30 SINGLE FAM	5.00%	95.9	0.48
UNITED STATES TREAS NTS	4.75%	90.0	0.45
UNITED STATES TREAS NTS	3.125%	78.4	0.40
FNMA TBA JUL 30 SINGLE FAM	5.50%	76.3	0.38
UNITED STATES TREAS NTS	4.25%	76.0	0.38
HSBC TRI PARTY C	5.30%	75.1	0.38
FIFTH THIRD BK GRAND CAYMAN	5.3125%	49.4	0.25
CITIBANK NASSAU	5.06%	49.4	0.25

TRA's assets are commingled in various pooled investment accounts administered by the State Board of Investment (SBI). TRA does not own specific values of the underlying assets. The percentages and fair value shown are those attributable to the TRA Fund based on TRA's participation in the SBI's Basic Funds and Minnesota Post Retirement Investment Fund. Information on investment activity, a listing of specific investments owned by the pooled accounts and a schedule of fees and commissions can be obtained from SBI.

Summary of Investments*

As of June 30, 2007

	Book		Fair	
	Book Value	Total Book Value	Fair Value	Total Fair Value
Fixed Income Investments				
Fixed Income Pool	$ 1,879,442.894		$ 1,791,305,693	
Total Fixed Income Investments		$ 1,879,442,894		$ 1,791,305,693
Equity Investments				
TRA Minneapolis Pool	$ 87,273		$ 143,497	
External Indexed Equity Pool	1,099,380,484		1,330,977,094	
Global Equity Pool	1,111,272,462		1,340,570,519	
External Domestic Equity Pool	2,709,444,867		2,735,514,947	
Total Equity Investments		$ 4,920,185,086		$ 5,407,206,057
Alternative Investments				
Alternative Investment Pool	$ 818,233,942		$ 923,534,481	
Total Alternative Investments		$ 818,233,942		$ 923,534,481
Short Term Investment				
Short Term Cash Equivalents	$ 97,488,547		$ 97,488,547	
Total Short Term Investment		$ 97,488,547		$ 97,488,547
Total Investments		$ 7,715,350,469		$ 8,219,534,778

*Regular TRA Fund, does not include investments in the Minnesota Post Retirement Investment Fund.

General Information Regarding Investment of Funds

TRA's investments are made by SBI and external managers as prescribed by law, and are made only in such securities as are duly authorized legal investments in accordance with Minnesota Statutes, section 11A.24. State Street Bank and Trust of Boston acts as custodian of securities for the Basic Funds and the Post Fund. Wells Fargo, Saint Paul, Minnesota, is the current custodian of short term investments of SBI. Examination and verification of securities held by the custodians is performed periodically by the Minnesota Office of the Legislative Auditor.

Investment returns were prepared using a time-weighted rate of return methodology, based upon fair values, net of investment expenses.

Teachers Retirement Association of Minnesota

Actuarial

Actuarial

Actuarial

Actuarial

Actuarial

Actuarial

Actuary's Certification Letter

SEGAL

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416-969-3968

E-MAIL ADDRESS
tlevy@segalco.com

December 6, 2007

Board of Trustees
Teachers Retirement Association Fund
60 Empire Drive
Suite 400
St. Paul, MN 55103-1855

Members of the Board:

We have completed the annual valuation of the Teachers Retirement Association Fund (TRA) as of July 1, 2007. The purpose of this valuation is to determine the financial status of the Plan. To achieve this purpose, an actuarial valuation is made at the beginning of each fiscal year as required by Section 356.215 of Minnesota Statutes.

The financing objective of the Fund is to establish contribution rates that remain approximately level (as a percent of payroll) from generation to generation. The objective also includes meeting the required deadlines for full funding. The current funding level (the ratio of actuarial assets to the actuarial accrued liability) is 87.54%.

The valuation uses the Entry Age Normal Cost method, with normal cost expressed as a level percentage of earnings. The required contribution under Chapter 356 consists of the normal cost, a supplemental contribution that will amortize the unfunded accrued liability as a level percent of pay amount and an allowance for administrative expenses.

The results of the valuation indicate that the TRA is behind schedule to meet the required date for full funding. The contribution deficiency is 1.65% of payroll, which is a result of the statutory contribution of 11.79% of payroll being less than the actuarial required contribution of 13.44% of payroll.

The actuarial valuation was based upon applicable statutory provisions and Standards for Actuarial Work in effect on July 1, 2007. Primary actuarial assumptions include a pre-retirement interest rate of 8.50%, a post-retirement interest rate of 6.00% (the 8.50% interest less 2.50% COLA), and other assumptions regarding mortality, disability, retirement, salary increases, and withdrawal that are consistent with the latest experience analysis. Actual plan costs will vary to the extent that actual plan experience varies from these assumptions.

Board of Trustees
Teachers Retirement Association Fund
December 6, 2007
Page 2

The valuation was performed by using the actuarial cost method and actuarial assumptions that are described in a separate table of this report. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression and active member payroll growth are specified by state statute. All other assumptions are based on actual experience, with changes recommended by the actuary, adopted by the TRA Board, and approved by the Legislative Commission on Pensions and Retirement. All assumptions and methods used for funding purposes meet the parameters for the disclosures presented in the financial section of the TRA comprehensive annual financial report, set by the Governmental Accounting Standards Board Statement (GASB) Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

Supporting schedules and trend data schedules shown in the Actuarial Section of this financial report were prepared by The Segal Company.

The Schedule of Funding Progress shown in the Financial Section of this financial report was prepared by The Segal Company. Segal determined the amount of Annual Required Contributions shown in the Schedule of Contributions from Employers and the State of Minnesota in the Financial Section of this financial report.

Although we have reviewed the data for reasonableness and consistency, we have relied on the basic employee data and asset figures. This employee and asset information form the basis for our valuation and, to the extent that actual data differs from that submitted for purposes of the valuation, results may vary from those shown in the report.

The asset valuation method for the Minnesota Post Retirement Investment Fund was changed this year. Rather than valuing that Fund equal to the reserves necessary to make the Fund fully funded as was required in the past, this year the Fund was valued at fair market value. That change had a negative effect on funding ratios. Had that change not occurred, the funding level would have increased to 93.67%. The new asset valuation method is in compliance with generally accepted accounting principles.

We certify that to the best of our knowledge and belief this actuarial valuation was performed in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work.

Respectfully submitted,

Thomas D. Levy, FSA, MAAA, EA
Senior Vice President and Chief Actuary

4029604v1/05776.011

Summary of Actuarial Assumptions and Methods

(Assumptions adopted by the Legislative Commission on Pensions and Retirement on February 22, 2002)

Mortality Rates

Healthy Pre-Retirement	Male	1983 Group Annuity Mortality Table for males set back 12 years
	Female	1983 Group Annuity Mortality Table for females set back 10 years
Healthy Post-Retirement	Male	1983 Group Annuity Mortality Table for males set back 6 years
	Female	1983 Group Annuity Mortality Table for females set back 3 years
Disabled:	Male	1965 Railroad Retirement Board (RRB) rates through age 54. For ages 55 to 64, graded rates between 1965 RRB rates and the Healthy Post-Retirement mortality table. For ages 65 and later, the Healthy Post-Retirement mortality table.
	Female	1965 Railroad Retirement Board (RRB) rates through age 54. For ages 55 to 64, graded rates between 1965 RRB rates and the Healthy Post-Retirement mortality table. For ages 65 and later, the Healthy Post-Retirement mortality table.

Summary of Rates: Shown below for selected ages:

	Rate (%)								
	Pre-Retirement Mortality		Withdrawal		Disability		Retirement		
							Rule of 90		Salary
Age	Male	Female	Male	Female	Male	Female	Eligible	Other	Increases
20	0.03	0.01	3.70	4.50	0.00	0.00	0.00	0.00	6.00%
25	0.03	0.01	3.20	4.50	0.00	0.00	0.00	0.00	6.00
30	0.04	0.02	2.70	4.50	0.00	0.00	0.00	0.00	6.00
35	0.04	0.03	2.50	3.90	0.01	0.01	0.00	0.00	6.00
40	0.05	0.03	2.35	2.75	0.03	0.03	0.00	0.00	5.70
45	0.07	0.05	2.10	2.10	0.05	0.05	0.00	0.00	5.20
50	0.10	0.07	1.85	1.85	0.11	0.10	0.00	0.00	5.00
55	0.17	0.10	0.00	0.00	0.22	0.16	50.00	9.00	5.00
60	0.31	0.16	0.00	0.00	0.33	0.25	50.00	12.00	5.30
65	0.52	0.25	0.00	0.00	0.00	0.00	50.00	50.00	5.70
70	0.77	0.42	0.00	0.00	0.00	0.00	35.00	35.00	5.70
71	0.84	0.47	0.00	0.00	0.00	0.00	100.00	100.00	5.70

Summary of Retirement Rates:

Age	All TRA and MTRFA Coordinated Members Eligible for Rule of 90	All TRA and former MTRFA Coordinated Members Not Eligible for Rule of 90	Age	Former MTRFA Basic Members Eligible for 30 and Out Provision	Former MTRFA Basic Members Not Eligible for 30 and Out Provision
55 & under	50.0	9.0	55 & under	40.0	5.0
60	50.0	12.0	60	25.0	25.0
65	50.0	50.0	65	40.0	40.0
70	35.0	35.0	70	60.0	60.0
71	100.0	100.0	75	60.0	60.0

Withdrawal Rates: Select and ultimate rates were based on recent plan experience as of June 30, 2000. Ultimate rates after the third year are shown in the rate table. Select rates are as follows:

	First Year	Second Year	Third Year
Male	45.00%	12.00%	6.00%
Female	40.00%	10.00%	8.00%

Salary Increases: Reported salary for prior fiscal year, with new hires annualized, increased according to the ultimate table shown in the rate table to current fiscal year and annually for each future year. During a ten-year select period, 0.30 x (10-T) where T is completed years of service is added to the ultimate rate.

Retirement Age: Graded rates beginning at age 55 as shown in rate table. Members who have attained the highest assumed retirement age will retire in one year

Percent Married: 85 percent of male members and 65 percent of female members are assumed to be married. Assume members have no children.

Age of Spouse: Females three years younger than males.

Net Investment Return:

Pre-Retirement: 8.50 percent per annum

Post-Retirement: 6.00 percent per annum

Administrative Expenses: Prior year administrative expenses expressed as percentage of prior year payroll.

Allowance for Combined Service Annuity: Liabilities for active members are increased by 1.40 percent and liabilities for former members are increased by 4.00 percent to account for the effect of some Participants having eligibility for a Combined Service Annuity.

Return of Contributions:	All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.
Interest on Member Contributions:	Members and former members who are eligible for the money purchase annuity are assumed to receive interest credits equal to the Pre-Retirement interest rate. All other members and former members receive the interest crediting rate as specified in statutes.
Special Consideration:	Married members assumed to elect subsidized joint and survivor form of annuity as follows: Males: 15% elect 50% J&S option 25% elect 75% J&S option 55% elect 100% J&S option Females: 20% elect 50% J&S option 10% elect 75% J&S option 30% elect 100% J&S option
Benefit Increases After Retirement:	Payment of earnings on retired reserves in excess of 6.00 percent accounted for by 6.00 percent post-retirement assumptions.
Asset Valuation Method:	MPRIF Reserve: Market Value Non-MPRIF Assets: 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 the fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).
Actuarial Cost Method:	Entry Age Normal Cost Method. Entry age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level percentage of payroll, with Normal Cost determined as if the current benefit accrual rate had always been in effect.

Unknown Data for Members:	The submitted participant data has been reviewed for reasonableness and consistency with data submitted for prior valuations. We have not audited this data, and the results of this valuation may change based on the accuracy of the underlying data. In cases where submitted data was missing or incomplete, the following assumptions were applied:
	Date of Birth: July 1, 1960 (TRA active members) July 1, 1961 (former MTRFA active members) July 1, 1960 (vested terminated members) July 1, 1936 (pensioners, survivors and beneficiaries)
	Salary (Former MTRFA active members): Calculated estimate for actual salary for period July 1, 2006 through June 30, 2007 equal to salary provided for period July 1, 2005 through June 30, 2006, increased by 2.00%.
Payment on the Unfunded Actuarial Accrued Liability:	A level percentage of payroll each year to the statutory amortization date (June 30, 2037), assuming payroll increases of 5.00 percent per annum.
Changes in Actuarial Assumptions and Cost Methods:	The only change in actuarial cost methods since the last valuation was a modification to the asset valuation, effective with the July 1, 2007 valuation. Assets allocated to the Minnesota Post Retirement Investment Fund (MPRIF) must equal the Market Value of Assets as of the valuation date.

Valuation Report Highlights

Summary of Key Valuation Results

	July 1, 2007* Valuation	July 1, 2006** Valuation
Contributions (% of payroll) for plan year beginning July 1:		
Statutory — Chapter 354	11.79%	11.31%
Required — Chapter 356	13.44%	12.11%
Sufficiency/(Deficiency)	-1.65%	-0.80%
Funding elements for plan year beginning July 1:		
Normal cost	$ 357,343,265	$ 349,678,399
Market value of assets	19,938,881,872	19,785,671,584
Actuarial value of assets (AVA)	18,794,389,076	19,035,611,839
Actuarial accrued liability (AAL)	21,470,314,497	20,679,110,879
Unfunded/(Overfunded) actuarial accrued liability	$ 2,675,925,421	$ 1,643,499,040
Funded ratios:		
Accrued Benefit Funded Ratio	91.03%	95.64%
Current assets (AVA)	$18,794,389,076	$ 19,035,611,839
Current benefit obligations	20,646,891,165	19,902,652,650
Projected Benefit Funded Ratio	95.26%	97.63%
Current and expected future assets	23,435,932,759	23,163,841,989
Current and expected future benefit obligations (Present Value of Benefits)	$24,602,815,725	$ 23,726,317,592
GASB 25/27 for plan year beginning July 1:		
Annual required employee contributions	$ 229,641,535	$ 133,388,506
Accrued Liability Funded Ratio (AVA/AAL)	87.54%	92.05%
Covered actual payroll	$ 3,532,158,749	$ 3,430,645,420
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	46,538	44,683
Number of vested terminated members	12,636	11,773
Number of other non-vested terminated members	22,914	21,956
Number of active members	77,694	79,164
Total projected payroll***	$ 3,814,373,772	$ 3,707,900,584
Average annual payroll (projected dollars)	$ 49,095	$ 46,838

* *The 2007 results reflect a change in the Asset Valuation Method, with MPRIF Reserves equal to Market Value.*

** *The results of the July 1, 2006 actuarial valuation reflect the MTRFA merger effective June 30, 2006.*

*** *Calculated as covered actual payroll, projected one year with salary scale.*

Actuary's Commentary

Purpose

This report has been prepared by The Segal Company to present a valuation of the Teachers Retirement Association Fund as of July 1, 2007. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- Section 356.215 of the Minnesota Statutes;
- The benefit provisions of the Retirement Fund, as administered by the Fund;
- The characteristics of covered active members, inactive vested members, pensioners and beneficiaries as of July 1, 2007, provided by the Fund;
- The assets of the Fund as of June 30, 2007, provided by the Fund;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The statutory contribution rate under Chapter 354 is equal to 11.79 percent of payroll compared to the required contribution rate under Chapter 356 of 13.44 percent of payroll. Therefore, the contribution deficiency is 1.65 percent of payroll as of July 1, 2007. Each year that there is a contribution deficiency leads to an increased deficiency in all future years. The FY 2007 shortfall increased the required rate for FY 2008 (and each succeeding year through FY 2037) by 0.08 percent of payroll;
- There were no changes in plan provisions or actuarial assumptions since the prior valuation.
- The only change in actuarial cost methods since the prior valuation was a modification to the asset valuation method, effective with the July 1, 2007 valuation. Assets allocated to the Minnesota Post Retirement Investment Fund (MPRIF) must equal the Market Value of Assets on the valuation date. This change resulted in a decrease to the Actuarial Value of Assets and increase to the Unfunded Actuarial Accrued Liability of $1,317,389,816. The Supplemental Contribution increased by $70,947,353, which directly impacted the Contribution Sufficiency of 0.21 percent of payroll prior to the asset method change, resulting in a total deficiency of 1.65 percent payroll.
- The actuarial accrued liability funded ratio based on the actuarial value of assets under the new asset valuation method as of July 1, 2007 is 87.54 percent compared to 92.05 percent as of July 1, 2006. The funded ratio based on this calculation under the old asset valuation method would have increased to 93.67 percent as of July 1, 2007, hence the decrease in the funded ratio from 93.67 percent to 87.54 percent is entirely attributable to the asset valuation method change. The ratio is a measure of funding status, and its history is a measure of funding progress.

TRA Plan Census

Category	2007	2006	Change From Prior Year
Active members in valuation:			
Number	77,694	79,164	-1.9%
Average age	43.3	43.3	N/A
Average service	11.7	11.6	N/A
Total projected payroll	$3,814,373,772	$3,707,900,584	2.9%
Average projected payroll	49,095	46,838	4.8%
Total active vested members	61,180	61,741	-0.9%
Vested terminated members	12,636	11,773	7.3%
Retired participants:			
Number in pay status	42,679	41,009	4.1%
Average age	71.5	70.3	N/A
Average monthly benefit	$2,359	$2,353	0.3%
Disabled members:			
Number in pay status	636	630	1.0%
Average age	57.8	57.5	N/A
Average monthly benefit	$1,652	$1,656	-0.3%
Beneficiaries:			
Number in pay status	3,223	3,044	5.9%
Average age	77.2	76.6	N/A
Average monthly benefit	$2,128	$2,113	0.7%
Other non-vested terminated members	22,914	21,956	4.4%

**May include duplicate records due to the MTRFA merger that was effective June 30, 2006, for members who have accrued service with both MTRFA and TRA.*

Reconciliation of Member Data*

		Active Members	Leave of Absence	Inactive Vested Members	Other Non-Vested Members	Retired Participants	Disabled	Beneficiaries	Other Beneficiaries	Total
A.	Number as of June 30, 2006 report	79,108	56	11,773	21,956	40,973	630	3,044	36	157,576
B.	Adjustments**	(67)	(3)	(79)	3	3	54	48	0	(41)
C.	Number as of June 30, 2006 from TRA	79,041	53	11,694	21,959	40,976	684	3,092	36	157,535
D.	Additions	6,861	9	1,770	3,990	2,517	61	257	4	15,469
E.	Deletions									
	1. Retirements from Active/ Inactive	(2,112)	(3)	(272)	(62)	0	0	0	0	(2,449)
	2. Disability Retirements from Active	(49)	(7)	(1)	0	0	0	0	0	(57)
	3. Retirements from Disability	0	0	0	0	0	(48)	0	0	(48)
	4. Active Disability from Inactive	0	0	(2)	(2)	0	0	0	0	(4)
	5. Died with Beneficiary	(3)	0	(4)	(2)	(203)	(11)	0	0	(223)
	6. Died without Beneficiary	(41)	0	(19)	(15)	(641)	(7)	(82)	0	(805)
	7. Terminated - deferred	(1,712)	(35)	0	(1)	0	0	0	0	(1,748)
	8. Terminated - other non-vested	(3,829)	(2)	(17)	0	0	0	0	0	(3,848)
	9. Refunds	(508)	(1)	(38)	(952)		0	0	0	(1,499)
	10. Contributions written off	0	0	0	(-1,142)	0	0	0	0	(1,142)
	11. Rehired as active	34	(2)	(466)	(859)	0	0	0	0	(1,293)
	12. Expired benefits	0	0	0	0	(10)	(43)	(44)	0	(97)
	13. Leave of absence	0	0	(9)	0	0	0	0	0	(9)
F.	Number as of June 30, 2007	77,682	12	12,636	22,914	42,639	636	3,223	40	159,782

* *May include duplicate records due to the MTRFA merger effective June 30, 2006, who have accrued service under both MTRFA and TRA.*

***Adjustments made by TRA to the 2006 data subsequent to the 2006 valuation.*

Statement of Plan Net Assets

Year Ended June 30, 2007

	Market Value	Cost Value
Assets in Trust		
Cash, equivalents, short-term securities	$ 99,909,277	$ 99,909,277
Fixed income	1,791,305,692	1,879,442,894
Equity	6,330,740,538	5,738,419,028
Equity in Minnesota Post-Retirement Investment Fund*	11,639,534,589	11,639,534,589
Invested securities lending collateral	3,160,951,648	3,160,951,648
Other assets	11,107,651	11,107,651
Total assets in trust	$ 23,033,549,395	$ 22,529,365,087
Assets receivable	$ 86,137,573	$ 86,137,573
Total assets	$ 23,119,686,968	$ 22,615,502,660
Liabilities		
Invested Securities Lending Collateral	$ (3,160,951,648)	$ (3,160,951,648)
Other	(19,853,450)	(19,853,450)
Total liabilities	$ (3,180,805,098)	$ (3,180,805,098)
Net assets held in trust for pension benefits		
MPRIF reserves	$ 11,639,534,589	$ 11,639,534,589
Member reserves	1,799,909,653	1,799,909,653
Other non-MPRIF reserves	6,499,437,630	5,995,253,321
Total assets available for benefits	$ 19,938,881,872	$ 19,434,697,563
Net Assets at Market/Cost Value	$ 19,938,881,872	$ 19,434,697,563

**The cost value of equity in the MPRIF is stated as Market Value in the MPRIF. The actual liability of the MPRIF Reserve is $12,956,924,405.*

Statement of Change in Net Plan Assets

Year Ended June 30, 2007

	Non-MPRIF Assets	MPRIF Reserve	Market Value
A. Assets available at beginning of year	$ 7,414,466,457	$ 12,371,205,127	$ 19,785,671,584
B. Additions			
1. Member contributions	$ 199,868,969	$ 0	$ 199,868,969
2. Employer contributions	187,338,732	0	187,338,732
3. Contributions from other sources	25,413,403	0	25,413,403
4. MPRIF income	0	1,022,960,205	1,022,960,205
5. Net investment income			
a. Interest and dividends	838,337,006	0	838,337,006
b. Net appreciation/(depreciation)	503,000,314	0	503,000,314
c. Investment expenses	(11,560,758)	0	(11,560,758)
d. Net subtotal	$ 1,329,776,562	0	$ 1,329,776,562
6. Other	4,368,724	0	4,368,274
7. Total additions	$ 1,746,765,940	$ 1,022,960,205	$ 2,769,726,145
C. Operating expenses			
1. Service requirements	$ 0	$ 1,245,395,728	$ 1,245,395,728
2. Disability benefits	11,923,494	0	11,923,494
3. Survivor benefits	1,158,548	14,615,614	15,774,162
4. Refunds	12,088,193	0	12,088,193
5. Administrative expenses	10,635,365	0	10,635,365
6. Other	3,309,099	0	3,309,099
7. Total operating expenses	$ 39,114,699	$ 1,260,011,342	$ 1,299,126,041
D. Other changes in reserves			
1. Annuities awarded	$ (900,038,092)	$ 900,038,092	$ 0
2. Adjustment due to MTRFA merger	8,772,600	(8,772,600)	0
3. Mortality gain/(loss)	68,495,077	(68,495,077)	0
4. Change in MPRIF asset valuation	0	(1,317,389,816)	(1,317,389,816)
5. Total other changes	$ (822,770,415)	$ (494,619,401)	$ (1,317,389,816)
E. Assets available at end of year	$ 8,299,347,283	$ 11,639,534,589	$ 19,938,881,872

F. Determination of current year unrecognized asset return	
1. Average balance	
a. Non-MPRIF assets available at BOY: (A)	$ 7,414,466,457
b. Non-MPRIF assets available at EOY*: (E)	8,230,852,206
c. Average balance [(a) + (b) - Net Investment Income] / 2 Net Investment Income: (B.5 (d)) + (B.6)	7,155,586,914
2. Expected return: 8.50% x (F.1. (c))	608,224,888
3. Actual return (B.5 (d)) + (B.6)	1,334,144,836
4. Current year unrecognized asset return: (F.3) - (F.2)	$ 725,919,948

**Before adjustment for MPRIF mortality gain (loss) and new MPRIF assumptions.*

Determination of Actuarial Value of Assets

Year Ended June 30, 2007

1. Market value of assets available for benefits (page 62)			$ 19,938,881,872
	Original Amount	**% Not Recognized**	
2. Calculation of unrecognized return			
(a) Year ended June 30, 2007	$ 725,919,948	80%	$ 580,735,958
(b) Year ended June 30, 2006	653,165,303	60%	391,899,182
(c) Year ended June 30, 2005	179,823,045	40%	71,929,218
(d) Year ended June 30, 2004	499,642,191	20%	99,928,438
(e) Total unrecognized return			$ 1,144,492,796
3. Actuarial value of assets: (1) - (2e) ("Current Assets")			$ 18,794,389,076
4. Actuarial value as a percent of market value			94.3%

Financial Information

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Minnesota Statutes require an asset valuation method for the TRA Active Fund that gradually adjust to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Both the actuarial value and market of assets are representations of the Fund's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Fund's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

The reader should also refer to the Management Discussion and Analysis on page 17. As of June 30, 2007, TRA's assets in the Minnesota Post Retirement Investment Fund (MPRIF) are valued at fair value. In previous valuations, the Post Fund assets were valued at cost (equal to liabilities).

Actuarial Value of Assets Calculation History Through June 30, 2007

Year Ended June 30	Employer Contributions and Other Sources	Employee Contributions	Net Investment Returns	Change in Asset Method	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2002	—	—	—	—	—	—	$17,378,994,000
2003	$150,971,000	$155,577,000	$ 696,917,000	—	$13,158,000	$ 985,222,000	17,384,179,000
2004	154,394,908	159,139,548	849,647,285	—	12,179,212	1,015,272,179	17,519,909,350
2005	160,678,168	160,982,004	977,415,580	—	10,883,151	1,055,184,638	17,752,917,313
2006	182,203,849	177,084,905	2,171,403,001	—	11,912,701	1,236,084,528	19,035,611,839
2007	212,749,135	199,868,969	1,959,365,891	-1,317,389,816	10,635,365	1,285,181,577	18,794,389,076

**Net Investment Return on an Actuarial Value of Assets basis, and net of investment fees.*

Actuarial Experience

Year Ended June 30, 2007

1.	Net gain from investments	$ 378,871,708
2.	Net gain from other experience	6,572,078
3.	Net experience gain: (1) + (2)	$ 385,443,786

Actuarial Experience

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

For the plan year ended June 30, 2007, the total gain is $385,443,786, including a gain of $378,871,708 from investments and a gain of $6,572,078 from all other sources. The net experience variation from individual sources other than investments was 0.03 percent of the actuarial accrued liability, which includes age/service retirements, disability, mortality (pre and post-retirement), withdrawal, and salary increases.

Actuarial Balance Sheet

July 1, 2007

A. Current Assets (page 64)				$ 18,794,389,076
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions				$ 1,509,042,455
2. Present Value of Future Normal Costs				3,132,501,228
3. Total Expected Future Assets				$ 4,641,543,683
C. Total Current and Expected Future Assets				$ 23,435,932,759

D. Current Benefit Obligations	**Non-Vested**	**Vested**	**Total**
1. Benefit recipients			
a. Retirement annuities	0	$ 12,345,385,806	$ 12,345,385,806
b. Disability benefits	0	160,303,686	160,303,686
c. Beneficiaries	0	607,201,662	607,201,662
2. Vested terminated members	0	375,783,598	375,783,598
3. Other non-vested terminated members	0	37,640,975	37,640,975
4. Active members:			
a. Retirement benefits	$ 30,783,896	$ 6,500,767,126	$ 6,531,551,022
b. Disability benefits	1,115,273	111,575,424	112,690,697
c. Death benefits	483,268	51,039,801	51,523,069
d. Withdrawal benefits	15,540,333	409,270,317	424,810,650
5. Total Current Benefit Obligations	$ 47,922,770	$ 20,598,968,395	$ 20,646,891,165

E. Expected Future Benefit Obligations	$ 3,955,924,560
F. Total Current and Expected Future Benefit Obligations Present Value of Benefits: (D.5 + E)	$ 24,602,815,725
G. Current Unfunded Actuarial Liability (D.5 – A)	$ 1,852,502,089
H. Current and Future Unfunded Actuarial Liability (F – C)	$ 1,166,882,968

Determination of Unfunded Actuarial Accrued Liability (UAAL) and Supplemental Contribution Rate

July 1, 2007

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability			
1. Active Members			
a. Retirement benefits	$ 10,044,770,918	$ 2,471,288,907	$ 7,573,482,011
b. Disability benefits	193,834,032	75,872,806	117,961,226
c. Death benefits	86,012,773	32,329,497	53,683,276
d. Withdrawal benefits	751,882,275	553,010,018	198,872,257
e. Total	$ 11,076,499,998	$ 3,132,501,228	$ 7,943,998,770
2. Vested terminated members	$ 375,783,598	0	$ 375,783,598
3. Other non-vested terminated members	37,640,975	0	37,640,975
4. Annuitants in the MPRIF	12,956,924,405	0	12,956,924,405
5. Annuitants not in the MPRIF	155,966,749	0	155,966,749
6. Total	$ 24,602,815,725	$ 3,132,501,228	$ 21,470,314,497

B. Determination of Unfunded Actuarial Accrued Liability

1. Actuarial Accrued Liability	$21,470,314,497
2. Actuarial Value of Assets (page 64)	18,794,389,076
3. Unfunded Actuarial Accrued Liability: (B.1) - (B.2)	$ 2,675,925,421

C. Determination of Supplemental Contribution Rate

1. Present value of future payrolls through the amortization date of June 30, 2037	$70,847,063,611
2. Supplemental contribution rate (B.3) ÷ (C.1)	3.78%

Development of Unfunded/(Overfunded) Actuarial Accrued Liability

Year Ending June 30, 2007

1.	Unfunded/(Overfunded) actuarial accrued liability at beginning of year		$ 1,643,499,040
2.	Normal cost at beginning of year, including expenses		360,313,764
3.	Total contributions		412,621,104
4.	Interest		
	a. For whole year on (1) + (2)	$ 170,324,088	
	b. For half year on (3)	17,536,397	
	c. Total interest: (4a) - (4b)		152,787,691
5.	Expected unfunded/(overfunded) actuarial accrued liability: (1) + (2) - (3) + (4)		$ 1,743,979,391
6.	Changes due to (gain)/loss from:		
	a. Investments	$ (378,871,708)	
	b. Other demographics*	(6,572,078)	
	c. Total changes due to (gain)/loss (page 66)		$ (385,443,786)
7.	Changes to plan provision and assumptions due to the MTRFA merger		$ 1,317,389,816
8.	Unfunded/(Overfunded) actuarial accrued liability at end of year		$ 2,675,925,421

* *Includes (gain)/loss due to age/service retirements, disability, mortality (pre and post-retirement), withdrawal and salary increases.*

Determination of Contribution Sufficiency

July 1, 2007

	Percent of Payroll	Dollar Amount
A. Statutory Contributions - Chapter 354		
1. Employee contributions	5.51%	$ 210,143,378
2. Employer contributions	5.72%	218,013,895
3. Supplemental contributions*		
(a) 1993 Legislation	0.13%	5,000,000
(b) 1996 Legislation	0.08%	3,005,110
(c) 1997 Legislation	0.35%	13,314,000
4. Total	11.79%	$ 449,476,383
B. Required Contributions - Chapter 356		
1. Normal Cost		
a. Retirement	7.62%	$ 290,472,173
b. Disability	0.21%	7,982,670
c. Death	0.09%	3,602,367
d. Withdrawal	1.45%	55,286,055
e. Total	9.37%	$ 357,343,265
2. Supplemental contribution amortization		
a. Before asset valuation method change	1.92%	$ 73,235,976
b. Cost impact due to asset valuation method change	1.86%	70,947,353
3. Allowance for administrative expenses	0.29%	11,061,684
4. Total	13.44%	$ 512,588,278
C. Contribution Sufficiency (Deficiency) (A.4) - (B.4)	-1.65%	$ (63,111,895)
Projected annual payroll for fiscal year beginning on the valuation date**		**$3,814,373,772**

** Includes contributions from School District #1, the City of Minneapolis, and matching State contributions.*

***Calculated as covered actual payroll, projected one year with salary scale.*

Solvency Test

Dollar Amounts in Thousands

	Aggregate Accrued Liabilities				Portion of Actuarial Accrued Liabilities Covered by Reported Assets		
Valuation as of June 30	(1) Member Contributions	(2) Retirees and Beneficiaries	(3) Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)
1998	1,303,006	5,570,230	5,173,076	12,727,546	100%	100%	100.0%
1999	1,321,579	6,751,682	5,186,308	14,011,247	100%	100%	100.0%
2000	1,354,683	8,055,622	5,392,136	15,573,151	100%	100%	100.0%
2001	1,403,755	9,106,198	5,394,031	16,834,024	100%	100%	100.0%
2002	1,483,243	9,555,364	5,464,492	17,378,994	100%	100%	100.0%
2003	1,561,048	9,713,507	5,581,824	17,384,179	100%	100%	100.0%
2004	1,632,995	10,092,955	5,792,834	17,519,909	100%	100%	100.0%
2005	1,704,913	10,438,051	5,878,446	17,752,917	100%	100%	95.4%
2006	1,765,117	12,526,588	6,387,406	19,035,612	100%	100%	74.3%
2007	1,799,910	13,112,891	6,557,513	18,794,389	100%	100%	59.2%

Schedule of Active Member Valuation Data

Year Ended June 30	Active Members	*($ in thousands)* Annual Covered Payroll	% Increase in Covered Payroll	$ Annual Average
1998	68,247	2,422,958	2.7%	35,503
1999	68,613	2,625,254	8.3%	38,262
2000	70,508	2,704,575	3.0%	39,249
2001	71,097	2,812,000	4.0%	39,552
2002	71,690	2,873,771	2.2%	40,086
2003	71,916	2,952,887	2.8%	41,060
2004	72,008	3,032,483	2.7%	42,113
2005	74,552	3,121,571	2.9%	41,871
2006	79,164	3,430,645	9.9%	43,336
2007	77,694	3,532,159	3.0%	45,462

Schedule of Retirees and Beneficiaries Added To and Removed From Retirement Rolls

Fiscal Year	Added To Rolls Number	Added To Rolls Annual Allowances	Removed From Rolls Number	Removed From Rolls Annual Allowances	Rolls: June 1, 200X Payment Number	Rolls: June 1, 200X Payment Annual Allowances	Average Annual Allowances
2007*							
Retirement	2,222	$ 62,734,162	767	$ 20,372,241	38,205	$ 1,059,731,231	$ 27,738
Disability	59	$ 998,126	63	$ 1,347,548	600	$ 11,447,746	$ 19,080
Beneficiaries	355	$ 8,269,118	141	$ 2,933,302	3,430	$ 79,182,006	$ 23,085
2006*							
Retirement	2,300	$ 62,956,636	670	$ 18,431,998	36,750	$ 1,016,543,840	$ 27,661
Disability	83	$ 1,363,524	66	$ 1,427,682	604	$ 11,586,536	$ 19,183
Beneficiaries	337	$ 7,296,282	149	$ 2,867,820	3,216	$ 72,667,165	$ 22,596
2005							
Retirement	2,106	$ 57,668,914	661	$ 16,831,656	35,120	$ 971,477,075	$ 27,661
Disability	58	$ 1,011,616	59	$ 1,288,335	587	$ 11,409,732	$ 19,437
Beneficiaries	297	$ 6,475,987	154	$ 3,016,273	3,028	$ 67,280,901	$ 22,219
2004							
Retirement	1,726	$ 48,266,626	689	$ 17,942,943	33,675	$ 933,150,918	$ 27,710
Disability	74	$ 1,431,398	45	$ 943,335	588	$ 11,462,253	$ 19,494
Beneficiaries	299	$ 6,196,059	137	$ 2,506,367	2,885	$ 62,690,339	$ 21,730
2003							
Retirement	1,752	$ 45,213,170	681	$ 16,595,867	32,638	$ 905,702,949	$ 27,751
Disability	60	$ 838,012	54	$ 1,199,063	559	$ 10,839,002	$ 19,355
Beneficiaries	278	$ 6,006,648	136	$ 2,022,035	2,723	$ 58,540,855	$ 21,499
2002 - Total Benefit Recipients					34,974	$ 946,344,333	
2001 - Total Benefit Recipients					33,757	$ 861,787,476	
2000 - Total Benefit Recipients					31,946	$ 755,036,577	
1999 - Total Benefit Recipients					29,749	$ 620,937,964	

**Does not include former MTRFA benefit recipients transferred to TRA on June 30, 2006.*

Note: Detailed data on retirees and beneficiaries added to and removed from rolls is not available prior to fiscal year 2003.

Teachers Retirement Association of Minnesota

Statistical

Statistical

Statistical

Statistical

Statistical

Statistical

Statistical Summary

TRA complies with GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, issued in May 2004. The pronouncement establishes and modifies requirements related to the supplementary information presented in this section of the report. This section of the report provides detailed information about TRA as a context for understanding what the information in the financial statement note disclosures, and required supplementary information indicates about the Association's overall financial condition.

The schedules and graphs beginning on page 75 show trend information about the growth of TRA assets over the past 10 years. These schedules, and others, provide detailed information about the trends of key sources of additions and deductions to plan assets.

The schedule of Pension Assets Compared to Pension Liabilities, found on pages 76-77 (bottom), show the funding progress of the plan for the past 10 years on accumulating assets to cover projected pension liabilities which will ultimately be due at retirement.

The Contribution Rate chart on page 75 provides historical information on the total member and employer contribution rates.

The schedules on pages 79-85 include detailed information regarding the number and type of benefit recipients, and information as to the benefit amount.

The chart on page 86 provides a profile of TRA active members on June 30, 2007, by age and service credit totals.

The chart on page 87 contains information on the total number of members by type.

The schedules on page 88 detail the largest TRA employer units by covered employees and by types of employer.

All non-accounting data is derived from TRA internal sources. Due to the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA, approximately 4,000 former MTRFA benefit recipients were transferred to TRA as of June 30, 2006. During fiscal year 2007, TRA continued to operate the payment processing systems formerly used by MTRFA. As a result , some of the schedules presented were not able to include the former MTRFA benefit recipients into the exhibits shown. The conversion of former MTRFA members into TRA's data base was completed in September 2007. Improved statistical detailed reporting on the combined group of benefit recipients will be presented in the fiscal year 2008 Comprehensive Annual Financial Report.

10-Year History of Plan Net Assets

June 30 Fiscal Year End	Plan Net Assets	% Change From Prior Year
1998	$15,289,822,531	—
1999	$16,692,428,535	9.2%
2000	$17,749,580,369	6.3%
2001	$15,902,335,962	-10.4%
2002	$13,997,762,175	-12.0%
2003	$13,061,606,463	-6.7%
2004	$15,095,803,651	15.6%
2005	$15,928,603,867	5.5%
2006	$17,764,526,441	11.5%
2007	$19,938,881,872	12.2%

10-Year History of Contribution Rates

Year	Basic Program Employee Contribution Rate	Basic Program Employer Contribution Rate	Basic Program Total Contribution Rate	Coordinated Employee Contribution Rate	Coordinated Employer Contribution Rate	Coordinated Total Contribution Rate
1998	9.00%	10.64%	19.64%	5.0%	6.64%	11.64%
1999	9.00%	9.00%	18.00%	5.0%	5.0%	10.00%
2000	9.00%	9.00%	18.00%	5.0%	5.0%	10.00%
2001	9.00%	9.00%	18.00%	5.0%	5.0%	10.00%
2002	9.00%	9.00%	18.00%	5.0%	5.0%	10.00%
2003	9.00%	9.00%	18.00%	5.0%	5.0%	10.00%
2004	9.00%	9.00%	18.00%	5.0%	5.0%	10.00%
2005	9.00%	9.00%	18.00%	5.0%	5.0%	10.00%
2006	9.00%	9.00%	18.00%	5.0%	5.0%	10.00%
2007	9.00%	9.00%	18.00%	5.5%	5.0%	10.50%

Teachers Retirement Association
10-Year History of Changes in Plan Net Assets

	1998	1999	2000	2001
Additions				
Member Contributions	$ 124,095,573	$ 132,040,005	$ 138,696,271	$ 145,075,285
Employer Contributions	151,322,830	130,525,591	134,418,833	139,799,408
Net Income (Loss) From Investing Activity	2,637,948,298	1,775,404,067	1,555,989,313	(1,244,340,580)
Other Income, Net	1,329,869	1,587,211	2,387,928	3,156,294
Total Additions to Plan Net Assets	$ 2,914,696,570	$ 2,039,556,874	$ 1,831,492,345	$ (956,309,593)
Deductions				
Pension Benefits	$ 533,851,113	$ 620,937,964	$ 755,036,577	$ 861,767,476
Refunds	5,689,067	6,271,448	7,262,919	7,608,839
Administrative Expenses	5,417,370	7,976,908	8,137,683	13,077,718
Other	1,226,838	1,764,550	3,903,332	8,460,781
Total Deductions from Plan Net Assets	$ 546,184,388	$ 636,950,870	$ 774,340,511	$ 890,914,814
Net Increase (Decrease)	$ 2,368,512,182	$ 1,402,606,004	$ 1,057,151,834	$ (1,847,224,407)
Net Assets Held in Trust, Beginning of Year	$12,921,310,349	$15,289,822,531	$16,692,428,535	$17,749,580,369
Net Assets Held in Trust, End of Year	$15,289,822,531	$16,692,428,535	$17,749,580,369	$15,902,355,962

**"Net assets held in trust, beginning of year" were restated to reflect $745,214,858 of assets assumed as a result of merger with MTRFA.*

10-Year History of Pension Assets vs. Pension Liabilities

	1998	1999	2000	2001
Pension Assets (Actuarial Value)	$12,727,546,000	$14,011,247,000	$15,573,151,000	$16,834,024,000
Accrued Liabilities	$12,046,312,000	$13,259,569,000	$14,802,441,000	$15,903,099,000
Unfunded Liabilities (Sufficiency)	$ (681,234,000)	$ (751,678,000)	$ (770,710,000)	$ (930,925,000)
Funded Ratio	105.7%	105.7%	105.2%	105.9%

	2002	2003	2004	2005	2006*	2007
	$ 152,331,067	$ 155,577,148	$ 159,139,548	$ 160,982,004	$ 177,084,906	$ 199,868,969
	142,221,589	149,480,510	151,028,911	157,693,090	200,285,886	209,219,130
	(1,236,187,539)	293,085,074	2,204,787,495	1,575,519,541	1,951,778,366	3,056,492,094
	4,488,404	4,416,909	7,266,004	6,295,759	11,412,062	7,901,279
	$ (937,146,479)	$ 602,559,641	$ 2,522,221,958	$ 1,900,490,394	$ 2,340,561,220	$ 3,473,481,472
	$ 946,344,333	$ 978,466,617	$ 1,008,410,471	$ 1,048,440,525	$1,224,212,024	$ 1,273,093,384
	7,353,363	6,656,191	6,861,708	6,744,116	11,872,504	12,088,193
	12,911,651	13,158,348	12,179,212	10,883,151	11,912,701	10,635,365
	817,961	434,197	573,379	1,622,386	1,856,275	3,309,099
	$ 967,427,308	$ 998,715,353	$ 1,028,024,770	$ 1,067,690,178	$ 1,249,853,504	$ 1,299,126,041
	$(1,904,573,787)	$ (396,155,712)	$ 1,494,197,188	$ 832,800,216	$ 1,090,707,716	$ 2,174,355,431
	$15,902,335,962	$13,997,762,175	$13,601,606,463	$15,095,803,651	$16,673,818,725	$17,764,526,441
	$13,997,762,175	$13,601,606,463	$15,095,803,651	$15,928,603,867	$17,764,526,441	$19,938,881,872

	2002	2003	2004	2005	2006	2007
	$17,378,994,000	$17,384,179,000	$17,519,909,000	$17,752,917,000	$19,035,612,000	$18,794,389,076
	$16,503,099,000	$16,856,379,000	$17,518,784,000	$18,021,410,000	$20,679,111,000	$21,470,314,497
	$ (875,895,000)	$ (527,800,000)	$ (1,125,000)	$268,493,000	$1,643,499,000	$ 2,675,925,421
	105.3%	103.1%	100.0%	98.5%	92.0%	87.5%

10-Year History of Benefit Recipients by Category

Year	Annuitants	Disabilitants	Survivors	Total
1998	25,088	454	1,686	27,228
1999	27,457	476	1,816	29,749
2000	29,525	509	1,912	31,946
2001	31,169	518	2,070	33,757
2002	32,231	551	2,192	34,974
2003	33,290	558	2,351	36,199
2004	34,581	589	2,479	37,649
2005	35,779	581	2,597	38,957
2006*	40,973	630	3,080	44,683
2007**	42,679	636	3,223	46,538

**Includes former MTRFA benefit recipients transferred to TRA on June 30, 2006 as follows:*

3,600	*Annuitants*
32	*Disabilitants*
326	*Survivors*
3,958	*Benefit recipients transferred on June 30, 2006 from MTRFA*

***Includes former MTRFA benefit recipients transferred to TRA on June 30, 2007 as follows:*

3,673	*Annuitants*
41	*Disabilitants*
285	*Survivors*
3,999	*Benefit recipients transferred on June 30, 2006 from MTRFA*

Schedule of Benefit Amounts Paid*

For Month of June 2007

Monthly Benefit Amount	Number of Recipients	Cumulative Total	Percent	Cumulative Percent
Under $100 - 499	5,005	5,005	11.85	11.85
$ 500 - 999	4,540	9,545	10.75	22.60
$ 1,000 - 1,499	4,693	14,238	11.11	33.71
$ 1,500 - 1,999	5,655	19,893	13.39	47.10
$ 2,000 - 2,499	5,959	25,852	14.10	61.20
$ 2,500 - 2,999	4,930	30,782	11.67	72.87
$ 3,000 - 3,499	3,718	34,500	8.80	81.67
$ 3,500 - 3,999	2,613	37,113	6.19	87.86
$ 4,000 - 4,499	1,801	38,914	4.26	92.12
$ 4,500 - 4,999	1,055	39,969	2.50	94.62
$ 5,000 - 5,499	752	40,721	1.78	96.40
$ 5,500 - 5,999	469	41,190	1.11	97.51
$ 6,000 - 6,499	333	41,523	0.79	98.30
$ 6,500 - 6,999	263	41,786	0.63	98.93
$ 7,000 - 7,499	164	41,950	0.39	99.32
$ 7,500 - 7,999	98	42,048	0.23	99.55
$ 8,000 - 8,499	79	42,127	0.19	99.74
$ 8,500 - 8,999	36	42,163	0.09	99.83
$ 9,000 - 9,499	22	42,185	0.05	99.88
$ 9,500 - 9,999	17	42,202	0.04	99.92
$10,000 - 10,499	14	42,216	0.03	99.95
$10,500 - 10,999	6	42,222	0.01	99.96
$11,000 - 11,499	5	42,227	0.01	99.97
$11,500 - 11,999	3	42,230	0.01	99.98
$12,000 - 12,499	2	42,232	0.01	99.99
$12,500 and over	3	42,235	0.01	100.00

Does not include former MTRFA benefit recipients transferred to TRA on June 30, 2006.

10-Year History of Benefits and Refunds by Type

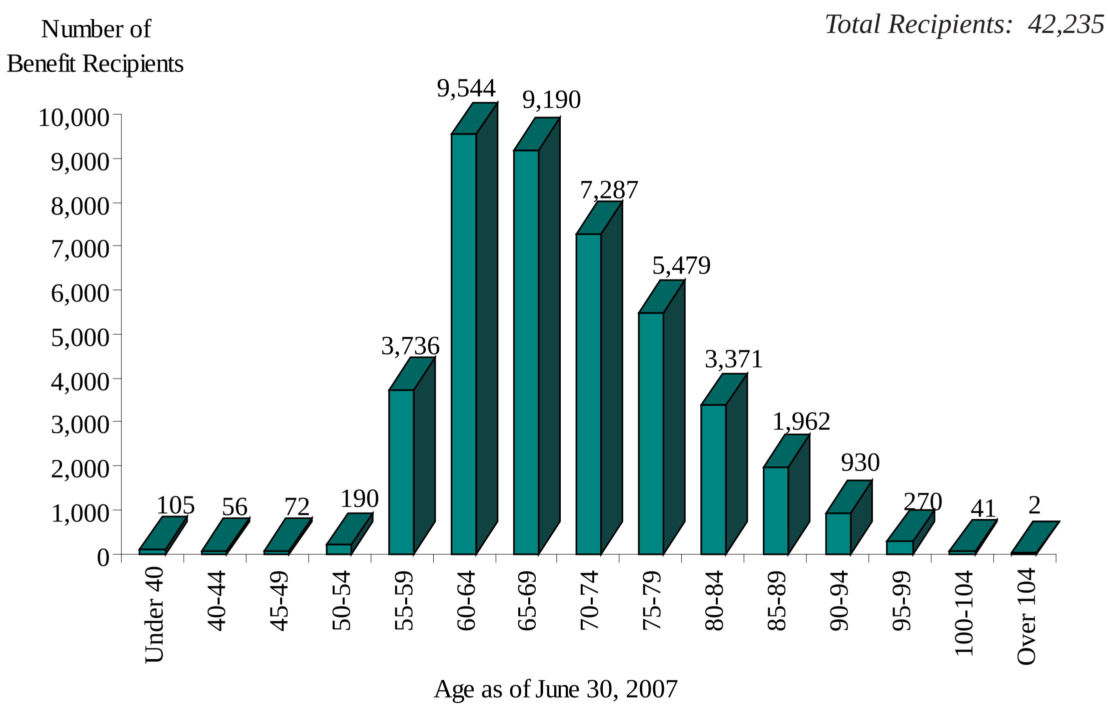
Pension Benefits	1998	1999	2000	2001
Annuities	$517,008,277	$602,176,461	$734,173,055	$839,034,887
Disabilities	7,815,166	8,869,921	9,837,686	10,530,210
Survivor Benefits	9,027,669	9,891,582	11,025,836	12,222,381
Total Pension Benefits	$533,851,112	$620,937,964	$755,036,577	$861,787,478
Refunds	$ 5,689,067	$ 6,271,448	$ 7,262,919	$ 7,608,838
Total Benefits and Refunds	$539,540,179	$627,209,412	$762,299,496	$869,396,316

* *Dollar values include benefit payments made to benefit recipients of MTRFA transferred to TRA on June 30, 2006.*

2002	2003	2004	2005	2006*	2007*
$919,648,266	$952,017,588	$982,474,587	$1,022,761,163	$1,193,477,300	$ 1,245,395,728
11,477,973	11,346,039	11,734,673	11,810,137	13,118,722	11,923,494
14,096,110	13,613,284	14,201,212	13,869,225	17,616,002	15,774,162
$945,222,349	$976,976,911	$1,008,410,472	$1,048,440,525	$ 1,224,212,024	$ 1,273,093,384
$ 7,353,363	$ 6,656,191	$ 6,861,707	$ 6,744,116	$ 11,872,504	$ 12,088,193
$952,575,712	$983,633,102	$1,015,272,179	$1,055,184,641	$ 1,236,084,528	$ 1,285,181,577

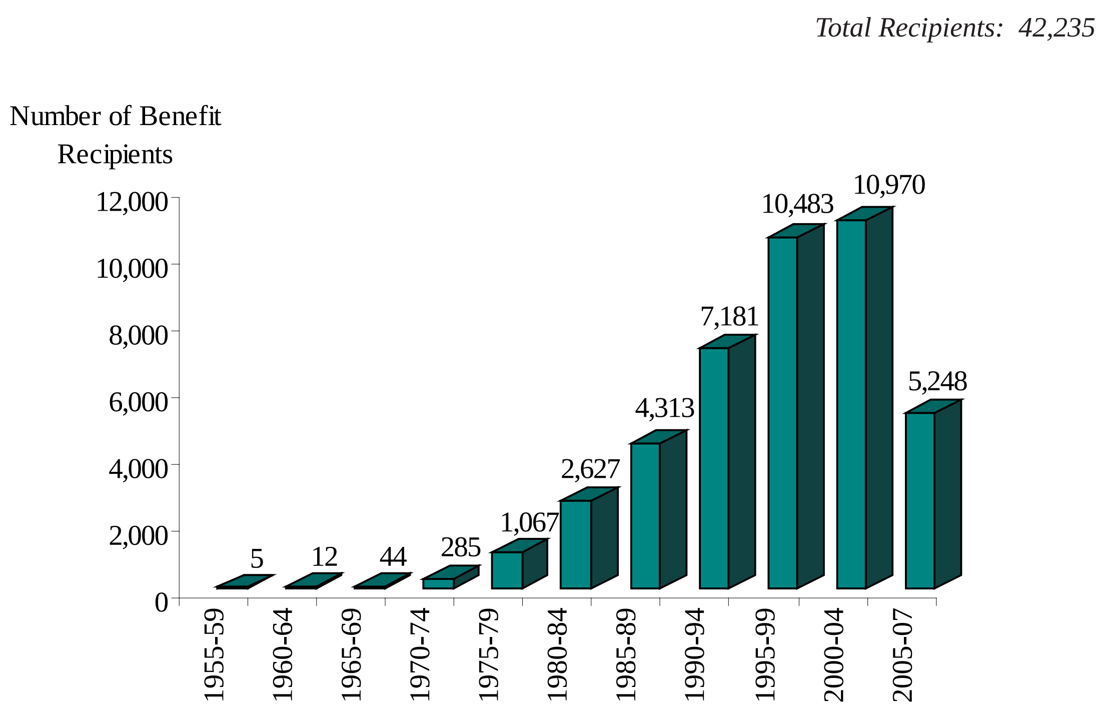
Schedule of Benefit Recipients by Current Age*

For Month of June 2007



Benefit Recipients by Effective Date of Retirement*

For Month of June 2007



*Does not include former MTRFA benefit recipients transferred to TRA on June 30, 2006.

Schedule of New Retirees and Initial Benefit Paid

For the Ten Fiscal Years Ending June 30, 2007

	Years of Formula Service						
Fiscal Year	**<10**	**10-15**	**16-20**	**21-25**	**26-30**	**Over 30**	**Total**
1998							
Avg. Monthly Benefit	$220.86	$674.83	$1,058.85	$1,544.28	$2,216.02	$2,959.73	$2,128.26
Number of Retirees	191	131	144	232	306	983	1,987
1999							
Avg. Monthly Benefit	$243.40	$696.37	$1,217.30	$1,664.26	$2,406.11	$3,204.73	$2,526.67
Number of Retirees	172	148	191	231	420	1,716	2,878
2000							
Avg. Monthly Benefit	$233.43	$668.46	$1,164.27	$1,660.98	$2,343.63	$3,115.03	$2,229.47
Number of Retirees	244	234	190	269	432	1,308	2,677
2001							
Avg. Monthly Benefit	$212.99	$739.68	$1,114.17	$1,743.43	$2,523.15	$3,262.12	$2,312.31
Number of Retirees	236	191	175	245	362	1,125	2,334
2002							
Avg. Monthly Benefit	$242.38	$777.25	$1,246.91	$1,637.71	$2,297.50	$3,136.64	$2,089.22
Number of Retirees	249	172	138	203	201	813	1,776
2003							
Avg. Monthly Benefit	$248.87	$758.32	$1,241.55	$1,604.95	$2,450.79	$3,204.33	$2,265.77
Number of Retirees	213	147	129	162	191	911	1,753
2004							
Avg. Monthly Benefit	$259.63	$738.26	$1,154.80	$1,832.53	$2,392.71	$3,227.23	$2,323.93
Number of Retirees	258	162	119	158	157	1,102	1,956
2005							
Avg. Monthly Benefit	$266.89	$768.41	$1,235.35	$1,688.07	$2,515.37	$3,224.52	$2,424.24
Final Average Salary	$28,747	$35,240	$44,812	$52,867	$58,063	$60,069	$53,257
Number of Retirees	204	110	118	132	169	1,055	1,788
2006*							
Avg. Monthly Benefit	$238.69	$842.76	$1,348.93	$1,819.91	$2,522.84	$3,320.47	$2,422.45
Final Average Salary	$21,194	$37,339	$50,455	$36,045	$58,519	$62,537	$54,018
Number of Retirees	230	144	170	151	207	1,094	1,996
2007*							
Avg. Monthly Benefit	$256.75	$780.55	$1,454.61	$1,931.64	$2,608.10	$3,548.00	$2,465.22
Final Average Salary	$22,846	$38,717	$50,770	$58,606	$61,332	$63,080	$55,098
Number of Retirees	256	162	183	181	190	1,238	2,210

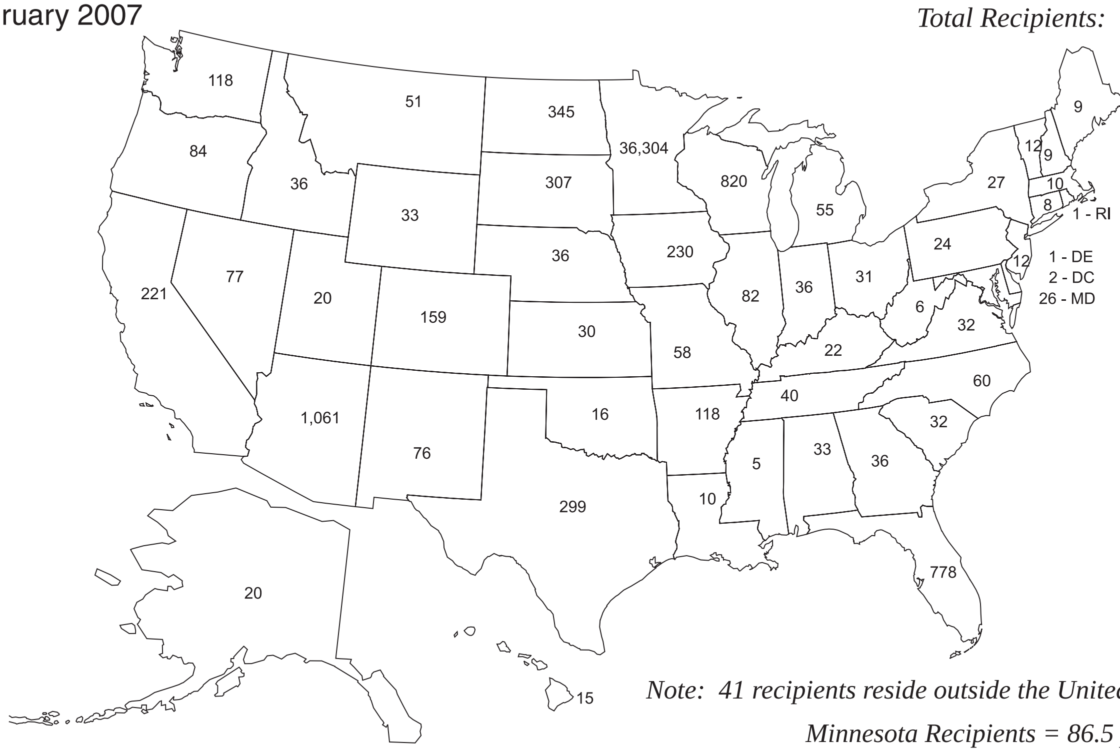
**Does not include former MTRFA benefit recipients transferred to TRA on June 30, 2006.*

Note: Final Average Salary by years of service is unavailable for years prior to fiscal year 2005.

Distribution of TRA Benefits
Mailing Address of Benefit Recipient*

February 2007

Total Recipients: 41,974



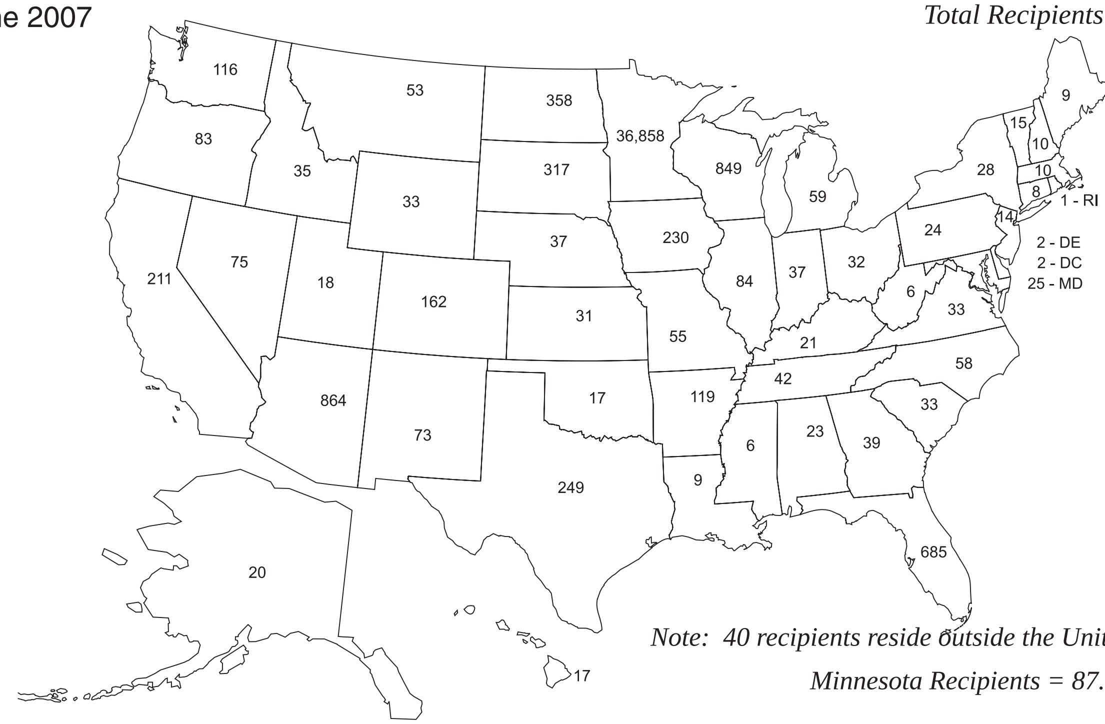
Note: 41 recipients reside outside the United States

Minnesota Recipients = 86.5 percent

Distribution of TRA Benefits
Mailing Address of Benefit Recipient*

June 2007

Total Recipients: 42,235



Note: 40 recipients reside outside the United States

Minnesota Recipients = 87.3 percent

*Does not include former MTRFA benefit recipients transferred to TRA on June 30, 2006.

Schedule of Benefit Recipients by Type*

For Month of June 2007

Monthly Benefit Amount	Number of Recipients	Type of Retirement: Regular	Disability	Beneficiary
$ 1 - $ 250	2,589	2,381	28	180
$ 251 - $ 500	2,417	2,092	53	272
$ 501 - $ 750	2,186	1,827	48	311
$ 751 - $ 1,000	2,354	2,010	56	288
$ 1,001 - $ 1,250	2,307	1,961	53	293
$ 1,251 - $ 1,500	2,386	2,078	56	252
$ 1,501 - $ 1,750	2,728	2,400	52	276
$ 1,751 - $ 2,000	2,928	2,644	49	235
$ 2,001 - $ 2,250	3,015	2,748	54	213
$ 2,251 - $ 2,500	2,955	2,705	55	195
$ 2,501 - $ 2,750	2,657	2,471	37	149
$ 2,751 - $ 3,000	2,308	2,153	21	134
$ 3,001 - $ 3,250	1,932	1,814	21	97
$ 3,251 - $ 3,500	1,758	1,666	7	85
$ 3,501 - $ 3,750	1,461	1,387	2	72
$ 3,751 - $ 4,000	1,148	1,079	2	67
$ 4,001 - $ 4,250	990	942	3	45
$ 4,251 - $ 4,500	801	759	0	42
$ 4,501 - $ 4,750	591	554	2	35
$ 4,751 - $ 5,000	463	432	0	31
$ 5,001 - $ 5,250	399	371	0	28
$ 5,251 - $ 5,500	349	331	0	18
$ 5,501 - $ 5,750	253	234	0	19
$ 5,751 - $ 6,000	216	199	0	17
$ 6,001 - $ 6,250	170	154	0	16
$ 6,251 - $ 6,500	163	156	0	7
$ 6,501 - $ 6,750	140	127	0	13
$ 6,751 - $ 7,000	122	113	0	9
$ 7,001 - $ 7,250	91	85	0	6
$ 7,251 - $ 7,500	74	66	0	8
$ 7,501 - $ 7,750	70	66	0	4
$ 7,751 - $ 8,000	29	27	0	2
$ 8,001 - $ 8,250	48	47	0	1
$ 8,251 - $ 8,500	29	25	1	3
$ 8,501 - $ 8,750	24	23	0	1
$ 8,751 - $ 9,000	12	11	0	1
$ 9,001 - $ 9,250	14	14	0	0
$ 9,251 - $ 9,500	8	7	0	1
$ 9,501 - $ 9,750	10	9	0	1
$ 9,751 - $10,000	7	6	0	1
$10,001 and over	33	31	0	2
Total	**42,235**	**38,205**	**600**	**3,430**

**Does not include former MTRFA benefit recipients transferred to TRA on June 30, 2006.*

Distribution of Active Members (with Average Annual Salary)*

As of June 30, 2007

Years of Service	Age											
	Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 & Over	70 & Over	Total
Total	2,534	9,766	9,649	10,415	9,398	10,093	11,011	10,556	3,443	627	202	77,694
	$25,877	34,631	$43,481	$49,074	$51,262	$51,580	$57,003	$60,012	$54,399	$40,466	$18,674	$49,095
Under 5	2,534	7,950	3,254	2,393	2,133	2,246	1,534	1,171	655	271	137	24,278
	$25,877	$32,098	$32,411	$29,462	$26,731	$25,582	$24,461	$22,653	$15,637	$9,966	$6,716	$28,199
5-9	—	1,816	5,380	3,025	1,773	1,694	1,348	911	350	83	25	16,405
	—	$45,722	$47,659	$48,213	$47,941	$46,448	$46,035	$43,745	$39,285	$35,438	$11,980	$46,807
10-14	—	—	1,014	4,229	2,267	1,579	1,528	1,187	434	50	10	12,298
	—	—	$56,821	$57,831	$57,239	$56,934	$55,836	$54,493	$52,997	$54,863	$40,942	$56,757
15-19	—	—	1	768	2,610	1,795	1,547	1,395	487	41	9	8,653
	—	—	$57,220	$65,354	$64,641	$62,837	$63,089	$62,456	$61,401	$57,250	$47,647	$63,464
20-24	—	—	—	—	614	2,174	1,472	1,241	491	57	2	6,051
	—	—	—	—	$67,139	$66,968	$66,655	$68,135	$67,832	$76,439	$60,963	$67,306
25-29	—	—	—	—	1	605	2,439	1,567	445	39	6	5,102
	—	—	—	—	$46,094	$67,214	$68,434	$69,877	$71,712	$71,215	$58,983	$69,024
30-34	—	—	—	—	—	—	1,142	2,592	261	26	3	4,024
	—	—	—	—	—	—	$70,108	$71,405	$78,271	$84,437	$82,199	$71,575
35-39	—	—	—	—	—	—	1	492	282	39	5	819
	—	—	—	—	—	—	$78,795	$73,503	$77,431	$95,702	$107,385	$76,126
40 & Over	—	—	—	—	—	—	—	—	38	21	5	64
	—	—	—	—	—	—	—	—	$76,784	$75,113	$90,986	$77,345

*May include duplicate records (headcount purposes only) due to the MTRFA merger that was effective June 30, 2006, for members who have accrued service under both MTRFA and TRA.

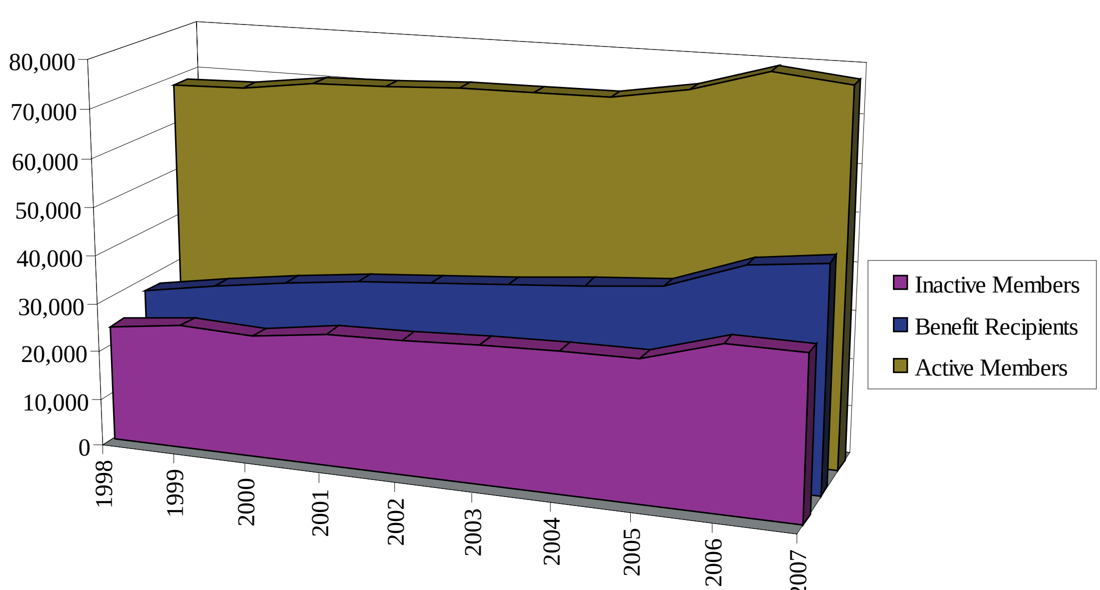
10-Year Summary of Membership

Year Ended June 30	Active Members	Inactive Members	Benefit Recipients
1998	68,247	23,907	27,228
1999	68,613	25,822	29,749
2000	70,508	25,208	31,946
2001	71,097	27,256	33,757
2002	71,690	27,702	34,974
2003	71,916	28,560	36,199
2004	72,008	28,990	37,649
2005	74,552	29,031	38,957
2006*	79,164	33,729	44,683
2007**	77,694	35,550	46,538

**Includes members transferred as part of the MTRFA merger effective June 30, 2006, as follows: 4,381 active, 5,444 inactive, and 3,958 benefit recipients*

***Includes members transferred as part of the MTRFA merger effective June 30, 2006, as follows: 4,217 active, 5,163 inactive, and 3,999 benefit recipients*

10-Year Summary of Membership



TRA

Principal Participating Employers

As of June 30, 2007

	2007			2006*		
Employer Unit Name	Covered Employees	Rank	Percentage of Active Membership	Covered Employees	Rank	Percentage of Active Membership
Minneapolis Special School District #1	4,217	1	5.43	4,381	1	5.53
Anoka-Hennepin - ISD #11	3,506	2	4.51	3,497	2	4.42
MnSCU (MN State Colleges and Universities)	3,253	3	4.19	3,422	3	4.33
Rosemount-Apple Valley-Eagan - ISD #196	2,685	4	3.46	2,668	4	3.37
Osseo - ISD #279	1,973	5	2.54	1,903	5	2.40
South Washington County - ISD #833	1,454	6	1.87	1,632	6	2.06
Rochester - ISD #535	1,412	7	1.81	1,387	7	1.75
Robbinsdale - ISD #281	1,245	8	1.60	1,247	8	1.58
Lakeville - ISD 94	1,078	9	1.39	NA	NA	NA
St. Cloud - ISD #742	NA	NA	NA	1,082	9	1.37
Bloomington - ISD #271	994	10	1.28	1,030	10	1.30
All Other	55,877		71.92	56,915		71.89
Total	77,694		100.00	79,164		100.00

**Information not available prior to 2006*

Number of Employer Units

As of June 30, 2007

Year	Independent School Districts	Joint Power Units	MN State Colleges and Universities (MnSCU)	Charter Schools	State Agencies	Others	Total
1998	347	41	39	12	18	4	461
1999	344	41	39	15	17	2	458
2000	342	40	40	25	16	2	465
2001	340	40	40	28	14	1	463
2002	340	39	40	32	11	1	463
2003	340	38	40	88	8	1	515
2004	345	37	39	110	6	1	538
2005	345	38	39	136	6	1	565
2006	348	37	39	142	6	1	573
2007	343	37	39	139	7	1	566

Teachers Retirement Association of Minnesota

Plan Statement

Plan Statement

Plan Statement

Plan Statement

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Plan Statement

June 30, 2007

Purpose

The Minnesota Teachers Retirement Association (TRA) was established on July 1, 1931, by the state legislature. Its purpose is to improve educational service and better compensate teachers in order to make the occupation of teaching in Minnesota more attractive to qualified persons by providing a retirement benefit schedule that rewards faithful and continued service.

Administration

TRA is managed by eight trustees – three are statutorily appointed and five are elected. The statutory trustees are the Commissioner of Education, the Commissioner of Finance and a representative of the Minnesota School Boards Association. Four of the five elected trustees are active members and one is a retiree. Administrative management of the fund is vested in an Executive Director who is appointed by the Board of Trustees. The Board also contracts with an actuary and uses legal counsel provided by the office of the Attorney General.

Membership

All teachers employed in public elementary and secondary schools, joint powers, charter schools and all other educational institutions maintained by the State of Minnesota (except those teachers employed by the cities of St. Paul and Duluth, or by the University of Minnesota) are required to be members of TRA. Teachers employed by Minnesota State Colleges and Universities (MnSCU) have a one-time election to join TRA. No Minnesota state college or university teacher is a member except for purposes of Social Security coverage if that teacher has coverage by the Defined Contribution Retirement Plan administered by the MnSCU Board.

Retirement Service Credit

Service credit for benefits is earned from teaching service performed on a full-time, part-time or substitute basis up to a maximum of 170 full days per fiscal year (July 1 – June 30). Service credit may also be obtained by using paid accumulated sick leave or by purchasing service for a qualified leave of absence. If a teacher teaches less than 170 full days, fractional service credit is given as the ratio of the number of full days taught to 170. If a teacher teaches only a fractional part of a day, the service credit earned is the actual hours taught divided by a five-hour standard for the day. Even though a teacher may teach more than five hours per day, not more than one day of service credit can be earned on any day. No more than one year of service credit may be earned during any fiscal year.

Financing

Benefits are financed by employee contributions, employer contributions, investment earnings and turnover gains. Turnover gains are employer contributions released to the fund when members take refunds of their own contributions.

Vesting

In a pension plan, vesting means a member has earned sufficient service credit to be eligible for a monthly benefit.

TRA members who have performed covered service after May 15, 1989, are vested after three years of teaching service. TRA members who last worked prior to May 16, 1989, require five years or, in some cases, ten years of service credit earned in order to be eligible for a monthly annuity benefit.

Employee Contributions

TRA members pay a percentage of their gross annual salary as determined by their membership plan. Basic Plan members (without Social Security coverage) contribute 9 percent of their annual salary while Coordinated Plan members (coordinated with Social Security coverage) contribute 5.5 percent of their annual salary.

Employer Contributions

Local school districts and other TRA-covered employer units provide contributions of 9 percent of total salary for members in the Basic Plan and 5 percent of total salary for members in the Coordinated Plan. For Coordinated Plan members the employer unit also makes the required matching contribution to the Social Security Administration.

Minneapolis Special School District #1 pays an employer additional contribution of 3.64 percent of annual salary for TRA members employed by that school district.

Effective July 1, 2007, the employer contribution rate for Basic members will increase to 9.5 percent and 5.5 percent for Coordinated members.

Retirement Benefit

The retirement benefit is determined by a formula based on the average of the member's highest five successive annual salaries, an accumulated percentage factor based on the total years of service credit, and the member's age at retirement. The retirement benefits for members who were first hired before July 1, 1989, are different from the retirement benefits for members who were first hired after June 30, 1989.

Coordinated Members First Hired Before July 1, 1989

For members first hired before July 1, 1989, the retirement benefits (with average salary defined as the average of the highest five successive annual salaries) are the greater of:

a. The sum of:
   - 1.20 percent of average salary for the first 10 years of allowable service;
   - 1.70 percent of average salary for each subsequent year prior to July 1, 2006; and
   - 1.90 percent of average salary for each year of allowable service July 1, 2006 and after.
   - No actuarial reduction if age plus years of service totals 90. Otherwise, reduction of 0.25 percent for each month the member is under age 65 (or age 62 if 30 years of allowable service) at the time of retirement.

b. The sum of:
   - 1.70 percent of average salary for each year of allowable service prior to July 1, 2006; and
   - 1.90 percent of average salary for each year of allowable service beginning July 1, 2006.
   - Actuarial reduction (averaging 4.0 percent to 5.5 percent per year) applies if the member is under full Social Security benefit retirement age, but not to exceed age 65.

or

c. For eligible members, a money purchase annuity equal to the actuarial equivalent of 220.00 percent of the member's accumulated deductions plus interest thereon.

Coordinated Members First Hired After June 30, 1989

For members first hired after June 30, 1989, the retirement benefits (with average salary defined as the average of the highest five successive annual salaries) are the sum of:

- 1.70 percent of average salary for each year of allowable service prior to July 1, 2006; and
- 1.90 percent of average salary for each year of allowable service beginning July 1, 2006.

Actuarial reduction (averaging 4.0 percent to 5.5 percent per year) applies if the member is under full Social Security benefit retirement age, but not to exceed age 66.

Basic Members (Former MTRFA)

TRA has approximately 125 active Basic members from the former Minneapolis Teachers Retirement Fund Association (MTRFA) who were transferred to TRA effective June 30, 2006. Under the merger legislation, this group of former MTRFA members retain eligibility for the benefit provisions as provided by the MTRFA Articles of Incorporation and by-laws as they existed on June 30, 2006.

The retirement benefits for these members (with average salary defined as the average of the highest five successive annual salaries) are:

- 2.50 percent of average salary for each year of teaching service.
- No actuarial reduction applies if the retiring member is age 60 or any age with 30 years of teaching service.

If the member is age 55 with less than 30 years of teaching service, the retirement benefit is the greater of:

a. 2.25 percent of average salary for each year of teaching service with reduction of 0.25 percent for each month the member is under age first eligible for a normal retirement benefit.

b. 2.50 percent of average salary for each year of teaching service assuming augmentation to the age first eligible for a normal retirement benefit at 3.00 percent per year and actuarial reduction for each month the member is under the age first eligible for a normal retirement benefit.

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

Basic Members (Non-MTRFA)

As of June 30, 2007, TRA had fewer than ten inactive members who retain eligibility for the Basic Plan and do not have eligibility for the provisions for former MTRFA Basic members. The retirement benefits (with average salary defined as the average of the highest five successive annual salaries) are the greater of:

a. 2.20 percent of average salary for each of the first ten years of allowable service and 2.70 percent of average salary for each subsequent year with reduction of 0.25 percent 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.

b. 2.70 percent of average salary for each year of allowable service assuming augmentation to age 65 at 3.00 percent per year and actuarial reduction for each month the member is under age 65.

or

c. For eligible members, a money purchase annuity equal to the actuarial equivalent of 220.00 percent of the member's accumulated deductions plus interest thereon

All members in this group have reached normal retirement age and are no longer subject to early retirement penalties.

Deferred Retirement

Members with three or more years of allowable service (ten or more years of allowable service if termination of teaching service occurs before July 1, 1987, and five or more years of allowable service if termination of teaching service occurs after June 30, 1987, but before May 16, 1989) who terminate teaching service in schools covered by the association may have their retirement benefit deferred until they attain age 55 or older.

For members first hired prior to July 1, 2006, the deferred benefit is augmented by 3 percent interest compounded annually until January 1 of the year following attainment of age 55 and 5 percent thereafter until the retirement benefit begins.

All vested TRA members first hired after June 30, 2006, receive deferred annuity benefit increases of 2.5 percent per year between the date of termination and the effective date of retirement.

Annuity Plan Options

Six different annuity plan options are available to TRA members providing monthly benefit payments for as long as the annuitant lives. The No Refund Plan provides the highest possible monthly benefit, but terminates upon the member’s death. A member may choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features.

1. No Refund, For Life of Member
2. Guaranteed Refund
3. 15-Years Guaranteed
4. 100% Survivorship with Bounceback
5. 50% Survivorship with Bounceback
6. 75% Survivorship with Bounceback

Post Fund Increases

The required reserves needed to pay retirement benefits are transferred from TRA's regular assets to the Minnesota Post Retirement Investment Fund (Post Fund) at the time of retirement. Each year, the Post Fund may provide a benefit adjustment that is based on two components: 1) the increases in the cost of living as reflected by the Consumer Price Index (CPI-W), and 2) the investment performance of the Post Fund portfolio.

The cost-of-living component is paid up to a maximum of 2.5 percent based on the CPI-W increase determined at the end of each fiscal year for the preceding 12-month period. The cost-of-living component is paid each year regardless of the amount of investment return.

An investment-based component is paid if investment returns exceed the amount needed to pay the cost-of-living component and to cover the 6 percent earnings assumption that determined the original benefit at retirement. Investment gains and losses are smoothed over a five-year period. If a net investment loss results from the five-year smoothing calculation, no investment-based component is paid. Additionally, any accumulated investment losses from prior periods must be recovered through future investment gains before any investment-based component is paid. Effective January 1, 2011, the combined benefit adjustment (inflation plus investment) cannot exceed 5 percent.

There is a guarantee that benefits will never be decreased below the original amount established at retirement as adjusted by the annual increases.

Combined Service Annuity

Any vested member having combined service credit with any two or more Minnesota public retirement funds that participate in the combined service annuity program, may elect to receive a combined service annuity upon compliance with eligibility requirements for retirement.

Refunds

Upon termination of teaching service and application, TRA will issue a refund of a member's accumulated contributions plus 5 percent interest compounded annually if termination occurred before May 16, 1989, and 6 percent interest compounded annually if termination occurred on or after May 16, 1989. A refund will be issued only if the member has officially resigned from employment and the official refund application form is submitted no sooner than 30 days after termination of teaching service.

Repayment of Refunds

Members who return to teaching service after previously withdrawing their contributions may repay these contributions upon completing two years of allowable service. The repayment must include interest of 8.5 percent, compounded annually from the date of the refund. If a member has more than two years of refunded service, they may repay a minimum portion, which is 1/3 of the total service credit period for all refunds previously taken.

Disability Benefits

An active member who becomes disabled after at least three years of allowable service is eligible to apply for a total and permanent disability benefit provided at least two of the required three years of allowable service are performed after last becoming a member. State statute defines total and permanent disability as the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to be of long continued and indefinite duration. An indefinite duration is a period of at least one year.

Survivor Benefits of Members Prior to Retirement

Certain benefits are available to the survivor(s) of members who die before officially retiring with TRA. Beneficiary designation options vary for married members and single members.

Single Members

Non-Vested

- A lump-sum death benefit equal to a member's accumulated deductions plus interest to the date of death is payable to either the designated beneficiary or estate, whichever is applicable. Interest is compounded annually at 6 percent. Contributions made by the employer are not included in this benefit. A member may designate any person(s), trust, or organization(s) as a beneficiary.

Vested

- For a member without a surviving spouse at the time of death, survivor benefits will *automatically* be paid for a period certain to all dependent children under the age of 20, *unless* the member has chosen the lifetime monthly benefit option explained in the next paragraph is chosen. These payments are made from the date of death to the date each dependent child attains age 20 if the child is under age 15 on the date of death. If the dependent child is 15 years or older on the date of death, payments will be made for five years. Payments for children under the age of 18 would be made to a custodial parent or court-appointed guardian. A dependent child is a biological or adopted child who is under 20 years of age and who is dependent on the member for more than one-half of his or her financial support.

- A member may designate payment of lifetime monthly benefits for ***either*** a former spouse(s), ***or*** dependent and non-dependent, biological or adopted child(ren), *instead* of the above described surviving dependent child(ren) benefits being paid.
- For a member without a former spouse or dependent child(ren) at the time of death, either the designated beneficiary or estate, whichever is applicable, is entitled to a lump-sum death benefit equal to accumulated deductions plus interest to the date of death. Interest is compounded annually at 6 percent. Contributions made by the employer are not included in this benefit. A member may designate any person(s), trust, or organization(s) as a beneficiary.

Married Members

A surviving spouse has precedence over any designated beneficiary.

Non-Vested

- A member's spouse is entitled to a lump-sum death benefit equal to the accumulated deductions plus interest to the date of death. Interest is compounded annually at 6 percent. Contributions made by the employer are not included in this benefit.

Vested

- A member's surviving spouse may elect to receive a lifetime annuity in lieu of a lump-sum benefit. The lifetime annuity is payable on a monthly basis for the lifetime of the spouse. Payments terminate upon the death of the spouse with no benefits remaining for other beneficiaries.
- Instead of a lifetime annuity, a member's spouse may elect to receive actuarially equivalent payments for a term certain annuity of 5, 10, 15 or 20 years. The amount of the annuity is based upon a formula, the member's age at the time of death and the age of the spouse when benefits begin to accrue, although monthly benefit payments cannot exceed 75 percent of the member's average High-5 monthly salary.
- A member and their spouse may *jointly* make a specification to waive the spouse's benefits so that designated beneficiary(ies) will receive a lifetime survivor annuity benefit. The designated beneficiary may be ***either*** the member's former spouse(s) ***or*** the member's biological or adopted child(ren). Under a joint specification, a designated beneficiary cannot elect a term certain annuity of 5, 10 15 or 20 years. If a joint specification is not on file, the annuity is payable only to the surviving spouse.

Non-Vested or Vested

- A member and their spouse may *jointly* make a specification to waive the spouse's benefits so that any person, trust or organization will receive a lump-sum death benefit equal to the accumulated deductions plus interest to the date of death.