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Minnesota Teachers Retirement Association

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www.minnesotatra.org

AT A GLANCE

Who We Serve:

- 135,000 active/inactive teachers
- 68,000 benefit annuitants
- 605 employer units

Revenue sources: (Over last 30 years)

- 74% investment income
- 12% member contributions
- 14% employer unit contributions

Direct Aid and Supplemental Employer Contributions:

- State General Fund annual appropriation of approximately \$16.5 million for merger of Minneapolis Teachers Retirement Fund Association (MTRFA) in 2006.
- \$2.25 million from the City of Minneapolis and \$2.25 million from the Minneapolis School District in direct annual contributions related to the MTRFA merger.
- State General Fund annual appropriation of \$14.4 million for the merger with the Duluth Teachers Retirement Fund Association in 2015.

Staff:

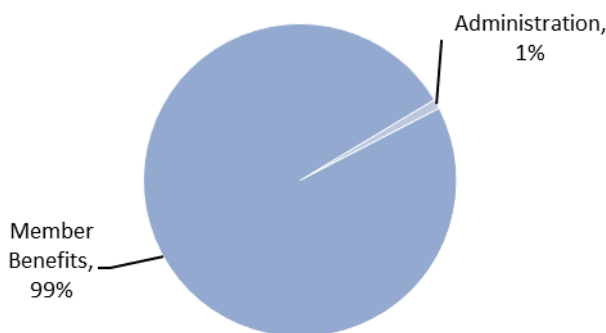
- 90 FTE

PURPOSE

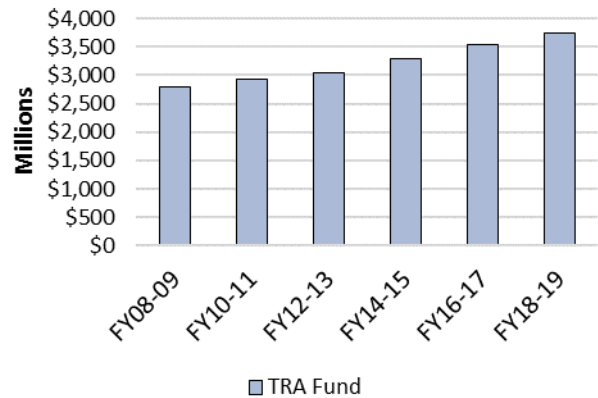
- Provides retirement, disability, and survivor benefits to Minnesota public educators, assisting them in achieving future income security.
- Strives to provide benefits that attract and retain competent teachers who serve communities throughout the state, building a stronger education system.
- Commits to safeguarding the financial integrity of the fund and take pride in providing exceptional, innovative services to our members.
- Contributes to these statewide outcomes: a thriving economy that encourages business growth and employment opportunities; Minnesotans have the education and skills needed to achieve their goals; and government services are efficient, available, and accountable.

BUDGET

**Spending by Program
FY 2019 Actual**



Historical Spending



Source: TRA Comprehensive Annual Financial Reports (FY 2008-2019)

TRA was established by the Minnesota legislature in 1931 and is primarily governed by Minnesota Statutes Chapter 354 and 356. The Association is administered by an eight-member board of trustees. TRA is funded through member contributions, employer contributions, and investment earnings on fund assets. Over the thirty years that ended in 2019, approximately 70% of fund revenues occurred through investment earnings. The remaining 30% was funded through member and employer contributions. TRA members contribute 7.5% of their covered salary to TRA. Beginning July 1, 2021, the employer contribution will be increased from 8.13% to 8.34%. The employer contribution rate will continue to increase annually in stages, and on July 1, 2023, will be 8.75% of member covered salary. The member contribution rate is scheduled to increase from 7.50% to 7.75% of member pay on July 1, 2023.

The TRA expenditure budget consists largely (over 99%) of monthly retirement, survivor, and disability payments to members or other benefit recipients. In fiscal year 2021, TRA expects to pay \$163 million/month in benefits to over 68,000 individuals.

TRA's main office is in St. Paul. Satellite offices are located in Duluth, Mankato and St. Cloud.

STRATEGIES

The TRA Board of Trustees and the Management Team are committed to safeguarding the financial integrity of the fund requiring continual monitoring of actuarial funding reporting. Core operational functions include: collecting, recording and maintain the accounting of retirement contributions; collecting and managing member information; issuing benefit and refund payments; and educating members and employers about TRA plan features.

RESULTS

During fiscal year 2020, 4,708 members were served with individual pre-retirement counseling services. Another 2,795 members were served during group counseling and other ad-hoc presentations.

In fiscal year 2020, TRA generated 28,471 benefit estimates for members preparing for retirement. TRA members may also securely generate benefit estimates online. TRA members requested 37,175 benefit estimates online during fiscal year 2020.

Since the COVID pandemic office closures, members are served through phone, email and Webex secure meetings. TRA active, inactive and retired members can establish a secure online account at "My TRA." As of June 30, 2020, 61,422 members can access important member account services online.

The 2018 Legislature enacted significant pension reform by increasing member and employer contributions and trimming plan features including the lowering of the annual COLA to 1.0% for five years through 2023. Thereafter the COLA will increase each year until it reaches 1.5% on January 1, 2027. The bill also modified TRA's investment earnings assumption from 8.5% annually to 7.5% annually. Other economic assumptions such as total covered payroll, inflation, and individual salary increases were also modified. Incorporating all these reforms, TRA's 30-year projected funding ratio in 2047, is 100%.

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

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous 6/30/2019</i>	<i>Estimated 6/30/2020</i>
Quantity	TRA Plan Funding Ratio (Market Value)	78.2%	75.9%
Quantity	TRA Plan Unfunded Actuarial Liability (Market Value)	\$6.4 billion	\$7.2 billion
Quality	TRA Plan Contribution Sufficiency (percent of covered payroll- Market Value and after full implementation of contribution rate increases)	0.63%	-0.22%

Legal authority for the Teachers Retirement Association comes from Minnesota Statutes Chapter 354 (<https://www.revisor.mn.gov/statutes/?id=354>).

Teachers Retirement Association

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base	
					FY22	FY23

Expenditures by Fund

7300 - Teachers Retirement	1,846,988	1,892,327	1,930,221	1,980,030	2,059,141	2,109,879
Total	1,846,988	1,892,327	1,930,221	1,980,030	2,059,141	2,109,879
Biennial Change				170,936		258,769
Biennial % Change				5		7

Expenditures by Program

Teachers Retirement Assoc	1,846,988	1,892,327	1,930,221	1,980,030	2,059,141	2,109,879
Total	1,846,988	1,892,327	1,930,221	1,980,030	2,059,141	2,109,879

Expenditures by Category

Compensation	8,944	8,985	9,281	11,492	11,178	11,252
Operating Expenses	5,793	5,028	5,332	7,570	7,051	7,625
Grants, Aids and Subsidies	21	25				
Capital Outlay-Real Property	7	2	38			
Other Financial Transaction	1,832,224	1,878,287	1,915,570	1,960,968	2,040,912	2,091,002
Total	1,846,988	1,892,327	1,930,221	1,980,030	2,059,141	2,109,879

Full-Time Equivalent

	85.07	83.90	83.41	90.00	90.00	90.00
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Teachers Retirement Association

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base	
					FY22	FY23
7300 - Teachers Retirement						
Open Appropriation	1,847,737	1,893,081	1,930,972	1,980,786	2,059,898	2,110,637
Transfers Out	749	754	751	756	757	758
Expenditures	1,846,988	1,892,327	1,930,221	1,980,030	2,059,141	2,109,879
Biennial Change in Expenditures				170,936		258,769
Biennial % Change in Expenditures				5		7
Full-Time Equivalents	85.07	83.90	83.41	90.00	90.00	90.00

Teachers Retirement Association

Agency Change Summary

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
<i>Open</i>				
Fund: 7300 - Teachers Retirement				
FY2021 Appropriations	1,980,781	1,980,781	1,980,781	3,961,562
Base Adjustments				
Forecast Open Appropriation Adjustment	5	79,117	129,856	208,973
Forecast Base	1,980,786	2,059,898	2,110,637	4,170,535
<i>Revenue Change Summary</i>				
<i>Non-Dedicated</i>				
Fund: 7300 - Teachers Retirement				
Forecast Revenues	2,826,466	2,938,383	3,021,379	5,959,762