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TRA
TEACHERS
RETIREMENT
ASSOCIATION
of MINNESOTA

Teachers Retirement Association of Minnesota

Actuarial Valuation Report
For Funding Purposes
As of July 1, 2022

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The experience and dedication you deserve

November 18, 2022

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

Dear Board Members:

At your request, we have performed the annual actuarial valuation of the Teachers Retirement Association of Minnesota (TRA or System) as of July 1, 2022. The major findings of the actuarial valuation are contained in this report, which reflects the benefit provisions in place on July 1, 2022. There have been no change to the set of actuarial assumptions and methods or to the plan provisions since the prior valuation.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by TRA staff. This information includes, but is not limited to, statutory provisions, member data and financial information. We found this information to be reasonable and comparable to information used in prior valuations. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete, our results may be different, and our calculations may need to be revised.

The statutory benefits of the System are reflected in the actuarially calculated contribution rates which are developed using the Entry Age Normal (EAN) cost method. An asset smoothing method is used for actuarial valuation purposes. Gains and losses are reflected in the Unfunded Actuarial Accrued Liability and are amortized as a level percent of payroll over a closed period set in state statutes. Actuarial assumptions, including investment return, mortality and others identified in this report, are prescribed by Minnesota Statutes Section 356.215, the Legislative Commission on Pensions and Retirement (LCPR), and the Board of Trustees. Collectively, these parties are responsible for selecting the plan's funding policy, actuarial methods, asset valuation method, and actuarial assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in Appendix C of this report. Although some of the assumptions are set by statute, we believe the full set of actuarial assumptions used in this valuation are reasonable, as defined in Actuarial Standards of Practice, taking into account the past experience of TRA as well as reasonable expectations for future experience. Nevertheless, the emerging costs of the System may vary from those presented in this report to the extent actual experience differs from that anticipated by the actuarial assumptions.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters

and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results. Future actuarial results may differ significantly from the current results presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of potential results is not presented herein.

The actuarial computations presented in this report are for the purpose of determining the required contribution rates for funding the System. Actuarial computations for the purpose of fulfilling financial accounting requirements for the System under the Governmental Accounting Standards Board (GASB) Statement Number 67 will be presented in a separate report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals and the plan provisions described in Appendix B of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate, and that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the System. In addition, to the best of our knowledge and belief the valuation was performed in accordance with the requirements of Minnesota Statutes, Section 356.215, and the requirements of the Standards for Actuarial Work established by the LCPR. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. Also, we meet the requirements of "approved actuary" under Minnesota Statutes, Section 356.215, Subdivision 1, Paragraph (c).

Respectfully submitted,

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SECTION 1 – EXECUTIVE SUMMARY

The Teachers Retirement Association of Minnesota (TRA or System) provides retirement, disability, and death benefits to Minnesota public school teachers, administrators, and certain college faculty. This report presents the results of the July 1, 2022 actuarial funding valuation of the System. The primary purposes of performing the actuarial funding valuation are to:

- disclose asset and liability measures as of the valuation date;
- determine the Required Contribution Rate as set forth in Chapter 356 of the Minnesota statutes;
- determine the sufficiency of the Statutory Contribution Rate as set forth in Chapter 354 of the Minnesota statutes;
- determine the actuarial experience of the System since the last valuation date;
- assess and disclose the key risks associated with funding the System; and
- analyze and report on trends in System contributions, assets, and liabilities over the past several years.

There were no changes to the plan provisions, actuarial assumptions, or actuarial methods since the last valuation. The actuarial valuation results provide a "snapshot" view of the System's financial condition on July 1, 2022. The results reflect net favorable experience for the past plan year as demonstrated by an unfunded actuarial accrued liability (UAAL) that was lower than expected. The UAAL as of July 1, 2022 is $5.690 billion, compared to an expected UAAL of $6.116 billion. The favorable experience of $426 million was the combined result of experience gains of $419 million on the actuarial value of assets and $7 million on the System liabilities. The rate of return on the market value of assets for fiscal year 2022 was -6.4%, as reported by the State Board of Investment. However, due to the application of the asset smoothing method, the rate of return on the actuarial value of assets was +9.3%, resulting in the experience gain on assets. The liability gain reflects the net experience of salary gains from increases that were lower than expected and gains from more retiree deaths than expected. These experience gains were largely offset by an experience loss on retirement experience.

A summary of the key valuation results from the July 1, 2022 actuarial valuation, compared to the July 1, 2021 valuation, is shown in the following table. Further detail on the valuation results can be found in the following sections of this Executive Summary.

	July 1, 2022	July 1, 2021
Total Required Contribution Rate (Chapter 356)	15.72%	16.33%
Employer Contributions	8.73%	8.52%
Employee Contributions	7.50%	7.50%
Direct Aid (Chapters 354 and 423A)	0.59%	0.63%
Sufficiency/(Deficiency)	1.10%	0.32%
Unfunded Actuarial Accrued Liability ($M)	$5,690	$6,087
Funded Ratio (Actuarial Assets)	82.00%	80.25%

The prior valuation showed that there was a contribution sufficiency of 0.32% of pay. Due to the favorable investment and liability experience during the prior year, along with the scheduled increase in the employer contribution rate, the contribution sufficiency has increased to 1.10% of pay in the current valuation.

EXPERIENCE FOR THE LAST PLAN YEAR

Numerous factors contributed to the change in the System's assets, liabilities and Required Contribution Rate (actuarial contribution rate) between July 1, 2021 and July 1, 2022. The components are examined in the following discussion.

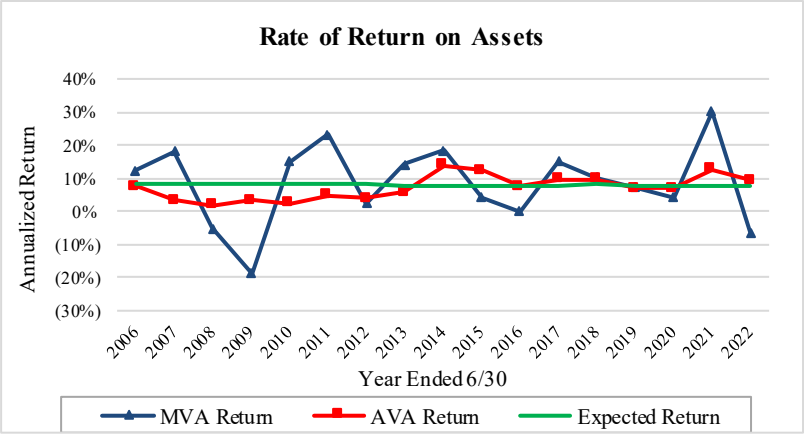
ASSETS

As of June 30, 2022, TRA had net assets of $25.592 billion, as measured on a market value basis. This represents a $2.766 billion decrease from the prior year.

The market value of assets is not used directly in the calculation of the Unfunded Actuarial Accrued Liability Funded Ratio and the Required Contribution Rate. An asset valuation method, which smoothes the effect of market fluctuations, is used to determine the value of assets used in the valuation, called the "actuarial value of assets". The actuarial value of assets as of June 30, 2022 was $25.926 billion, an increase of $1.198 billion from the prior valuation. The components of change in the asset values are shown in the following table:

	Actuarial Value ($M)	Market Value ($M)
Net Assets, June 30, 2021	$24,728	$28,358
- Employer and Member Contributions and State Aid	947	947
- Benefit Payments and Administrative Expenses	(2,003)	(2,003)
- Investment Income	2,254	(1,710)
Net Assets, June 30, 2022	$25,926	$25,592
Rate of Return	9.3%	-6.4%

The Minnesota State Board of Investment reported a rate of return of -6.4% on the market value of assets for fiscal year 2022. Due to the application of the asset smoothing method, including the scheduled recognition of the deferred investment experience from prior years, the rate of return on the actuarial value of assets was 9.3%. Because this rate of return was higher than the assumed rate of return of 7.5%, an actuarial gain of $419 million occurred. Please see Section II of this report for more detailed information on the market and actuarial value of assets.



Market value returns have been very volatile. An asset smoothing method is used to calculate the actuarial value of assets that recognizes the difference in the actual and expected investment returns equally over a five-year period. As can be seen in this graph, the return on actuarial assets is much smoother than the return on market value.

LIABILITIES

The Actuarial Accrued Liability is that portion of the present value of future benefits that will not be paid by future normal costs. The difference between this liability and the actuarial value of assets at the same date is called the Unfunded Actuarial Accrued Liability (UAAL). In general, the UAAL is reduced if the contributions to the System exceed the normal cost for the year plus interest on the prior year's UAAL. However, actuarial experience also impacts the UAAL from one year to the next.

The Unfunded Actuarial Accrued Liability as of July 1, 2022 is shown in the following table:

	Actuarial Value of Assets	Market Value of Assets
($Millions)		
Actuarial Accrued Liability	$31,616	$31,616
Value of Assets	25,926	25,592
Unfunded Actuarial Accrued Liability*	5,690	6,024
Funded Ratio	82.00%	80.95%

*Numbers may not add due to rounding

See Section III of the report for the detailed development of the Unfunded Actuarial Accrued Liability.

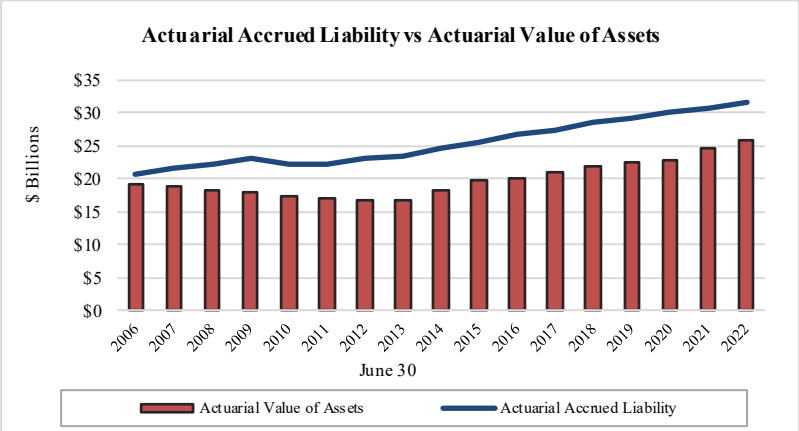
Changes in the UAAL occur for various reasons. The net decrease in the UAAL from July 1, 2021 to July 1, 2022 was $397 million. The components of this net change are shown in the following table (in millions):

Unfunded Actuarial Accrued Liability, July 1, 2021 ($M)		$6,087
• Expected change from amortization method	55	
• Actual contributions vs Required Rate	(19)	
• Investment experience on actuarial assets	(419)	
• Liability experience	(7)	
• Other experience	(7)	
• Total		(397)
Unfunded Actuarial Accrued Liability, July 1, 2022		$5,690

As shown above, various types of experience impacted the UAAL from July 1, 2021 to July 1, 2022. The UAAL is financed as a level percentage of payroll so the dollar amount of the UAAL payments increase each year with the payroll increase assumption of 3.0%. As a result of the payment schedule, contributions in the early part of the amortization period are less than the interest on the UAAL so the dollar amount of the UAAL is expected to increase. This is illustrated by the $55 million increase shown in the table above.

To the extent the Statutory Contribution Rate is more than the Required Contribution Rate, which was the case during the prior year, the UAAL is paid off more rapidly than expected based on the System's amortization schedule. During fiscal year 2022, the contribution sufficiency decreased the UAAL by $19 million.

Actuarial gains (losses), which result from actual experience that is more (less) favorable than anticipated based on the actuarial assumptions, are reflected in the UAAL. These are measured as the difference between the expected UAAL and the actual UAAL, taking into account any changes due to actuarial assumptions and methods or benefit provision changes. Overall, the System experienced an actuarial gain of $426 million, which may be explained by considering the separate experience of assets and liabilities. As noted earlier, there was a $419 million gain on the actuarial value of assets and a $7 million gain on liabilities. The liability gain reflects the net experience of salary gains from increases that were lower than expected and gains from more retiree deaths than expected. These experience gains were largely offset by an experience loss on retirement experience.

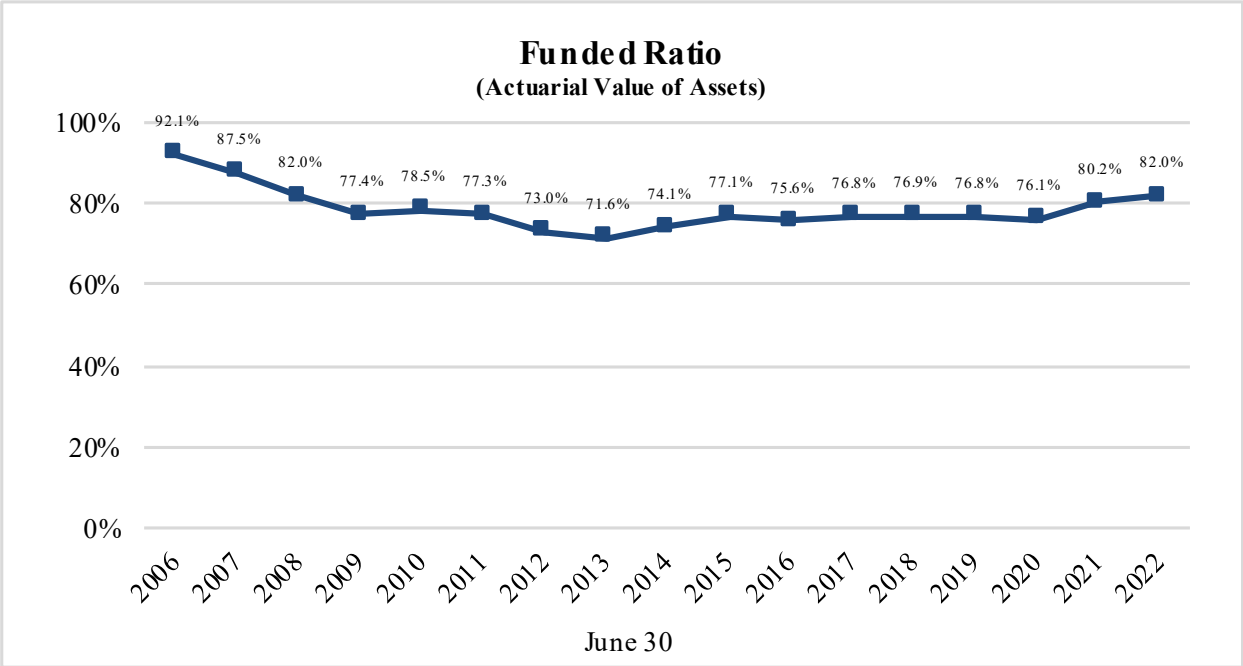


Although the actuarial accrued liability has exceeded the actuarial value of assets during this period, there has been significant growth in asset values since 2013. In addition to actual investment experience, the difference between actuarial accrued liability and actuarial assets has been impacted by benefit reductions which lowered liabilities and actuarial assumption changes which increased liabilities.

An evaluation of the UAAL on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities (which are both very large numbers) is reflected. Another way to evaluate the Unfunded Actuarial Accrued Liability and the progress made in its funding is to track the funded ratio, the ratio of the actuarial value of assets to the Actuarial Accrued Liability. The funded status information is shown in the following table (in millions).

	7/1/18	7/1/19	7/1/20	7/1/21	7/1/22
Funded Ratio	76.9%	76.8%	76.1%	80.2%	82.0%
Unfunded Actuarial Accrued Liability ($M)	$6,620	$6,779	$7,192	$6,087	$5,690

Note that if the funded status was calculated using the market value of assets, the results could differ. The funded ratios and Unfunded Actuarial Accrued Liability measures, as shown, are not indicative of whether or not the System could settle all current benefit obligations with existing assets. Furthermore, these results do not, on their own, indicate whether or not future funding of the System will be required, nor the amount.



Although the funded ratio decreased in the early part of this period, the funded ratio has increased significantly since 2013. The benefit reductions passed by the 2010 and 2018 legislatures, along with strong investment returns, have been key factors in the improvement of the funded ratio.

CONTRIBUTION RATE

Under the Entry Age Normal cost method, the actuarial contribution rate consists of three components:

- a "normal cost" for the portion of projected liabilities allocated by the actuarial cost method to service of members during the year following the valuation date,
- an "Unfunded Actuarial Accrued Liability contribution" for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets (Unfunded Actuarial Accrued Liability); and
- an amount to cover estimated administrative expenses for the plan year.

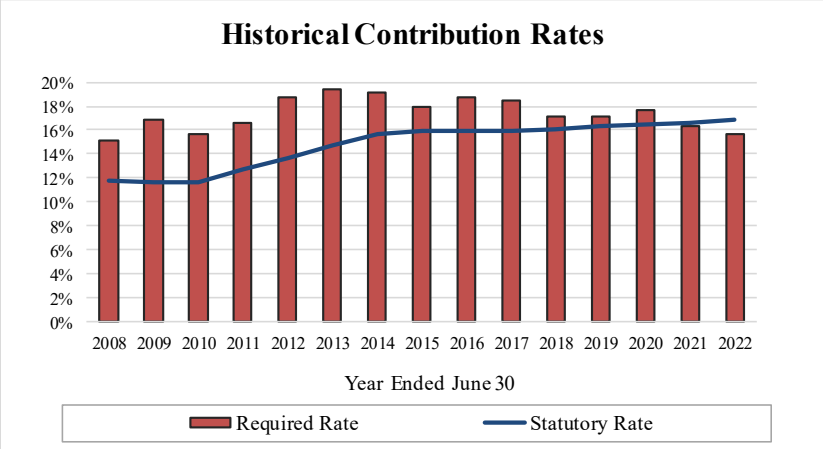
Under the Entry Age Normal cost method, the normal cost rate is very stable, absent change in the actuarial assumption or plan changes. However, the UAAL contribution rate tends to fluctuate much more. See Section IV of the report for the detailed development of these contribution rates which are summarized in the following table. These calculations are based on the actuarial value of assets. Note that if the future scheduled contribution increases (0.20% for employers and 0.25% for members) are reflected, the current Contribution Sufficiency would increase from 1.10% of pay to 1.55% of pay.

Contribution Rates	July 1, 2022	July 1, 2021
1. Normal Cost Rate	9.23%	9.20%
2. UAAL Contribution Rate	6.21%	6.83%
3. Expenses	0.28%	0.30%
4. Total Required Contribution Rate	15.72%	16.33%
5. Statutory Contribution Rate	16.82%	16.65%
6. Contribution (Deficiency)/Sufficiency (5) - (4)	1.10%	0.32%
7. Contribution (Deficiency)/Sufficiency Reflecting Future Scheduled Increases	1.55%	0.98%

The impact of the various factors discussed earlier on the Required Contribution Rate are shown in the following table.

Required Contribution Rate, July 1, 2021	16.33%
- Change in normal cost rate	0.03%
- Actual contributions vs Required Rate	(0.02%)
- Investment experience	(0.46%)
- Liability experience	(0.01%)
- Payroll increase different than expected	(0.11%)
- Other experience	(0.04%)
Required Contribution Rate, July 1, 2022	15.72%

A historical summary of the Statutory and Required Contribution Rates is shown in the following graph:



When a system is funded with fixed contribution rates (Statutory Contribution Rate), it is expected that the fixed contribution rate may be either above or below the actuarial contribution rate (Required Contribution Rate for TRA), as determined in the actuarial valuation each year. However, when the Statutory Contribution Rate is consistently lower than the Required Contribution Rate for a long period, it can significantly impact the funding progress of the System and result in an increasing UAAL and declining funded ratio. For TRA, the Statutory Contribution Rate was significantly below the Required Contribution Rate from 2008 to 2017. Over that time, the funded status of the System declined from 92% to 76%. Actual investment experience over the early years of that time period also had a significant impact on the decline in the System's funding. The current valuation results show a Contribution Sufficiency for the second year in a row.

While the funded ratio as of July 1, 2022 is 82%, there is currently a Contribution Sufficiency of 1.10%. If the future scheduled increases to the Statutory Contribution Rate (0.20% for the employers and 0.25% for members) are considered, the Contribution Sufficiency increases to 1.55%. This sufficiency means that, if all assumptions are exactly met in the future, the UAAL will be fully amortized ahead of the scheduled date of June 30, 2048. However, the UAAL will continue to be significantly impacted from year to year by factors other than statutory contribution levels, such as actual versus expected experience and assumption changes. We will continue to monitor the Contribution Sufficiency and projected full funding date in future valuations to ensure the current funding policy will meet the System's goals.

The actuarial contribution rate (Required Contribution Rate) is determined based on the snapshot of the System taken on the valuation date, July 1, 2022. The actuarial contribution rate in future years will change each year as the deferred actuarial investment experience is recognized and other experience (both investment and demographic) impacts the System. The most volatile component of the actuarial contribution rate is typically the actual investment return, although the asset smoothing method mitigates the immediate impact of significantly different returns than assumed.

SUMMARY

The most significant impact on the July 1, 2022 valuation was the investment return on the market value of assets of -6.4% for FY 2022. As a result, the net deferred investment gain of $3.629 billion in last year's valuation is now a net deferred investment loss of $334 million. Absent favorable investment experience, the deferred asset losses are expected to flow through the smoothing method over the next four years, lowering the funded ratio and increasing the Required Contribution Rate.

Due to the application of the asset smoothing method, the return on the actuarial value of assets was 9.3%. Since this return was higher than the assumed rate of return of 7.5% for the fiscal year ending 2022, there was an actuarial gain on the actuarial value of assets. Coupled with demographic experience for the year, the funded ratio increased from 80.25% in last year's valuation to 82.00% this year.

As mentioned earlier, the System utilizes an asset smoothing method in the valuation process. While this is a common procedure for public retirement systems, it is important to identify the potential impact of the deferred investment experience. The asset smoothing method impacts only the timing of when the actual market experience is recognized in the valuation process. The net deferred investment loss of $334 million represents about 1.3% of the market value of assets. The key valuation results from the July 1, 2022 actuarial valuation are shown in the following table, using both actuarial and market value of assets.

	Actuarial Value	Market Value
Statutory Rate	16.82%	16.82%
Required Contribution		
Normal Cost	9.23%	9.23%
UAAL Contribution	6.21%	6.57%
Expenses	0.28%	0.28%
Total Required Contribution	15.72%	16.08%
(Deficiency)/Sufficiency	1.10%	0.74%
UAAL ($M)	$5,690	$6,024
Funded Ratio	82.00%	80.95%

Note: does not reflect future scheduled increases in the employer and employee contribution rates.

The long-term financial health of this System, like all retirement systems, is heavily dependent on two key items: (1) future investment returns and (2) contributions to the System. Changes were made by the 2018 Legislature to strengthen the funding of TRA and enhance its long-term sustainability. Contributions were increased by a total of 1.5%, phased-in over six years beginning July 1, 2018, and benefit reductions were implemented. These changes are expected to lead to improvement in the long-term funding of the System. Of course, actual experience over time will unfold differently from that assumed, so additional adjustments may be necessary in the future. It is especially important to note that it is the actual investment returns, not the assumed investment return, that will ultimately determine the cost of providing the promised benefits.

A typical retirement plan faces many different risks. The term "risk" is most commonly associated with an outcome with undesirable results. However, in the actuarial world risk can be translated as uncertainty. The actuarial valuation process uses many actuarial assumptions to project how future contributions and investment returns will meet the cash flow needs for future benefit payments. Of course, we know that actual experience will not unfold exactly as anticipated by the assumptions each year and that uncertainty, whether favorable or unfavorable, creates risk. Actuarial Standard of Practice Number 51 defines risk as the potential of actual future measurements to deviate from expected results due to actual experience that is different than the actuarial assumptions. Risk evaluation is an important part of managing any defined benefit plan. A discussion of certain key risks for TRA is included in Section V of this report.

We conclude this executive summary by presenting comparative statistics and actuarial information on both the July 1, 2022 and July 1, 2021 valuations.

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows.

	Actuarial Valuation as of		
	July 1, 2022	**July 1, 2021**	**% Change**
1. PARTICIPANT DATA			
A. Active members			
1. Number	84,308	81,821	3.0%
2. Projected annual earnings for fiscal year *(000s)*	5,944,310	5,666,638	4.9%
3. Average projected annual earnings for fiscal year 2023	70,507	69,257	1.8%
4. Average age	43.2	43.2	0.0%
5. Average service	12.3	12.4	(0.8%)
B. Service retirements	62,976	62,367	1.0%
C. Survivors	6,488	6,220	4.3%
D. Disability retirements	427	446	(4.3%)
E. Deferred retirements	17,812	17,300	3.0%
F. Non-vested terminated members	38,903	38,717	0.5%
G. Total	**210,914**	**206,871**	2.0%
2. LIABILITIES AND FUNDING RATIOS *(dollars in thousands)*			
A. Accrued Benefit Funding Ratio			
1. Current assets (AVA)	$ 25,925,803	$ 24,728,337	4.8%
2. Current benefit obligations	29,859,472	29,215,125	2.2%
3. Funding ratio	86.83%	84.64%	2.6%
B. Actuarial Accrued Liability Funding Ratio			
1. Current assets (AVA)	$ 25,925,803	$ 24,728,337	4.8%
2. Market Value of Assets (MVA)	25,592,152	28,357,828	(9.8%)
3. Actuarial Accrued Liability	31,615,897	30,814,967	2.6%
4. Unfunded Actuarial Accrued Liability *(B.3. - B.1.)*	5,690,094	6,086,630	(6.5%)
5. Funding ratio (AVA) *(B.1. / B.3.)*	82.00%	80.25%	2.2%
6. Funding ratio (MVA) *(B.2. / B.3.)*	80.95%	92.03%	(12.0%)
C. Projected Benefit Funding Ratio			
1. Current and expected future assets	$ 38,507,266	$ 36,681,675	5.0%
2. Current and expected future benefit obligations	37,496,417	36,391,976	3.0%
3. Funding ratio (AVA)	102.70%	100.80%	1.9%
3. CONTRIBUTIONS *(% of Payroll)*			
A. Normal Cost Rate	9.23%	9.20%	0.3%
B. UAAL Amortization Payment	6.21%	6.83%	(9.1%)
C. Expenses	0.28%	0.30%	(6.7%)
D. Total Required Contribution (Chapter 356)	15.72%	16.33%	(3.7%)
E. Statutory Contribution (Chapter 354)	16.82%	16.65%	1.0%
F. Contribution (Deficiency)/Sufficiency *(3.E. - 3.D.)*	1.10%	0.32%	243.8%

SECTION II

PLAN ASSETS

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SECTION II - PLAN ASSETS

In this section, the values assigned to the assets held by the System are presented. These assets are valued on two different bases: the market value and the actuarial value.

Market Value of Net Assets

Market values represent a "snapshot" of the fair value of System assets as of the valuation date.

Actuarial Value of Net Assets

The market value of assets may not necessarily be the best measure of the System's ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens volatility in the market value while still indirectly recognizing market value. The methodology used to determine the actuarial value of assets is prescribed in Minnesota Statutes, Section 356.215, Subdivision 1, Paragraph (f). The assets are valued based on a five-year moving average of expected and market values (five-year average actuarial value) determined as follows:

- At the end of each plan year, an average asset value is calculated as the average of the market asset value at the beginning and end of the fiscal year net of investment income for the fiscal year;
- The investment gain or (loss) is determined as the excess of actual investment income over the expected investment income based on the average asset value as calculated above;
- The investment gain or (loss) so determined is recognized over five years at 20% per year;
- The asset value is the sum of the market value plus the scheduled recognition of investment gains or (losses) during the current and the preceding four fiscal years.

TABLE 1

STATEMENT OF FIDUCIARY NET POSITION

(Dollars in Thousands)

	June 30, 2022	June 30, 2021
	Amount	Amount
Cash and short-term investments		
Cash	$ 13,550	$ 12,286
Building account cash	262	219
Short term investments	520,898	491,549
Total cash and short term investments	$ 534,710	$ 504,054
Accounts Receivable	28,710	19,889
Investments (at fair value)		
Bond pool	$ 5,861,975	$ 6,423,484
Alternative investments pool	6,411,262	4,905,612
Domestic stock pool	8,718,840	11,699,852
Broad International Stock Fund	4,041,893	4,808,939
Total investments	$ 25,033,970	$ 27,837,887
Securities lending collateral	$ 1,319,939	$ 1,804,791
Building		
Land	$ 171	$ 171
Building & equipment net of depreciation	4,910	5,176
Total building	$ 5,081	$ 5,347
Capital assets net of depreciation	6,804	9,087
Total Assets	**$ 26,929,214**	**$ 30,181,055**

TABLE 1 (continued)

STATEMENT OF FIDUCIARY NET POSITION

(Dollars in Thousands)

	June 30, 2022	June 30, 2021
Liabilities	Amount	Amount
Current		
Accounts payable	$ 10,065	$ 10,925
Accrued compensated absences	94	99
Accrued expenses - building	83	33
Bonds payable	675	675
Bonds interest payable	2	3
Securities lending collateral	1,319,939	1,804,791
Total current liabilities	$ 1,330,858	$ 1,816,526
Long term		
Accrued compensated absences	$ 901	$ 943
Bonds payable	1,111	1,829
Total long term liabilities	$ 2,012	$ 2,772
Total Liabilities	**$ 1,332,870**	$ **1,819,298**
Net position restricted for pensions	**$ 25,596,344**	**$ 28,361,757**
Earnings Limitation Savings Account (ELSA) accounts payable	(4,192)	(3,929)
Net position restricted for pensions, after adjustment for ELSA accounts	**$ 25,592,152**	$ **28,357,828**

TABLE 2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(Dollars in Thousands)

The following exhibit shows the revenue, expenses and resulting assets of the Fund as reported by the Teachers Retirement Association for the Plan's fiscal years ended June 30, 2022 and 2021.

	For Year Ended	
	June 30, 2022	**June 30, 2021**
Additions		
Contributions		
Employee	$ 428,993	$ 410,162
Employer	482,679	448,829
Direct aid (state/city/district)	35,590	37,840
Earnings Limitation Savings Account (ELSA)	2,172	1,981
Total contributions	$ 949,434	$ 898,812
Investment Income		
Investment appreciation in fair value	$ (1,687,285)	$ 6,705,046
Less investment expenses	(29,717)	(26,957)
Net Investment Income	$ (1,717,002)	$ 6,678,089
Securities Lending activities		
Securities lending income	$ 10,856	$ 10,531
Securities lending expenses:		
Borrowing rebates	(3,227)	(3,194)
Management fees	(1,373)	(1,320)
Total securities lending expenses	(4,600)	(4,514)
Net income from securities lending	6,256	6,017
Total Net Investment Income	$ (1,710,746)	$ 6,684,106
Other Income	1,359	1,721
Total Additions	**$ (759,953)**	**$ 7,584,639**
Deductions		
Benefits Paid		
Retirement benefits	$ (1,971,093)	$ (1,935,460)
Refunds of contributions to members	(16,529)	(14,415)
Total benefits paid	$ (1,987,622)	$ (1,949,875)
Administrative Expenses	(15,666)	(16,022)
Total Deductions	**$ (2,003,288)**	**$ (1,965,897)**
Increase/(Decrease) in ELSA Account Value	(2,435)	(1,960)
Net Increase (Decrease)	**(2,765,676)**	**5,616,782**
Net Position Restricted for Pensions		
Beginning of Year	**$ 28,357,828**	**$ 22,741,046**
End of Year	**$ 25,592,152**	**$ 28,357,828**

TABLE 3

ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2022

(Dollars in Thousands)

1. Market value of assets available for benefits				**$ 25,592,152**
2. Determination of average balance				
a. Assets available at July 1, 2021*				$ 28,361,757
b. Assets available at June 30, 2022*				25,596,344
c. Net investment income for fiscal year ending June 30, 2022				(1,710,746)
d. Average balance (a. + b. - c.) / 2				$ 27,834,424
3. Expected return (7.5% * 2.d.)				2,087,582
4. Actual return				(1,710,746)
5. Current year unrecognized asset return (4. - 3.)				(3,798,328)
6. Unrecognized asset returns				
		Original Amount	**% Not Recognized**	
a. Year ended June 30, 2022	$	(3,798,328)	80%	$ (3,038,662)
b. Year ended June 30, 2021		5,018,257	60%	3,010,954
c. Year ended June 30, 2020		(735,801)	40%	(294,320)
d. Year ended June 30, 2019		(58,115)	20%	(11,623)
e. Total return not yet recognized				$ (333,651)
7. Actuarial value of assets at June 30, 2022 (1. - 6.e.)				**$ 25,925,803**

* *Before recognition of ELSA accounts payable.*

Fiscal Year Ended	Gain/(Loss) Deferred to Future Years	Gain/(Loss) to be Recognized in Plan Year Ending			
		2023	2024	2025	2026
6/30/2019	($11,623)	(11,623)			
6/30/2020	(294,320)	(147,160)	(147,160)		
6/30/2021	3,010,954	1,003,651	1,003,651	1,003,652	
6/30/2022	(3,038,662)	(759,666)	(759,666)	(759,666)	(759,664)
Total	($333,651)	$85,202	$96,825	$243,986	($759,664)

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SECTION III

PLAN LIABILITIES

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SECTION III - PLAN LIABILITIES

In the previous section, an analysis was given of the assets of the System as of the valuation date, July 1, 2022. In this section, the discussion will focus on the commitments of the System, which are referred to as its liabilities.

Table 5 contains an analysis of the actuarial present value of all projected benefits for contributing members, inactive members, retirees and their beneficiaries. The analysis is provided for each group.

The liabilities summarized in Table 5 include the actuarial present value of all projected benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits expected to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and, if an optional benefit is chosen, for the lives of the surviving beneficiaries.

The demographic actuarial assumptions used to determine liabilities are based on the results of the July 1, 2014 to June 30, 2018 Experience Study completed in June 2019. The economic actuarial assumptions used to determine liabilities are based on the results of an economic experience study performed in 2017. The July 1, 2014 to June 30, 2018 Experience Study reviewed the existing set of economic assumptions and did not recommend any changes to the assumptions passed by the 2018 Legislature. This set of assumptions is shown in Appendix C.

The liabilities reflect the benefit structure in place as of July 1, 2022.

Actuarial Liabilities

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to perform this allocation, it is necessary for the funding method to "breakdown" the present value of future benefits into two components:

(1) that which is attributable to the past and

(2) that which is attributable to the future.

Actuarial terminology calls the part attributable to the past the "past service liability" or the "Actuarial Accrued Liability". The portion allocated to the future is known as the present value of future normal costs, with the specific piece of it allocated to the current year being called the "normal cost". Table 5 contains the calculation of the Unfunded Actuarial Accrued Liability.

TABLE 4

ACTUARIAL VALUATION BALANCE SHEET AS OF JULY 1, 2022

(Dollars in Thousands)

The actuarial balance sheet is based on the fundamental equation that, at any given time, the present value of benefits to be paid in the future must be equal to the assets on hand plus the present value of future contributions to be received. The total contribution rate is determined as that amount which will make the total present and potential assets balance with the total present value of projected benefits.

The contributions made in excess of amounts required for current benefit payments are accumulated as a reserve to help meet benefit payments in later years. This reserve system is designed to enable the establishment of a level rate of contribution each year.

A. Actuarial Value of Assets			$ 25,925,803
B. Expected Future Assets			
1. Present value of expected future statutory supplemental contributions*			$ 6,700,943
2. Present value of expected future normal cost contributions			5,880,520
3. Total expected future assets *(1. + 2.)*			$ 12,581,463
C. Total Current and Expected Future Assets**			$ 38,507,266

	Non-Vested Benefits	Vested Benefits	Total
D. Current Benefit Obligations			
1. Benefit recipients			
a. Service retirements	$ 0	$ 18,250,272	$ 18,250,272
b. Disability	0	133,996	133,996
c. Survivors	0	1,305,418	1,305,418
2. Deferred retirements with applicable future augmentation	0	793,179	793,179
3. Former members without vested rights***	109,539	0	109,539
4. Active members	69,545	9,197,523	9,267,068
5. Total Current Benefit Obligations	$ 179,084	$ 29,680,388	$ 29,859,472

E. Expected Future Benefit Obligations	7,636,945
F. Total Current and Expected Future Benefit Obligations	37,496,417
G. Unfunded Current Benefit Obligations *(D.5. - A.)*	3,933,669
H. Unfunded Current and Future Benefit Obligations *(F. - C.)*	(1,010,849)

* *Under LCPR guidelines, this amount does not include supplemental payments which could occur after the expiration of the remaining 26 year amortization period.*

** *Does not reflect deferred investment experience in the asset smoothing method. Total expected future assets on a market value basis is $38,173,615.*

*** *Former members with insufficient service to vest who have not collected a refund of member contributions as of the valuation date.*

TABLE 5

DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY AS OF JULY 1, 2022

(Dollars in Thousands)

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
1. Active Members			
a. Retirement annuities	$ 15,938,892	$ (4,924,963)	$ 11,013,929
b. Disability Benefits	383,739	(160,223)	223,516
c. Survivor benefits	114,378	(42,044)	72,334
d. Deferred retirements	451,727	(557,663)	(105,936)
e. Refunds	15,277	(195,627)	(180,350)
f. Total	$ 16,904,013	$ (5,880,520)	$ 11,023,493
2. Deferred Retirements with Applicable Future Augmentation	793,179	0	793,179
3. Former Members Without Vested Rights	109,539	0	109,539
4. Benefit Recipients	19,689,686	0	19,689,686
5. Total Actuarial Accrued Liability	$ 37,496,417	$ (5,880,520)	$ 31,615,897
6. Actuarial Value of Assets			$ 25,925,803
7. Unfunded Actuarial Accrued Liability (UAAL)			$ 5,690,094

* On a Market Value of Assets basis, the Unfunded Actuarial Accrued Liability is $6,023,745.

TABLE 6

CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

(Dollars in Thousands)

A. Unfunded Actuarial Accrued Liability at beginning of year	$	6,086,630
B. Changes due to interest requirements and current rate of funding*		
1. Normal cost and actual administrative expenses	$	537,006
2. Contributions		(949,434)
3. Interest on A., B.1., and B.2. at 7.5%		441,311
4. Total *(B.1. + B.2. + B.3.)*	$	28,883
C. Expected Unfunded Actuarial Accrued Liability at end of year *(A. + B.4.)*	$	6,115,513
D. Increase (decrease) due to actuarial losses (gains) because of experience deviations from expected		
1. Salary increases	$	(40,714)
2. Investment return (actuarial assets)		(419,257)
3. Mortality of active members		(3,197)
4. Mortality of benefit recipients		(29,754)
5. Retirement from active service		76,085
6. Other items		(8,582)
7. Total	$	(425,419)
E. Unfunded Actuarial Accrued Liability at end of year before plan amendments and changes in actuarial assumptions *(C. + D.7.)*	$	5,690,094
F. Change in Unfunded Actuarial Accrued Liability due to change in plan amendments	$	0
G. Change in Unfunded Actuarial Accrued Liability due to change in assumptions	$	0
H. Unfunded Actuarial Accrued Liability at end of year *(E. + F. + G.)*	$	5,690,094

* *The amortization of the Unfunded Actuarial Accrued Liability (UAAL) using the current amortization method results in initial payments less than the "interest only" payment on the UAAL. Payments less than the interest only amount will result in the UAAL increasing in the absence of actuarial gains.*

SECTION IV

SYSTEM CONTRIBUTIONS

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Sections II and III were devoted to a discussion of the assets and liabilities of the System. A comparison of Tables 3 and 4 indicates that current assets fall short of meeting the actuarial present value of future projected benefits (total liability). This is expected in all but a fully closed fund, where no further contributions are anticipated.

In an active system, there will almost always be a difference between the actuarial value of assets and total liabilities. This deficiency has to be made up by future contributions and investment returns. An actuarial valuation sets out a schedule of future contributions that will finance this deficiency in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method, the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost and (2) the payment on the Unfunded Actuarial Accrued Liability.

The term "fully funded" is often applied to a system in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, systems are not fully funded, either because of past benefit improvements that have not been completely funded and/or because of actuarial deficiencies that have occurred because experience has not been as favorable as anticipated. Under these circumstances, an Unfunded Actuarial Accrued Liability (UAAL) exists.

Description of Rate Components

The actuarial cost method for the System is the traditional Entry Age Normal (EAN) – level percent of pay cost method. Under the EAN cost method, the actuarial present value of each member's projected benefits is allocated on a level basis over the member's compensation between the entry age of the member and the assumed exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability (UAAL) represents the difference between the Actuarial Accrued Liability and the actuarial value of assets as of the valuation date. The UAAL is calculated each year and reflects experience gains/losses (actual experience versus experience expected based on the actuarial assumptions). The UAAL is amortized over a period set in state statute (by June 30, 2048). Contributions to fund the UAAL are determined as a level percentage of payroll assuming payroll increases 3.00% each year.

TABLE 7

NORMAL COST AT JULY 1, 2022

(Dollars in Thousands)

	Percent of Pay		Dollar Amount
1. Normal Cost Rate			
a. Retirement benefits	7.78%	$	462,476
b. Disability benefits	0.24%		14,267
c. Survivor benefits	0.07%		4,161
d. Deferred retirement benefits*	0.83%		49,338
e. Refunds	0.31%		18,427
f. Total	9.23%	$	548,669

* For vested members, includes the greater of the refund amount or the present value of the deferred monthly benefit.

TABLE 8

DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE

(Dollars in Thousands)

		Amount
A. Determination of Unfunded Actuarial Accrued Liability (UAAL)*		
1. Actuarial Accrued Liability	$	31,615,897
2. Actuarial Value of Assets		25,925,803
3. Unfunded Actuarial Accrued Liability	$	5,690,094
B. Determination of Supplemental Contribution Rate*		
1. Present value of future payrolls through the amortization date of June 30, 2048	$	91,668,169
2. Supplemental contribution rate *(A.3. / B.1.)***		6.21%

* *On a Market Value of Assets basis, the Unfunded Actuarial Accrued Liability is $6,023,745 and the supplemental contribution rate is 6.57% of payroll.*

TABLE 9

DETERMINATION OF CONTRIBUTION SUFFICIENCY/(DEFICIENCY)

(Dollars in Thousands)

The actuarial contribution rate is the sum of normal cost, a supplemental contribution to amortize the UAAL, and an allowance for expenses.

	Percent of Payroll		Dollar Amount
A. Statutory contributions - Chapter 354			
1. Employee contributions	7.50%	$	445,827
2. Employer contributions*	8.73%		518,947
3. Supplemental contributions**			
a. 1993 Legislation	0.08%		5,000
b. 1996 Legislation	0.05%		3,260
c. 1997 Legislation	0.22%		12,954
d. 2014 Legislation	0.24%		14,377
4. Total	16.82%	$	1,000,365
B. Required contributions - Chapter 356			
1. Normal cost			
a. Retirement benefits	7.78%	$	462,476
b. Disability benefits	0.24%		14,267
c. Survivor benefits	0.07%		4,161
d. Deferred retirement benefits	0.83%		49,338
e. Refunds	0.31%		18,427
f. Total	9.23%	$	548,669
2. Supplemental contribution for the amortization of the Unfunded Actuarial Accrued Liability by June 30, 2048	6.21%		369,142
3. Allowance for expenses	0.28%	$	16,644
4. Total actuarial contribution for fiscal year ending June 30, 2023***	15.72%	$	934,455
C. Contribution Sufficiency / (Deficiency) *(A.4. - B.4.)* ***	1.10%	$	65,910

Note: Projected annual payroll for fiscal year beginning on the valuation date: $5,944,310

* *Employer contribution rate is blended to reflect rates of 16.19% of pay for Basic members, 8.55% of pay for Coordinated members not employed by Special School District #1, and 12.19% of pay for Coordinated members who are employed by Special School District #1 (Minneapolis Schools).*

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

*** *On a market value of assets basis, the total required contribution is 16.08% of payroll and the contribution sufficiency is 0.74% of payroll.*

TABLE 10

STATUTORY AND REQUIRED CONTRIBUTION AMOUNTS

(Dollars in Thousands)

Basic Members

	Percent of Payroll		Dollar Amount
A. Statutory contributions - Chapter 354			
1. Employee contributions	11.00%	$	12
2. Employer contributions*	16.19%		18
3. Supplemental contributions**			
a. 1993 Legislation	0.08%		0
b. 1996 Legislation	0.05%		0
c. 1997 Legislation	0.22%		0
d. 2014 Legislation	0.24%		0
4. Total	27.78%	$	30
B. Required contributions - Chapter 356			
1. Normal cost			
a. Retirement benefits	15.93%	$	17
b. Disability benefits	0.84%		1
c. Survivor benefits	0.33%		0
d. Deferred retirement benefits	0.94%		1
e. Refunds	0.33%		0
f. Total	18.37%	$	19

Note: Projected annual payroll for fiscal year beginning on the valuation date: $109 for 1 member.

* *Basic active member is a teacher employed by Special School District #1 (Minneapolis Schools); employer contribution rate of 16.19% of payroll applies.*

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

TABLE 11

STATUTORY AND REQUIRED CONTRIBUTION AMOUNTS

(Dollars in Thousands)

Coordinated Members

	Percent of Payroll		Dollar Amount
A. Statutory contributions - Chapter 354			
1. Employee contributions	7.50%	$	445,815
2. Employer contributions*	8.73%		518,929
3. Supplemental contributions**			
a. 1993 Legislation	0.08%		5,000
b. 1996 Legislation	0.05%		3,260
c. 1997 Legislation	0.22%		12,954
d. 2014 Legislation	0.24%		14,377
4. Total	16.82%	$	1,000,335
B. Required contributions - Chapter 356			
1. Normal cost			
a. Retirement benefits	7.78%	$	462,459
b. Disability benefits	0.24%		14,266
c. Survivor benefits	0.07%		4,161
d. Deferred retirement benefits	0.83%		49,337
e. Refunds	0.31%		18,427
f. Total	9.23%	$	548,650

Note: Projected annual payroll for fiscal year beginning on the valuation date: $5,944,200

* *Employer contribution rate is blended to reflect rates of 8.55% of pay for Coordinated members not employed by Special School District #1, and 12.19% of pay for Coordinated members who are employed by Special School District #1. The rate was blended using the prior year's actual covered payroll of $5,573,701, which includes $5,296,980 for Coordinated members who are not employed by Special School District #1 and $276,721 for members who are employed by Special School District #1.*

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

SECTION V

RISK ASSESSMENT

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OVERVIEW

Actuarial Standards of Practice (ASOP) No. 51, issued by the Actuarial Standards Board, provides guidance on assessing and disclosing risks related to pension plan funding. This guidance is binding on all credentialed actuaries practicing in the United States.

The term "risk" frequently has a negative connotation, but from an actuarial perspective, it may be thought of as simply the fact that what actually happens in the real world will not always match what was expected, based on actuarial assumptions. Of course, when actual experience is better than expected, the favorable risk is easily absorbed. The risk of unfavorable experience will likely be unpleasant, and so there is an understandable focus on the aspects of risk that are negative.

Risk usually can be reduced or eliminated at some cost. Consumers, for example, buy auto and home insurance to reduce the risk of accidents or catastrophes. Another way to express this concept, however, is that there is generally some reward for assuming risk. Thus, retirement plans invest not just in US Treasury bonds which have almost no risk, but also in equities which are considerably riskier – because they have an expected reward of a higher return that justifies the risk.

Under ASOP 51, the actuary is called on to identify the significant risks to the pension plan and provide information to help those sponsoring and administering the plan understand the implications of these risks. In this section, we identify some of the key risks for TRA and provide information to help interested parties better understand these risks.

INVESTMENT RISK

The investment return on assets is the most significant risk to funding a pension plan. To illustrate the magnitude of this risk, please review the following chart showing the Asset Volatility Ratio (AVR), defined as the market value of assets divided by covered payroll (dollars in thousands).

Valuation	Market Value of Assets	Covered Payroll	Asset Volatility Ratio
2003	$13,061,606	$2,952,887	4.42
2004	15,095,804	3,032,483	4.98
2005	15,928,604	3,121,571	5.10
2006	17,764,526	3,430,645	5.18
2007	19,938,882	3,532,159	5.64
2008	18,106,966	3,645,230	4.97
2009	13,833,826	3,761,484	3.68
2010	14,939,540	3,787,757	3.94
2011	17,303,576	3,838,111	4.51
2012	16,689,941	3,871,809	4.31
2013	18,019,319	3,917,310	4.60
2014	20,293,684	4,056,482	5.00
2015	20,446,091	4,261,626	4.80
2016	19,424,431	4,515,699	4.30
2017	21,258,090	4,688,875	4.53
2018	22,357,570	4,832,917	4.63
2019	22,872,153	5,000,930	4.57
2020	22,741,046	5,166,241	4.40
2021	28,357,828	5,326,108	5.32
2022	25,592,152	5,573,701	4.59

The asset volatility ratio is especially useful to compare across plans or through time. It is also frequently useful to consider how the AVR translates into changes in the Required Contribution Rate (actuarial contribution rate). For example, the following table demonstrates that with an AVR of 5.00, if the market value return in one year is 10% below assumed, or -2.50%, there will be an increase in the Required Contribution Rate of 0.62% in the first year. Without asset smoothing or without returns above the expected return in the next four years, the impact on the Required Contribution Rate would be 3.12%. A higher AVR produces more volatility in the Required Contribution Rate.

Impact of Return 10% Below Expected
(Percent of Payroll)

AVR	Asset Value	Unsmoothed Amortization	Smoothed Amortization
4.00	40%	2.50%	0.50%
5.00	50%	3.12%	0.62%
6.00	60%	3.74%	0.75%

SENSITVITY MEASURES

Valuations are generally performed with a single set of assumptions that reflects the best estimate of future conditions, in the opinion of the actuary and typically the governing board. Note that under Actuarial Standards of Practice, the set of economic assumptions used for funding must be consistent. To enhance the understanding of the importance of an assumption, a sensitivity test can be performed where the valuation results are recalculated using a different assumption or set of assumptions. The Minnesota Legislative Commission on Pensions and Retirement requires that TRA (and Minnesota retirement systems) disclose the sensitivity of valuation results relative to the investment return assumption.

The following table contains the key measures for TRA under the valuation assumption for investment return of 7.5%, along with the results if the assumption were 6.5% or 8.5%. In this analysis, only the investment return assumption is changed. Consequently, there may be inconsistences between the investment return and other economic assumptions such as inflation or payroll increases. In addition, it should not be assumed that Cavanaugh Macdonald Consulting believes that either assumption (6.5% or 8.5%) would comply with applicable Actuarial Standards of Practice.

	Investment Return Assumption		
	6.50%	7.50%	8.50%
Normal Cost Rate	11.97%	9.23%	7.23%
Amortization of UAAL	9.72%	6.21%	2.71%
Expenses	0.28%	0.28%	0.28%
Total Required Contribution	21.97%	15.72%	10.22%
Contribution Sufficiency/(Deficiency)	(5.15%)	1.10%	6.60%
Actuarial Accrued Liability Funding Ratio	72.44%	82.00%	92.00%
Actuarial Accrued Liability ($B)	$35.8	$31.6	$28.2
Unfunded Actuarial Accrued Liability ($B)	$9.9	$5.7	$2.3

Note: All calculations are based on the actuarial value of assets.

MORTALITY RISK

The mortality assumption is a significant assumption for valuation results, second only to the investment assumption in most situations. The TRA mortality assumption utilizes a mortality table (with separate rates for males and females, as well as different rates by status) and an improvement scale for how the mortality rates are expected to improve through time. This approach is the current state of the art in retirement actuarial practice, made possible by the increase in computational power over the past 20 years.

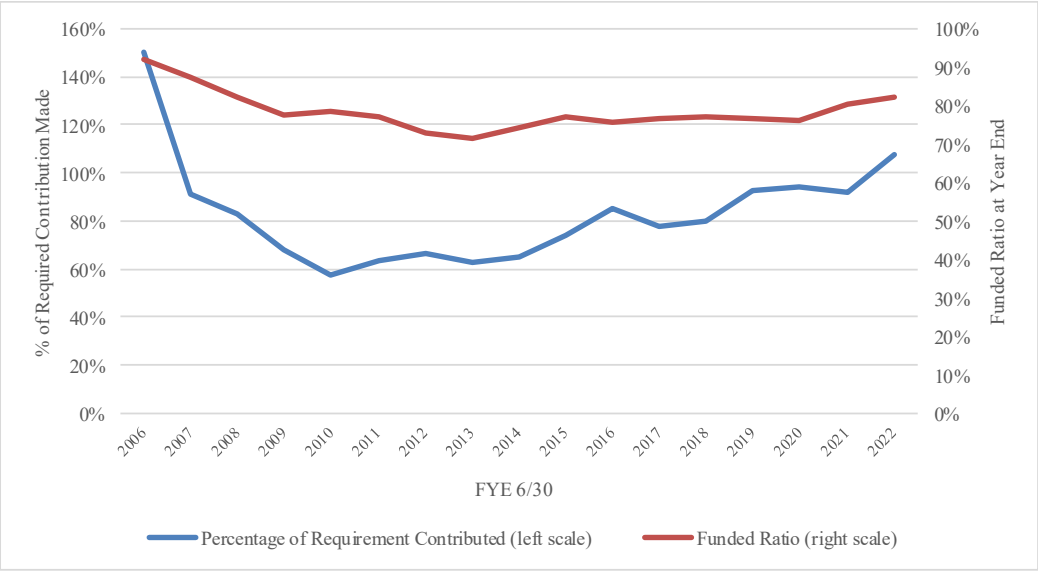
The future, however, is not known, and actual mortality improvements may occur at a faster rate than expected, or at a slower rate than expected (or even decline). Although changes in mortality will affect the benefits paid, this assumption is carefully studied during the regular experience studies that TRA conducts so that incremental changes can be made to smoothly reflect unfolding experience.

CONTRIBUTION RISK

TRA is primarily funded by member and employer contributions to the trust fund, together with the earnings on those accumulated contributions. The contribution rates are set by state statute and intended to provide the needed amounts to fund the System over time. Each year in the valuation, the Required Contribution Rate is determined, based on TRA's funding policy (also in statute). This rate is the sum of the rates for the normal cost for the plan, the amortization of the UAAL, and the administrative expenses. The difference between this Required Contribution Rate and the Statutory Contribution Rate is determined, resulting in a contribution sufficiency (the Statutory Rate exceeds the Required Contribution Rate) or a deficiency (the Statutory Rate is smaller).

A key risk factor to TRA's funding is that over time, the Statutory Contribution Rate will be insufficient to accumulate enough funds, with investment income, to fund the promised benefits. The following graph shows two lines: the blue line shows the proportion of the Required Contribution Rate actually made each year for the past 15 years. As can be seen by looking at the scale on the left, through 2007 the Statutory Contribution Rate was at least 100% of the Required Contribution Rate, so more than 100% of the Required Contribution Rate was contributed. From 2007 through 2020, the ratio has been significantly less than 100%, indicating the Statutory Contribution Rate has been less than the Required Contribution Rate. In the 2020 and 2021 valuations, the Statutory Contribution Rate has again exceeded the Required Contribution Rate.

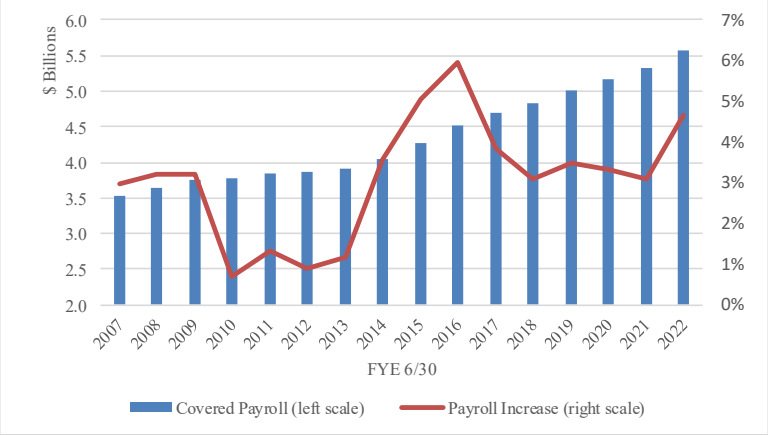
Also on the graph (with the scale on the right axis) is the funded ratio of the System. While there have been certain events (large financial market drops, the merger of the Minneapolis and Duluth systems into TRA, etc.) that have had an effect on the funded ratio, there is also a noteworthy decline in the funded ratio during the period where the Statutory Contribution Rate was less than the Required Contribution Rate.



The presence of this risk does not mean that there is an insurmountable problem. For example, benefit and contribution adjustments were made by both the 2010 and the 2018 Legislatures as a way to bring the System's funding into long-term balance and improve its sustainability. The challenge for TRA is that adjustments to address long-term funding require legislative action and the time required to enact such change is outside the control of the Board.

COVERED PAYROLL RISK

The Required Contribution Rate for TRA is calculated under the assumption that total covered payroll will increase over time at a certain rate (currently 3.0% per year). We know that this assumption will not be met exactly every year, because there are many factors that affect the actual pay increases granted by each employer and there are many different employers participating in TRA. The following graph shows actual payroll growth since 2007.



Visually, it is clear that there are years when covered payroll has increased significantly and years when there is little to no change. Sometimes this is a function of external events such as the merger of another school district into TRA (leading to large increases), or a national financial crisis (leading to small increases).

The volatility of covered payroll increases affects the plan's funding in multiple ways. First, lower increases in covered payroll mean that less contribution dollars will be collected, which works against the financial health of the plan. At the same time, if lower covered payroll is the result of lower individual pay increases for active members (rather than a decrease in active membership) this results in an actuarial gain on liabilities since the expected future benefits are lower. The trade-off between these two factors is complex, and so it is not always clear if lower than expected covered payroll helps or hurts the plan's funding. What is important to understand, however, is that actual versus expected covered payroll growth is a source of risk to funding the plan. If actuarial assumptions accurately reflect the average increases over time, then the net consequences should be manageable.

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SECTION VI

ADDITIONAL INFORMATION

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SECTION VI – ADDITIONAL INFORMATION

This section contains information that may be helpful in understanding the System's historical funding as well as current information regarding membership information and expected benefit payments. Some of the historical information was required under prior GASB accounting standards, but continues to provide useful information. Current financial reporting information required under Governmental Accounting Standards Board Statement No. 67 is provided in a separate report.

TABLE 12

SUMMARY OF MEMBERSHIP DATA

	July 1, 2022	July 1, 2021
Active members:		
Vested	68,822	67,978
Non-vested	15,486	13,843
Total	84,308	81,821
Pensioners and Beneficiaries	69,891	69,033
Terminated vested members entitled to, but not yet receiving, benefits:	17,812	17,300
Other terminated, non-vested members entitled to a refund of contributions	38,903	38,717
Total	**210,914**	**206,871**

TABLE 13

SCHEDULE OF FUNDING PROGRESS*

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Actual Covered Payroll (Previous FY) (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/93	$7,045,937	$8,266,059	$1,220,122	85.24%	$2,065,881	59.06%
07/01/94	7,611,936	9,115,266	1,503,330	83.51%	2,150,300	69.91%
07/01/95	8,348,124	9,717,623	1,369,499	85.91%	2,204,693	62.12%
07/01/96	9,541,221	10,366,168	824,947	92.04%	2,268,390	36.37%
07/01/97	11,103,759	10,963,637	(140,122)	101.28%	2,359,011	(5.94%)
07/01/98	12,727,546	12,046,312	(681,234)	105.66%	2,422,957	(28.12%)
07/01/99	14,011,247	13,259,569	(751,678)	105.67%	2,625,254	(28.63%)
07/01/00	15,573,151	14,802,441	(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	21,470,314	2,675,925	87.54%	3,532,159	75.76%
07/01/08	18,226,985	22,230,841	4,003,856	81.99%	3,645,230	109.84%
07/01/09	17,882,408	23,114,802	5,232,394	77.36%	3,761,484	139.10%
07/01/10	17,323,146	22,081,634	4,758,488	78.45%	3,787,757	125.63%
07/01/11	17,132,383	22,171,493	5,039,110	77.27%	3,838,111	131.29%
07/01/12	16,805,077	23,024,505	6,219,428	72.99%	3,871,809	160.63%
07/01/13	16,774,626	23,418,629	6,644,003	71.63%	3,917,310	169.61%
07/01/14	18,181,932	24,528,506	6,346,574	74.13%	4,056,482	156.46%
07/01/15	19,696,893	25,562,155	5,865,262	77.05%	4,306,426	136.20%
07/01/16	20,194,279	26,716,216	6,521,937	75.59%	4,515,699	144.43%
07/01/17	21,062,789	27,427,702	6,364,913	76.79%	4,688,875	135.74%
07/01/18	22,022,842	28,643,023	6,620,181	76.89%	4,832,917	136.98%
07/01/19	22,466,848	29,246,174	6,779,326	76.82%	5,000,930	135.56%
07/01/20	22,936,908	30,129,180	7,192,272	76.13%	5,166,241	139.22%
07/01/21	24,728,337	30,814,967	6,086,630	80.25%	5,326,108	114.28%
07/01/22	25,925,803	31,615,897	5,690,094	82.00%	5,573,701	102.09%

* Information prior to 2004 provided by Milliman; from 2004 to 2008 provided by The Segal Company; and 2009 to 2010 by Mercer.

TABLE 14

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

(Dollars in Thousands)

Plan Year Ended June 30	Actuarially Required Contribution Rate (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Contributions [(a)*(b)] - (c)	Actual Employer Contributions[1]	Percentage Contributed
2003[2]	7.57%	$2,952,887	$155,577	$67,957	$149,481	219.96%
2004	8.37%	3,032,483	159,140	94,679	151,029	159.52%
2005	8.46%	3,121,571	160,982	103,103	157,693	152.95%
2006[3]	9.05%	3,430,645	177,085	133,389	200,286	150.15%
2007[4]	12.16%	3,532,159	199,869	229,642	209,219	91.11%
2008[5]	13.44%	3,645,230	209,592	280,327	231,562	82.60%
2009[6]	15.08%	3,761,484	212,043	355,189	240,718	67.72%
2010[7]	16.81%	3,787,757	214,909	421,813	242,088	57.39%
2011[8]	15.71%	3,838,111	218,024	384,943	244,233	63.45%
2012[9]	16.57%	3,871,809	239,834	401,725	266,661	66.38%
2013[10]	18.75%	3,917,310	270,708	463,788	290,662	62.67%
2014[11]	19.41%	4,056,482	294,632	492,731	320,301	65.01%
2015[12]	19.15%	4,261,626	331,905	484,196	358,367	74.01%
2016[13]	17.87%	4,515,699	347,256	459,699	390,548	84.96%
2017[14]	18.72%	4,688,875	361,175	516,582	403,378	78.09%
2018[15]	18.43%	4,832,917	374,550	516,157	414,315	80.27%
2019[16]	17.18%	5,000,930	386,669	472,491	438,887	92.89%
2020	17.18%	5,166,241	396,679	490,881	460,810	93.87%
2021[17]	17.65%	5,326,108	410,162	529,896	486,669	91.84%
2022	16.33%	5,573,701	428,993	481,192	518,269	107.71%
2023	15.72%					

Note: Information prior to 2004 provided by Milliman USA; 2004 to 2008 information provided by The Segal Company; 2009 and 2010 information provided by Mercer.

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

2 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 8.11%.*

3 *Actuarially Required Contribution Rate shown is the contribution rate stated in the TRA July 1, 2005 actuarial valuation.*

4 *Actuarially Required Contributions calculated according to parameters of GASB 25 (30-year amortization period), and post-merger of the Minneapolis Teachers' Retirement Fund Association.*

5 *Actuarially Required Contribution Rate prior to change in Asset Valuation Method is 11.58%.*

6 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 15.36%.*

7 *Actuarially Required Contribution Rate prior to change in Asset Valuation Method is 19.98%.*

8 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions and Plan Provisions is 18.91%.*

9 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 16.91%.*

10 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 18.15%.*

11 *Actuarially Required Contribution Rate prior to change in Plan Provisions is 19.66%.*

12 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 17.95%. Actual Covered Payroll excludes DTRFA payroll of $44.8 million.*

13 *Actuarially Required Contribution Rate prior to DTRFA merger is 17.70%.*

14 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 17.44%.*

15 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 18.71%.*

16 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions and Plan Provisions is 18.25%.*

17 *Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 17.62%.*

TABLE 15

PROJECTED BENEFIT PAYMENTS

(Dollars in Thousands)

The table below shows estimated benefits expected to be paid over the next twenty-five years, based on the assumptions used in the valuation. The "Actives" column shows benefits expected to be paid to members currently active on July 1, 2022. The "Retirees" column shows benefits expected to be paid to all other members. This includes those who, as of July 1, 2022, are receiving benefit payments or who terminated employment and are entitled to a deferred benefit.

Year Ending June 30	Actives	Retirees	Total
2023	$ 72,223	$ 1,983,789	$ 2,056,012
2024	123,965	1,945,819	2,069,784
2025	170,520	1,914,103	2,084,623
2026	216,991	1,883,491	2,100,482
2027	264,777	1,852,819	2,117,596
2028	315,893	1,823,424	2,139,317
2029	372,397	1,795,651	2,168,048
2030	435,981	1,765,414	2,201,395
2031	508,431	1,734,357	2,242,788
2032	590,644	1,700,957	2,291,601
2033	682,950	1,666,283	2,349,233
2034	784,213	1,629,827	2,414,040
2035	893,827	1,591,297	2,485,124
2036	1,011,582	1,550,365	2,561,947
2037	1,137,897	1,506,397	2,644,294
2038	1,271,207	1,459,111	2,730,318
2039	1,411,087	1,408,063	2,819,150
2040	1,558,469	1,354,763	2,913,232
2041	1,713,381	1,298,785	3,012,166
2042	1,875,135	1,240,565	3,115,700
2043	2,042,711	1,180,435	3,223,146
2044	2,214,965	1,118,933	3,333,898
2045	2,391,932	1,055,899	3,447,831
2046	2,572,844	991,837	3,564,681
2047	2,756,117	927,577	3,683,694

Cash flows are the expected future non-discounted payments to current members. These numbers exclude refund payouts to current non-vested inactives and assume future retirees and future terminated members make benefit elections according to valuation assumptions.

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APPENDIX A

SUMMARY STATISTICS ON MEMBERSHIP DATA

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TABLE 16

RECONCILIATION OF MEMBERS*

	Active Members**	Former Members***	Benefit Recipients**** Service Retirements	Disability Retirements	Survivors	Total
Members on 6/30/2021	**81,821**	**56,017**	**62,367**	**446**	**6,220**	**206,871**
New hires	6,070	-	-	-	-	**6,070**
Transfer from active to inactive	(4,022)	4,022	-	-	-	**0**
Transfer from inactive to active	2,116	(2,116)	-	-	-	**0**
Return from zero balance	407	6	-	-	-	**413**
Return from disability	2	-	-	-	-	**2**
Refunded	(260)	(698)	-	-	-	**(958)**
Refunded (non-repayable)	(12)	(13)	-	-	-	**(25)**
Retirements	(1,785)	(480)	2,266	(37)	-	**(36)**
Benefits began	-	-	-	36	659	**695**
Benefits ended	-	-	-	(3)	(61)	**(64)**
Deaths	(33)	(72)	(1,672)	(12)	(338)	**(2,127)**
Adjustments	4	49	15	(3)	8	**73**
Net changes	2,487	698	609	(19)	268	**4,043**
Members on 6/30/2022	**84,308**	**56,715**	**62,976**	**427**	**6,488**	**210,914**

* ***All figures in this chart were provided by the Teachers Retirement Association. Recipient counts include all pensions in force, including double counting of multiple benefit types. Service Retirements include Supplemental and Variable optional joint annuitants. We have found these results to be reasonable.***

** *Active members include 1 Basic and 84,307 Coordinated members.*

*** *Former members include 5 Basic and 56,710 Coordinated members.*

**** *Benefit recipients include 2,644 Basic members and 67,247 Coordinated members.*

Former Member Statistics	**Vested**	**Non-vested**	**Total**
Number	17,812	38,903	56,715
Average Age	48.8	47.9	48.2
Average Service (years)	7.8	0.8	3.0
Average annual benefits, with applicable future augmentation and Combined Service Annuity load	$8,480	N/A	N/A
Average refund value, with Combined Service Annuity load	$39,008	$2,816	$14,182

Former Member Statistics (Basic)	**Vested**	**Non-vested**	**Total**
Number	2	3	5
Average Age	72.5	64.0	66.7
Average Service (years)	15.5	0.1	6.2
Average annual benefits, with applicable future augmentation and Combined Service Annuity load	$48,998	N/A	N/A
Average refund value, with Combined Service Annuity load	$167,119	$176	$66,953

Former Member Statistics (Coordinated)	**Vested**	**Non-vested**	**Total**
Number	17,810	38,900	56,710
Average Age	48.8	47.9	48.2
Average Service (years)	7.8	0.8	3.0
Average annual benefits, with applicable future augmentation and Combined Service Annuity load	$8,476	N/A	N/A
Average refund value, with Combined Service Annuity load	$38,994	$2,816	$14,178

TABLE 17

DISTRIBUTION OF ACTIVE MEMBERS*

	Years of Service as of July 1, 2022										
Age	**<3****	**3-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 +**	**Total**
<25	2,812	85									**2,897**
Avg. Earnings	34,198	50,104									**34,665**
25-29	3,736	3,117	2,191								**9,044**
Avg. Earnings	38,426	50,575	56,606								**47,017**
30-34	2,034	1,557	5,751	1,382							**10,724**
Avg. Earnings	37,518	52,437	60,481	70,454							**56,243**
35-39	1,671	1,037	3,355	4,323	1,245						**11,631**
Avg. Earnings	34,063	55,749	63,149	73,737	82,515						**64,319**
40-44	1,582	863	2,302	2,446	4,484	1,236					**12,913**
Avg. Earnings	31,019	54,868	65,303	73,787	83,809	90,858					**70,885**
45-49	1,097	644	1,513	1,323	1,971	4,172	838				**11,558**
Avg. Earnings	30,143	54,931	64,317	73,487	81,614	89,413	93,628				**75,734**
50-54	924	436	1,176	1,123	1,370	2,391	3,627	686			**11,733**
Avg. Earnings	28,093	54,935	63,094	72,010	78,365	86,878	91,443	94,878			**78,139**
55-59	600	293	726	732	931	1,205	1,793	1,806	171		**8,257**
Avg. Earnings	27,999	48,384	60,673	69,832	77,701	84,367	88,982	92,638	92,030		**77,841**
60-64	484	195	400	418	517	683	614	487	266	32	**4,096**
Avg. Earnings	18,871	42,596	54,525	64,920	75,155	80,484	86,392	90,810	91,153	87,542	**69,465**
65-69	298	61	152	106	92	107	77	56	27	46	**1,022**
Avg. Earnings	10,455	26,642	44,741	60,891	78,327	86,505	85,342	93,927	98,969	92,179	**52,056**
70 +	248	33	41	19	19	10	13	14	8	28	**433**
Avg. Earnings	9,096	18,033	30,896	38,989	68,870	85,200	75,829	96,712	101,326	101,749	**30,065**
Total	**15,486**	**8,321**	**17,607**	**11,872**	**10,629**	**9,804**	**6,962**	**3,049**	**472**	**106**	**84,308**
Avg. Earnings	**33,085**	**52,005**	**61,310**	**72,452**	**81,519**	**87,698**	**90,530**	**92,892**	**92,090**	**93,307**	**66,160**

* *Active members include 1 Basic and 84,307 Coordinated members.*

** *This exhibit does not reflect service earned in Combined Service Annuity benefits. It should not be relied upon as an indicator of non-vested status.*

In each cell, the top number is the count of active participants for the age/service combination and the bottom number is the amount of average annual earnings. Earnings shown in this exhibit are actual salaries earned during the fiscal year ending June 30, 2022 as reported by the Teachers Retirement Association of Minnesota.

TABLE 18

DISTRIBUTION OF SERVICE RETIREMENTS (TOTAL)

	Years Since Retirement as of July 1, 2022							
Age	**<1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25 +**	**Total**
<55								
Avg. Benefit								
55-59	587	957	7					**1,551**
Avg. Benefit	44,717	38,230	35,837					**40,675**
60-64	731	3,542	1,543	2				**5,818**
Avg. Benefit	36,691	37,084	28,773	15,183				**34,823**
65-69	522	3,782	5,140	2,085	17			**11,546**
Avg. Benefit	22,332	25,325	27,917	26,039	43,422			**26,499**
70-74	59	910	4,930	5,900	3,923	168	3*	**15,893**
Avg. Benefit	19,719	21,390	24,369	27,975	26,280	39,745	12,955	**26,152**
75-79	10	104	793	3,037	4,482	4,499	134	**13,059**
Avg. Benefit	18,032	21,092	19,522	23,763	26,619	26,335	40,692	**25,520**
80-84	2	17	79	367	1,468	4,163	2,024	**8,120**
Avg. Benefit	50,535	28,310	19,902	19,892	22,874	29,417	31,284	**28,179**
85-89		4	16	40	146	1,087	3,170	**4,463**
Avg. Benefit		14,695	10,645	20,007	16,817	29,818	38,435	**35,343**
90 +		1	4	7	26	84	2,404	**2,526**
Avg. Benefit		29,971	10,020	10,003	14,490	28,890	37,853	**37,191**
Total	**1,911**	**9,317**	**12,512**	**11,438**	**10,062**	**10,001**	**7,735**	**62,976**
Avg. Benefit	**34,627**	**30,691**	**26,019**	**26,203**	**25,795**	**28,243**	**36,412**	**28,599**

** Pertaining to the accounts of former participants in the Minnesota Variable Annuity Fund, abolished by law in 1989.*

In each cell, the top number is the count of retired participants for the age/years retired combination and the bottom number is the average annual benefit amount.

TABLE 18A

DISTRIBUTION OF SERVICE RETIREMENTS (BASIC)

	Years Since Retirement as of July 1, 2022							
Age	**<1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25 +**	**Total**
<55								
Avg. Benefit								
55-59								
Avg. Benefit								
60-64								
Avg. Benefit								
65-69		2	5	8	4			**19**
Avg. Benefit		34,078	91,490	53,038	72,565			**65,272**
70-74		3	18	46	67	62		**196**
Avg. Benefit		8,179	27,934	45,074	57,015	54,730		**50,071**
75-79		3	6	37	93	195	49	**383**
Avg. Benefit		67,801	65,107	29,668	55,641	62,172	52,142	**56,253**
80-84			2	2	29	121	153	**307**
Avg. Benefit			94,622	73,362	51,120	53,888	65,432	**59,772**
85-89				3	9	57	449	**518**
Avg. Benefit				10,971	39,702	57,454	75,564	**72,574**
90 +					4	12	548	**564**
Avg. Benefit					41,352	50,008	59,933	**59,591**
Total		**8**	**31**	**96**	**206**	**447**	**1,199**	**1,987**
Avg. Benefit		**37,012**	**49,682**	**39,323**	**54,806**	**57,969**	**66,170**	**61,475**

In each cell, the top number is the count of retired participants for the age/years retired combination and the bottom number is the average annual benefit amount.

TABLE 18B

DISTRIBUTION OF SERVICE RETIREMENTS (COORDINATED)

	Years Since Retirement as of July 1, 2022							
Age	**<1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25 +**	**Total**
<55								
Avg. Benefit								
55-59	587	957	7					**1,551**
Avg. Benefit	44,717	38,230	35,837					**40,675**
60-64	731	3,542	1,543	2				**5,818**
Avg. Benefit	36,691	37,084	28,773	15,183				**34,823**
65-69	522	3,780	5,135	2,077	13			**11,527**
Avg. Benefit	22,332	25,320	27,855	25,935	34,455			**26,435**
70-74	59	907	4,912	5,854	3,856	106	3*	**15,697**
Avg. Benefit	19,719	21,433	24,355	27,841	25,746	30,981	12,955	**25,853**
75-79	10	101	787	3,000	4,389	4,304	85	**12,676**
Avg. Benefit	18,032	19,705	19,175	23,690	26,004	24,711	34,091	**24,591**
80-84	2	17	77	365	1,439	4,042	1,871	**7,813**
Avg. Benefit	50,535	28,310	17,961	19,599	22,305	28,684	28,491	**26,938**
85-89		4	16	37	137	1,030	2,721	**3,945**
Avg. Benefit		14,695	10,645	20,739	15,314	28,289	32,308	**30,454**
90 +		1	4	7	22	72	1,856	**1,962**
Avg. Benefit		29,971	10,020	10,003	9,606	25,371	31,334	**30,751**
Total	**1,911**	**9,309**	**12,481**	**11,342**	**9,856**	**9,554**	**6,536**	**60,989**
Avg. Benefit	**34,627**	**30,685**	**25,960**	**26,092**	**25,189**	**26,852**	**30,953**	**27,528**

** Pertaining to the accounts of former participants in the Minnesota Variable Annuity Fund, abolished by law in 1989.*

In each cell, the top number is the count of retired participants for the age/years retired combination and the bottom number is the average annual benefit amount.

TABLE 19

DISTRIBUTION OF SURVIVORS (TOTAL)

	Years Since Death as of July 1, 2022							
Age	**<1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25 +**	**Total**
<45	15	68	37	25	5	2		**152**
Avg. Benefit	22,805	23,308	14,233	16,672	8,788	854		**19,185**
45-49	10	25	9	9	4	3	2	**62**
Avg. Benefit	19,775	20,321	30,353	11,420	6,100	13,764	26,018	**19,346**
50-54	11	44	32	13	8	5	2	**115**
Avg. Benefit	21,815	21,630	12,011	12,246	14,717	14,597	50,232	**17,621**
55-59	9	44	46	17	6	6	4	**132**
Avg. Benefit	24,418	25,939	14,326	13,873	16,728	25,896	34,889	**20,085**
60-64	17	88	51	33	18	2	6	**215**
Avg. Benefit	23,438	24,733	20,488	16,469	12,838	16,198	12,557	**20,940**
65-69	37	154	132	57	27	12	9	**428**
Avg. Benefit	20,826	22,497	20,398	18,691	17,406	20,148	18,581	**20,729**
70-74	63	272	216	107	68	26	15	**767**
Avg. Benefit	20,853	23,386	23,612	22,061	20,893	17,221	15,299	**22,469**
75-79	125	389	345	199	107	72	39	**1,276**
Avg. Benefit	26,278	25,645	25,317	24,227	24,531	20,732	25,690	**25,028**
80-84	117	421	311	189	132	73	81	**1,324**
Avg. Benefit	27,536	29,147	27,940	30,396	30,896	28,101	24,641	**28,741**
85-89	84	321	291	178	113	64	91	**1,142**
Avg. Benefit	33,236	36,610	35,385	36,320	37,146	37,485	31,932	**35,734**
90 +	35	185	199	152	105	80	119	**875**
Avg. Benefit	33,054	35,388	41,790	38,265	41,480	35,657	37,410	**38,281**
Total	**523**	**2,011**	**1,669**	**979**	**593**	**345**	**368**	**6,488**
Avg. Benefit	**26,649**	**28,212**	**27,992**	**28,326**	**29,788**	**28,374**	**30,216**	**28,313**

In each cell, the top number is the count of survivor participants for the age/years since death combination and the bottom number is the average annual benefit amount.

TABLE 19A

DISTRIBUTION OF SURVIVORS (BASIC)

	Years Since Death as of July 1, 2022							
Age	**<1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25 +**	**Total**
<45		2		2		1		**5**
Avg. Benefit		39,000		6,879		1,208		**18,593**
45-49	2							**2**
Avg. Benefit	16,996							**16,996**
50-54						1	1	**2**
Avg. Benefit						19,742	65,272	**42,507**
55-59		1			1	1	2	**5**
Avg. Benefit		74,541			26,557	3,434	26,384	**31,460**
60-64	1	1		1			2	**5**
Avg. Benefit	43,254	482		2,675			28,618	**20,729**
65-69	2	3	2		1	4	3	**15**
Avg. Benefit	14,249	46,020	41,033		22,312	35,374	20,455	**31,586**
70-74		3	6	1	1	2	1	**14**
Avg. Benefit		58,095	27,022	57,682	69,184	27,714	8,499	**37,658**
75-79	3	22	12	6	3	2	4	**52**
Avg. Benefit	58,002	50,072	49,425	61,726	29,811	18,968	66,477	**50,622**
80-84	10	22	20	17	12	5	9	**95**
Avg. Benefit	46,019	60,440	58,496	52,069	64,199	65,874	41,970	**56,026**
85-89	10	66	49	33	24	17	19	**218**
Avg. Benefit	75,701	65,597	63,121	61,565	60,394	59,147	50,773	**62,526**
90 +	8	37	60	35	39	27	38	**244**
Avg. Benefit	61,763	57,929	56,874	52,880	57,297	49,791	52,002	**55,146**
Total	**36**	**157**	**149**	**95**	**81**	**60**	**79**	**657**
Avg. Benefit	**55,307**	**59,678**	**57,131**	**54,864**	**57,554**	**48,975**	**48,475**	**55,578**

In each cell, the top number is the count of survivor participants for the age/years since death combination and the bottom number is the average annual benefit amount.

TABLE 19B

DISTRIBUTION OF SURVIVORS (COORDINATED)

	Years Since Death as of July 1, 2022							
Age	**<1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25 +**	**Total**
<45	15	66	37	23	5	1		**147**
Avg. Benefit	22,805	22,833	14,233	17,523	8,788	500		**19,205**
45-49	8	25	9	9	4	3	2	**60**
Avg. Benefit	20,470	20,321	30,353	11,420	6,100	13,764	26,018	**19,425**
50-54	11	44	32	13	8	4	1	**113**
Avg. Benefit	21,815	21,630	12,011	12,246	14,717	13,311	35,193	**17,181**
55-59	9	43	46	17	5	5	2	**127**
Avg. Benefit	24,418	24,809	14,326	13,873	14,763	30,388	43,394	**19,637**
60-64	16	87	51	32	18	2	4	**210**
Avg. Benefit	22,199	25,012	20,488	16,900	12,838	16,198	4,527	**20,945**
65-69	35	151	130	57	26	8	6	**413**
Avg. Benefit	21,201	22,029	20,080	18,691	17,218	12,535	17,645	**20,334**
70-74	63	269	210	106	67	24	14	**753**
Avg. Benefit	20,853	22,999	23,515	21,725	20,172	16,347	15,785	**22,186**
75-79	122	367	333	193	104	70	35	**1,224**
Avg. Benefit	25,498	24,181	24,448	23,062	24,378	20,783	21,028	**23,941**
80-84	107	399	291	172	120	68	72	**1,229**
Avg. Benefit	25,808	27,422	25,840	28,254	27,566	25,324	22,475	**26,632**
85-89	74	255	242	145	89	47	72	**924**
Avg. Benefit	27,497	29,107	29,769	30,574	30,877	29,649	26,959	**29,412**
90 +	27	148	139	117	66	53	81	**631**
Avg. Benefit	24,548	29,753	35,279	33,892	32,133	28,457	30,565	**31,760**
Total	**487**	**1,854**	**1,520**	**884**	**512**	**285**	**289**	**5,831**
Avg. Benefit	**24,530**	**25,547**	**25,135**	**25,474**	**25,395**	**24,037**	**25,225**	**25,241**

In each cell, the top number is the count of survivor participants for the age/years since death combination and the bottom number is the average annual benefit amount.

TABLE 20

DISTRIBUTION OF DISABILITY RETIREMENTS

	Years Disabled as of July 1, 2022							
Age	**<1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25 +**	**Total**
<45	1	9	8	2				**20**
Avg. Benefit	17,595	10,617	11,196	4,900				**10,626**
45-49	1	6	8	3				**18**
Avg. Benefit	7,487	20,840	14,747	10,987				**15,748**
50-54	4	27	22	5	8	2		**68**
Avg. Benefit	22,133	26,652	21,429	10,436	7,209	2,955		**20,519**
55-59	9	47	42	13	5	6	1	**123**
Avg. Benefit	35,174	32,688	24,315	11,270	9,638	11,635	5,265	**25,560**
60-64	2	45	69	32	17	5	4	**174**
Avg. Benefit	13,382	27,254	25,486	21,067	15,268	8,250	8,235	**23,101**
65 +	1	10	10	3				**24**
Avg. Benefit	2,233	22,502	24,409	15,274				**21,548**
Total	**18**	**144**	**159**	**58**	**30**	**13**	**5**	**427**
Avg. Benefit	**25,510**	**27,278**	**23,288**	**16,576**	**12,181**	**8,998**	**7,641**	**22,417**

In each cell, the top number is the count of disabled participants for the age/years disabled combination and the bottom number is the average annual benefit amount.

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APPENDIX B

SUMMARY OF PLAN PROVISIONS

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BASIC MEMBERS

This summary of provisions reflects our interpretation of applicable Statutes for purposes of preparing this valuation. This interpretation is not intended to provide a basis for administering the Plan.

Plan year

July 1 through June 30

Eligibility

Teachers first hired prior to July 1, 1978 employed by the Board of Education of Special School District No. 1, other than a charter school, and not covered by the Social Security Act. Certain part-time licensed employees of Special School District No. 1 are also covered. These members were transferred to TRA as part of the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) effective June 30, 2006.

Contributions

Shown as a percent of Salary:

Member	Employer
11.00%	16.19%

Employer rates will increase until they reach 16.39% beginning July 1, 2023. Member rates will increase to 11.25% effective July 1, 2023.

Employee contributions are "picked up" according to the provisions of Internal Revenue Code 414(h).

Teaching service

A year is earned during a calendar year if the member is employed in a covered position and employee contributions are deducted. Certain part-time service and military service is also included.

Salary

Periodic compensation used for contribution purposes excluding lump sum annual or sick leave payments, severance payments, any payments made in lieu of employer paid fringe benefits or expenses, and employer contributions to a Section 457 deferred compensation plan.

Average salary

Average of the five highest successive years of Salary.

Retirement

Normal retirement

Age/Service requirements

Age 60, or any age with 30 years of Teaching Service

Amount

2.50% of Average Salary for each year of Teaching Service.

BASIC MEMBERS

Early retirement

Age/Service requirements

Age 55 with less than 30 years of Teaching Service.

Amount

The greater of (a) or (b):

(a) 2.25% of Average Salary for each year of Teaching Service with reduction of 0.25% for each month before the Member would first be eligible for a normal retirement benefit.

(b) 2.50% of Average Salary for each year of Teaching Service assuming augmentation to the age of first eligibility for a normal retirement benefit at 3.00% per year and actuarial reduction for each month before the member would be 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% "city deposits" to the Retirement Fund. Other benefits are also provided under this alternative depending on the member's age and Teaching Service.

Form of payment

Life annuity. Actuarially equivalent options are:

(a) 10 or 15 year Certain and Life

(b) 50%, 75% or 100% Joint and Survivor with bounce back feature (option is canceled if member is predeceased by beneficiary).

Benefit increases

Under current law, the annual post-retirement increase on January 1 is 1.0 percent for January, 2019 through January, 2023. Beginning January 1, 2024, this amount will increase in 0.1% step increments until the COLA reaches 1.5%. A benefit recipient who has been receiving a benefit for at least 12 full months as of the June 30 preceding the increase date will receive a full increase. Members receiving benefits for at least one full month but less than 12 full months as of the June 30 preceding the increase date will receive a prorated increase.

Beginning July 1, 2024, eligibility for receipt of first COLA will be changed to Normal Retirement Age. Members who retire under rule of 90 or are least age 62 with 30 years of service are exempt from this delay in COLA.

BASIC MEMBERS

Disability

Age/service requirement	Total and permanent disability with three years of Teaching Service.
Amount	An annuity actuarially equivalent to the continued accumulation of member and city contributions at the current rate for a period of 15 years (but not beyond age 65) plus an additional benefit equal to the smaller of 100% of the annuity provided by city contributions only or $150 per month. A member with 20 years of Teaching Service also receives an additional $7.50 per month. Payments stop earlier if disability ceases or death occurs. Benefits may be reduced on resumption of partial employment.
Form of payment	Same as for retirement.
Benefit increases	Same as for retirement.

Death

Choice of Benefit A, Benefit B or Benefit C

Benefit A

Age/Service requirements	Death before retirement.
Amount	The accumulation of member and city contributions plus 6.00% interest. Paid as a life annuity, 15-year Certain and Life, or lump sum. If an annuity is chosen the beneficiary also receives additional benefits.

Benefit B

Age/Service requirements	An active member with seven years of Teaching Service. A former member age 60 with seven years of Teaching Service who dies before retirement or disability benefits begin.
Amount	The actuarial equivalent of any benefits the member could have received if resignation occurred on the date of death.

Benefit C

Age/Service requirements	As an active member who dies and leaves surviving children.
Amount	A monthly benefit of $248.30 to the surviving widow while caring for a child and an additional $248.30 per month for each surviving dependent child. The maximum family benefit is $579.30 per month. Benefits to the widow cease upon death or when no longer caring for an eligible child. Benefits for dependent children cease upon marriage or age 18 (age 22 if a full time student).
Benefit Increases	Same as for retirement.

BASIC MEMBERS

Withdrawal

Refund of contribution

Age/Service requirements	Termination of Teaching Service.
Amount	Member's contributions earn 3.00% interest compounded annually. For vested members, a deferred annuity may be elected in lieu of a refund.

Deferred annuity

Age/Service Requirements	Seven years of Teaching Service.
Amount	The benefit is computed under law in effect at termination and increased by the following percentage compounded annually: (a) 3.00% therefore until the earlier of January 1 of the year following attainment of age 55 and June 30, 2012; (b) 5.00% thereafter until the earlier of June 30, 2012 and when the annuity begins; (c) 2.00% beginning July 1, 2012 until the earlier of June 30, 2019 and when the annuity begins; and (d) 0.00% beginning July 1, 2019. In addition, the interest earned on the member and city contributions between termination and age 60 can be applied to provide an additional annuity.

COORDINATED MEMBERS

This summary of provisions reflects our interpretation of applicable Statutes for purposes of preparing this valuation. This interpretation is not intended to provide a basis for administering the Plan.

Plan year

July 1 through June 30

Eligibility

A public school or Minnesota State teacher who is covered by the Social Security Act, except for teachers employed by St. Paul public schools or by the University of Minnesota. Charter school teachers employed statewide are covered by TRA.

No Minnesota State teacher will become a new Member unless that person elects coverage as defined by Minnesota Statutes under Chapter 354B.

Contributions

Shown as a percent of Salary:

Member	Employer
7.50%	8.55%

Employer also contributes Supplemental amount equal to 3.64% of Salary for members employed by Special School District #1 (Minneapolis Schools) only.
Employer rates will increase until they reach 8.75% on July 1, 2023. Member rates will increase to 7.75% effective July 1, 2023.

Employee contributions are "picked up" according to the provisions of Internal Revenue Code 414(h).

Teaching service

A year is earned during a calendar year if the member is employed in a covered position and employee contributions are deducted. Certain part-time service and military service is also included.

Salary

Periodic compensation used for contribution purposes excluding lump sum annual or sick leave payments, severance payments, any payments made in lieu of employer paid fringe benefits or expenses, and employer contributions to a Section 457 deferred compensation plan.

Average salary

Average of the five highest successive years of Salary. Average salary is based on all Allowable Service if less than five years.

COORDINATED MEMBERS

Retirement

Normal retirement

Age/Service requirements

First hired before July 1, 1989:

(a) Age 65 and three years of Allowable Service; or
(b) Age 62 and 30 years of Allowable Service.

Proportionate Retirement Annuity is available at age 65 and one year of Allowable Service.

First hired after June 30, 1989:

The age when first eligible for full Social Security retirement benefits (but not to exceed age 66) and three years of Allowable Service.

Proportionate Retirement Annuity is available at normal retirement age and one year of Allowable Service.

Early retirement

Age/Service requirements

First hired before July 1, 1989:

(a) Age 55 and three years of Allowable Service; or
(b) Any age and 30 years of Allowable Service; or
(c) Rule of 90: Age plus Allowable Service totals 90.

First hired after June 30, 1989:

(a) Age 55 with three years of Allowable Service.

COORDINATED MEMBERS

Retirement(continued)

Amount

First hired before July 1, 1989:

The greater of (a), (b) or (c):

(a) 1.20% of Average Salary for each of the first ten years of Allowable Service.
1.70% of Average Salary for each year of Allowable Service in excess of 10 prior to July 1, 2006, and
1.90% of Average Salary for years of Allowable Service after July 1, 2006.
No actuarial reduction if age plus years of service totals 90. Otherwise reduction of 0.25% for each month the member is under age 65 (or 62 if 30 years of Allowable Service) at time of retirement.

(b) 1.70% of Average Salary for each year of Allowable Service prior to July 1, 2006 and 1.90% for each year of Allowable Service beginning July 1, 2006, assuming augmentation to normal retirement age at 3.00% per year (2.50% per year for members hired after June 30, 2006) and actuarial reduction for each month the member is under the full Social Security benefit retirement age (not to exceed age 65). Beginning July 1, 2015, new early retirement reduction factors will apply, including special factors for members retiring at age 62 or later with at least 30 years of service.

(c) For eligible members: the monthly benefit that is actuarially equivalent to 2.2 times the members' accumulated deductions plus interest thereon.

First hired after June 30, 1989:

1.70% of Average Salary for each year of Allowable Service prior to July 1, 2006 and 1.90% for each year of Allowable Service beginning July 1, 2006, assuming augmentation to normal retirement age at 3.00% per year (2.50% per year for members hired after June 30, 2006) and actuarial reduction for each month the member is under the full Social Security benefit retirement age (not to exceed age 66). Beginning July 1, 2019, new early retirement reduction factors will apply, including special factors for members retiring at age 62 or later with at least 30 years of service. Beginning July 1, 2019, the augmentation adjustment will be phased out.

COORDINATED MEMBERS

Retirement(continued)

Early Retirement Reduction Factors

First hired before July 1, 1989:

Benefit reductions for retiring prior to meeting normal retirement definitions apply. Members who reach age 62 with 30 years of service are eligible for a more favorable set of reduction factors than members who do not reach age 62 and 30 years of service. An extract of the reduction table is presented below:

Age 62	10.40%
Age 63	6.64%
Age 64	3.18%
Age 65	0.00%

Members who do not reach age 62 with 30 years of service credit are eligible for a different set of factors. When fully implemented on July 1, 2024, the following reduction factors will be applied to an eligible person with the normal retirement age of 65:

Age 55	58.0%	Age 61	28.0%
Age 56	54.0%	Age 62	21.0%
Age 57	50.0%	Age 63	14.0%
Age 58	46.0%	Age 64	7.0%
Age 59	42.0%	Age 65	0.0%
Age 60	35.0%		

First hired after June 30, 1989:

Reduction factors for members of the normal retirement age of 66 first hired from July 1, 1989 through June 30, 2006 and who reach age 62 with 30 years of service credit:

Age 62	14.46%
Age 63	10.40%
Age 64	6.64%
Age 65	3.18%
Age 66	0.00%

COORDINATED MEMBERS

Retirement(continued)

When fully implemented on July 1, 2024, the following reduction factors will be applied to an eligible person with the normal retirement age of 66 first hired from July 1, 1989 through June 30, 2006 and who do not reach age 62 with 30 years of service credit:

Age 55	65.0%	Age 61	35.0%
Age 56	61.0%	Age 62	28.0%
Age 57	57.0%	Age 63	21.0%
Age 58	53.0%	Age 64	14.0%
Age 59	49.0%	Age 65	7.0%
Age 60	42.0%	Age 66	0.0%

Reduction factors for members of the normal retirement age of 66 first hired on or after July 1, 2006 and who reach age 62 with 30 years of service credit:

Age 62	16.11%
Age 63	11.70%
Age 64	7.55%
Age 65	3.65%
Age 66	0.00%

When fully implemented on July 1, 2024, the following reduction factors will be applied to an eligible person with the normal retirement age of 66 first hired after June 30, 2006 and who do not reach age 62 with 30 years of service credit:

Age 55	65.0%	Age 61	35.0%
Age 56	61.0%	Age 62	28.0%
Age 57	57.0%	Age 63	21.0%
Age 58	53.0%	Age 64	14.0%
Age 59	49.0%	Age 65	7.0%
Age 60	42.0%	Age 66	0.0%

Form of Payment

Life annuity. Actuarially equivalent options are:

(a) 50%, 75% or 100% Joint and Survivor with bounce back feature (option is canceled if member is predeceased by beneficiary).
(b) 15 year Certain and Life
(c) Guaranteed Refund.

COORDINATED MEMBERS

Retirement(continued)

Benefit increases	Under current law, the annual post-retirement increase on January 1 is 1.0 percent for January, 2019 through January, 2023. Beginning January 1, 2024, this amount will increase in 0.1% step increments until the COLA reaches 1.5%. A benefit recipient who has been receiving a benefit for at least 12 full months as of the June 30 preceding the increase date will receive a full increase. Members receiving benefits for at least one full month but less than 12 full months as of the June 30 preceding the increase date will receive a prorated increase. Beginning July 1, 2024, eligibility for receipt of first COLA will be changed to Normal Retirement Age. Members who retire under rule of 90 or are least age 62 with 30 years of service are exempt from this delay in COLA.

Disability

Age/service requirement	Total and permanent disability before Normal Retirement Age with three years of Allowable Service.
Amount	Normal Retirement Benefit based on Allowable Service and Average Salary at disability without reduction for commencement before Normal Retirement Age unless an optional annuity plan is selected. Payments stop at Normal Retirement Age or the five year anniversary of the effective date of the disability benefit, whichever is later. Payments stop earlier if disability ceases or death occurs. Benefits may be reduced on resumption of partial employment.
Form of *payment*	Same as for retirement.
Benefit increases	Same as for retirement.

Retirement after disability

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

COORDINATED MEMBERS

Death

Surviving spouse optional annuity

Age/Service requirements	Member or former member with three years of Allowable Service who dies before retirement or disability benefits commence.
Amount	Survivor's payment of the 100% Joint and Survivor benefit or an actuarial equivalent term certain annuity. If commencement is prior to age 65 (age 62 if 30 years of service), the benefit is reduced for early retirement with half the applicable reduction factor used from age 55 to actual commencement age. If no surviving spouse, then an actuarial equivalent dependent child benefit is paid to age 20 or for five years if longer.
Benefit increase	Same as for retirement.

Withdrawal

Refund of contributions

Age/Service requirements	Thirty days following termination of teaching service.
Amount	Member's contributions earn 3.00% interest compounded annually. For vested members, a deferred annuity may be elected in lieu of a refund.

Deferred annuity

Age/Service requirements	Vested at date of termination. Current requirement is three years of Allowable Service.

COORDINATED MEMBERS

Withdrawal (continued)

Amount

For members first hired prior to July 1, 2006, the benefit is computed under law in effect at termination and increased by the following percentage compounded annually:

(a) 3.00% therefore until the earlier of January 1 of the year following attainment of age 55 and June 30, 2012;
(b) 5.00% thereafter until the earlier of June 30, 2012 and when the annuity begins;
(c) 2.00% from July 1, 2012 forward until the earlier of June 30, 2019 and when the annuity begins; and
(d) 0.00% from July 1, 2019 forward.

Amount is payable as a normal or early retirement.

A member who terminated service before July 1, 1997 whose benefit does not commence until after June 30, 1997 shall receive an actuarially equivalent increase to reflect the change from 5.00% to 6.00% in the post-retirement interest assumption; or

For eligible members; the monthly benefit that is actuarially equivalent to 2.2 times the members' accumulated deductions plus interest thereon.

For members first hired July 1, 2006 and after, the benefit computed under law in effect at termination is increased by 2.50% compounded annually until June 30, 2012, increased by 2.00% from July 1, 2012 to July 1, 2019 and no increase going forward until the annuity begins.

APPENDIX C

ACTUARIAL METHODS AND ASSUMPTIONS

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Actuarial Cost Method

Liabilities and contributions in this report are computed using the Individual Entry Age Normal Cost Method. This method is prescribed by Minnesota Statutes.

The objective under this method is to fund each member's benefits under the Plan as payments which are level as a percentage of salary, starting at original participation date (or employment date), and continuing until the assumed date of retirement termination, disability or death. For valuation purposes, entry age for each member is determined as the age at valuation minus years of service as of the valuation date.

At any given date, a liability is calculated equal to the contributions which would have been accumulated if this method of funding had always been used, the current plan provisions had always been in place, and all assumptions had been met. The difference between this liability and the assets (if any) which are held in the fund is the Unfunded Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is typically funded over a chosen period in accordance with the amortization schedule.

A detailed description of the calculation follows: The normal cost for each active member under the assumed retirement age is determined by applying to earnings the level percentage of salary which, if contributed each year from date of entry into the Plan until the assumed retirement (termination, disability or death) date, is sufficient to provide the full value of the benefits expected to be payable.

- The present value of future normal costs is the total of the discounted values of all active members' normal cost, assuming these to be paid in each case from the valuation date until retirement (termination, disability or death) date.

- The present value of projected benefits is calculated as the value of all benefit payments expected to be paid to the Plan's current members, including active and retired members, beneficiaries, and terminated members with vested rights.

- The Actuarial Accrued Liability is the excess of the present value of projected benefits over the present value of future normal costs.

- The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over the assets of the fund and represents that part of the Actuarial Accrued Liability which has not been funded by accumulated past contributions.

Amortization Method

The Unfunded Actuarial Accrued Liability is amortized as a level percentage of payroll each year to the statutory amortization date of June 30, 2048, assuming payroll increases of 3.00% per year (effective with the 2018 valuation). If the Unfunded Actuarial Accrued Liability is negative, the surplus amount is amortized over 30 years as a level percentage of payroll. If there is an increase in the Unfunded Actuarial Accrued Liability due to a change in the actuarial assumptions, plan provisions, or actuarial cost method, a new amortization period is determined. This new amortization period is determined by blending the period needed to amortize the prior Unfunded Actuarial Accrued Liability over the prior amortization period and the increase in Unfunded Actuarial Accrued Liability amortized over 30 years. If there is a decrease in the Unfunded Actuarial Accrued Liability, no change is made to the amortization period.

Asset Valuation Method

As prescribed in the Minnesota Statutes Section 356.215, Subdivision 1, Paragraph (f), the assets are valued based on a five-year moving average of expected and market values (five-year average actuarial value) determined as follows:

- At the end of each plan year, an average asset value is calculated as the average of the market asset value at the beginning and end of the fiscal year net of investment income for the fiscal year;
- The investment gain or (loss) is taken as the excess of actual investment income over the expected investment income based on the average asset value as calculated above;
- The investment gain or (loss) so determined is recognized over five years at 20% per year;
- The asset value is the sum of the market value plus the scheduled recognition of investment gains or (losses) during the current and the preceding four fiscal years.

Supplemental Contributions

The City of Minneapolis, the Minneapolis School District, and the State of Minnesota are scheduled to make the following supplemental contributions to the Fund in FY22:

1993 Legislation:	Supplemental contributions from the City of Minneapolis in the amount of $1,250,000, from Minneapolis Schools in the amount of $1,250,000 and from the State in the amount of $2,500,000 ($5,000,000 total) annually are assumed to be made until the amortization date of June 30, 2048 or full actuarial funding is achieved, whichever is earlier. Amount is fixed in statute.
1996 Legislation:	Supplemental contributions from the State in the amount of $3,259,699 annually are assumed to be made until the amortization date of June 30, 2048 or full actuarial funding is achieved, whichever is earlier. Amount is variable as described in Minnesota Statutes, Chapter 423A.02. Assumed amount is based on actual amount received in most recent fiscal year, and information provided by the Teachers Retirement Association.
1997 Legislation:	Supplemental contributions from the State in the amount of $12,954,000 annually are assumed to be made until the amortization date of June 30, 2048 or full actuarial funding is achieved, whichever is earlier. Amount is fixed in statute.
2014 Legislation:	Supplemental contributions from the State in the amount of $14,377,000 annually are assumed to made until the amortization date of June 30, 2048 or full actuarial funding is achieved, whichever is earlier. Amount is fixed in statute.

Entry Age Calculation

As required by the LCPR Standards for Actuarial Work, a member's Entry Age is calculated as the age at the valuation date less years of service. Age on the valuation date is calculated as age nearest birthday. The years of service for each member are provided by TRA.

Decrement Timing

All decrements are assumed to occur in the middle of the plan year. This is the preferred decrement timing in the LCPR Standards for Actuarial Work.

Funding Objective

The fundamental financing objective of the fund is to establish contribution rates which, when expressed as a percentage of active member payroll, will remain approximately level from generation to generation and meet the required deadline for full funding.

Benefits included or excluded

To the best of our knowledge, all material benefits have been included in the liability.

IRC Section 415(b): The limitations of Internal Revenue Code Section 415(b) have been incorporated into our calculations. Annual benefits may not exceed the limits in IRC Section 415. This limit is indexed annually. For 2022, the limit is $245,000.

IRC Section 401(a)(17): The limitations of Internal Revenue Code Section 401(a)(l7) have been incorporated into our calculations. Compensation for any 12-month period used to determine accrued benefits may not exceed the limits in IRC Section 401(a)(17) for the calendar year in which the 12-month period begins. This limit is indexed annually. For 2022, the limit is $305,000. Certain members first hired before July 1, 1995 may have a higher limit.

Summary of Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the plan. All assumptions are prescribed by Statutes, the LCPR, or the Board of Trustees. The assumptions prescribed are based on the full experience study dated June 28, 2019 and the study of economic assumptions presented to the Board in November 2017 and approved by the LCPR on February 19, 2018.

The Allowance for Combined Service Annuity was based on the recommendation of the actuary for the Legislative Commission on Pensions and Retirement (LCPR). We are unable to judge the reasonableness of this assumption without performing a substantial amount of additional work beyond the scope of this assignment, so we have relied on the LCPR actuary's findings.

Investment Return		7.50% compounded annually.
Future post-retirement adjustments		1.0% for January, 2019 through January, 2023, then increasing by 0.1% each year up to 1.5% annually.
Salary Increases		Reported salary for prior fiscal year, with new hires annualized, is increased according to the salary increase table shown in the rate table for current fiscal year and annually for each future year. See table of sample rates.
Payroll Growth		3.00% per year
Future Service		Members are assumed to earn future service at a full-time rate.
Mortality:	***Pre-retirement***	RP 2014 White Collar Employee Table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale.
	Post-retirement	RP 2014 White Collar Annuitant Table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates to fit actual TRA experience. Generational projection uses the MP-2015 scale.
	Post-disability	RP 2014 Disabled Retiree Mortality, without adjustment or generational improvement
Disability		Age-related rates based on experience; see table of sample rates.

Summary of Actuarial Assumptions *(continued)*

Withdrawal	Rates vary by service based on actual plan experience, as shown in the rate table.
Expenses	Prior year administrative expenses expressed as percentage of prior year payroll.
Retirement Age	Graded rates beginning at age 55 as shown in rate table. Members who have attained the highest assumed retirement age are assumed to retire in one year.
Percentage Married	85% of male members and 65% of female members are assumed to be married. Members are assumed to have no children.
Age Difference	Females two years younger than males.
Allowance for Combined Service Annuity	Liabilities for vested former members are increased by 7.00% and liabilities for non-vested former members are increased by 9.00% to account for the effect of some Participants being eligible for a Combined Service Annuity.
Refund of Contributions	All employees withdrawing after becoming eligible for a deferred benefit are assumed to take the larger of their contributions accumulated with interest or the present 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.
Commencement of deferred benefits	Members receiving deferred annuities (including current terminated deferred members) are assumed to begin receiving benefits at their first unreduced retirement age.
Form of payment	Married members are assumed to elect subsidized joint and survivor form of annuity as follows: Males: 10.0% elect 50% J&S option 10.0% elect 75% J&S option 60.0% elect 100% J&S option 20.0% elect Straight Life option Females: 13.5% elect 50% J&S option 6.5% elect 75% J&S option 38.0% elect 100% J&S option 42.0% elect Straight Life option Members eligible for deferred annuities (including current terminated deferred members) and future disability benefits are assumed to elect a life annuity.

Summary of Actuarial Assumptions *(continued)*

Missing data for members

Membership data was supplied by TRA as of the valuation date. This information has not been audited by CMC. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy. In the small number of cases where submitted data was missing or incomplete and could not be recovered, the following assumptions were applied, if needed:

Data for active members:	
Salary, Service, and Date of Birth	Based on current active demographics.
Gender	Female
Data for terminated members:	
Average salary	$43,500
Date of termination	Derived from date of birth, original entry age, and service
Data for in-pay members:	
Beneficiary date of birth	Wife two years younger than husband
Gender	Based on first name
Form of payment	Life annuity for retirees and beneficiaries, 100% J&S option for disabled retirees.

Termination Rates

Service	Males	Females
Less than 1	32.00%	29.00%
1	14.00%	12.00%
2	10.00%	10.00%
3	7.50%	8.00%
4	5.75%	6.50%
5	5.00%	5.25%
6	4.60%	4.00%
7	4.10%	3.50%
8	2.80%	3.00%
9	2.30%	2.50%
10	2.00%	2.10%
15	1.10%	1.10%
20	0.60%	0.60%
25	0.50%	0.50%
30	0.50%	0.50%
Over 30	0.00%	0.00%

	Rate (%)			
	Pre-retirement Mortality*		Disability	
Age	Male	Female	Male	Female
20	0.022	0.013	0.00	0.00
25	0.029	0.013	0.00	0.00
30	0.034	0.014	0.00	0.00
35	0.032	0.017	0.01	0.01
40	0.037	0.022	0.03	0.03
45	0.044	0.029	0.05	0.05
50	0.068	0.045	0.10	0.10
55	0.118	0.076	0.16	0.16
60	0.196	0.121	0.25	0.25
65	0.329	0.177	0.00	0.00

**Rates shown are for 2014, the base year of the tables.*

	Annuitant Mortality Rates (%)			
	Retirement *		Disability	
Age	Male	Female	Male	Female
55	0.267	0.196	2.337	1.448
60	0.353	0.267	2.660	1.700
65	0.486	0.430	3.169	2.086
70	0.945	0.706	4.035	2.820
75	2.015	1.352	5.429	4.105
80	4.126	2.682	7.662	6.104
85	7.358	5.456	11.330	9.042
90	13.560	9.947	17.301	13.265
95	24.351	18.062	24.717	19.588
100	38.292	29.731	32.672	27.819

* *Rates shown are for 2014, the base year of the tables.*

Summary of Actuarial Assumptions *(continued)*

Salary Scale		
Service	Select Salary Increase Before July 1, 2028	Ultimate Salary Increase After June 30, 2028
1	8.85%	9.25%
2	7.10%	7.50%
3	6.60%	7.00%
4	6.35%	6.75%
5	6.35%	6.75%
6	6.20%	6.60%
7	6.05%	6.45%
8	5.90%	6.30%
9	5.75%	6.15%
10	5.60%	6.00%
11	5.35%	5.75%
12	5.10%	5.50%
13	4.85%	5.25%
14	4.60%	5.00%
15	4.35%	4.75%
16	4.10%	4.50%
17	3.85%	4.25%
18	3.65%	4.05%
19	3.55%	3.95%
20	3.45%	3.85%
21	3.35%	3.75%
22	3.25%	3.65%
23	3.15%	3.55%
24	3.05%	3.45%
25	2.95%	3.35%
26 or more	2.85%	3.25%

	Retirement Rate (%)					
	Coordinated Members				Basic Members	
Age	Tier 1 Early	Tier 1 Unreduced	Tier 2 Early	Tier 2 Unreduced	Eligible for 30 and Out Provision	Not Eligible for 30 and Out Provision
55	5	35	5		40	5
56	10	35	5		40	5
57	10	35	5		40	5
58	10	35	5		40	5
59	14	35	5		40	5
60	17	35	6		25	25
61	20	35	15		25	25
62	25	35	15		25	25
63	25	35	15		25	25
64	25	35	20		25	25
65		40	30		40	40
66		35		35	40	40
67		30		30	40	40
68		30		25	40	40
69		30		25	40	40
70		35		35	60	60
71-74		100		100	60	60
75-79		100		100	60	100
80 & Over		100		100	100	100

Coordinated Tier 2 Members age 62 or older with 30 or more years of service have 5% added to their early retirement rates.

Changes in actuarial assumptions and methods since the previous valuation	None.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method. The goal of an asset valuation method is to produce a relatively stable asset value thereby reducing year-to-year volatility in contribution requirements.

Actuarial Accrued Liability. The portion of the present value of all benefits attributable to service already rendered.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related Unfunded Actuarial Accrued Liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the Unfunded Actuarial Accrued Liability.

ASA. Associate of the Society of Actuaries.

Current Benefit Obligations. The present value of benefits earned to the valuation date, based on current service and including future salary increases to retirement.

EA. Enrolled Actuary.

FSA. Fellow of the Society of Actuaries.

MAAA. Member of the American Academy of Actuaries.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Statement No. 67 of the Governmental Accounting Standards Board (GASB 67). The accounting standard governing the financial reporting for defined benefit pension plans and note disclosures for defined benefit plans.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions.