Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2000

2000

Teachers Retirement Association of Minnesota

A Pension Trust Fund of the State of Minnesota

Comprehensive Annual Financial Report

Teachers Retirement Association of Minnesota

A Pension Trust Fund of the State of Minnesota

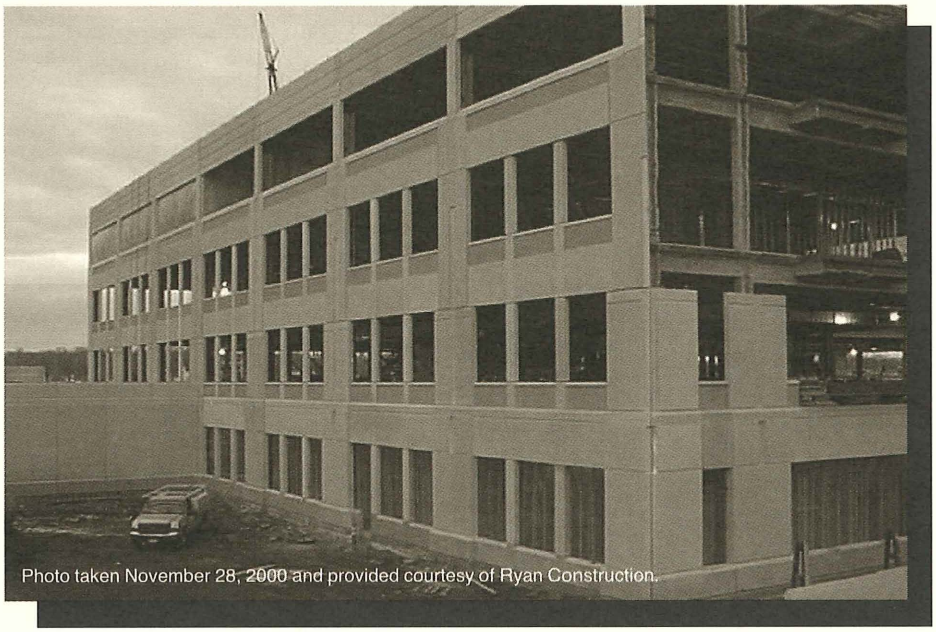


Photo taken November 28, 2000 and provided courtesy of Ryan Construction.

Current Location
Suite 500
17 West Exchange Street
Saint Paul, MN 55102
651-296-2409
1-800-657-3669
1-800-627-3529 TTY/TDD
www.tra.state.mn.us

New Location: September 2001
Retirement Systems of Minnesota
4th Floor
60 Empire Drive
Saint Paul, MN 55103-1855

Gary Austin
Executive Director

T R A

Report Prepared by the Administrative Division

Contents

TRA

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers Retirement Association, Minnesota

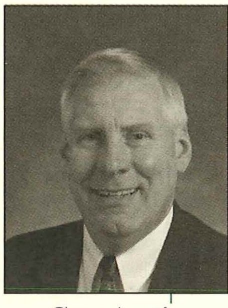
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

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

Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

Letter of Transmittal



Gary Austin
Executive Director

Teachers Retirement Association

Suite 500, Gallery Building
17 West Exchange Street
Saint Paul, MN 55102
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December 31, 2000

Members of the Board of Trustees
Teachers Retirement Association
17 West Exchange Street
Saint Paul, MN 55102

Dear Trustee:

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of the Teachers Retirement Association (TRA) for the fiscal year ended June 30, 2000, our 69th year of service. This report includes the following five sections:

- **Introductory** describes our organizational structure and nature of operations,
- **Financial** contains the general-purpose financial statements, notes to the financial statements, actuarial disclosures and the opinion of our independent auditor,
- **Investment** highlights our asset management and investment performance,
- **Actuarial** contains the certification and results of the actuarial valuation performed by Milliman & Robertson as of July 1, 2000, and
- **Statistical** summarizes TRA plan benefits and illustrates both current and historical data of interest.

We are solely responsible for the content of this report, including its financial statements, which should be helpful in understanding information about the pension fund and comparing our operating results with those of other teacher retirement systems.

Reporting Entity

Although you, as members of the Board of Trustees, have a broad scope of authority in the operations and management of TRA, the pension fund is governed by federal laws and state statutes. For financial reporting purposes, TRA is considered a pension trust fund of the State of Minnesota.

Accounting Basis and Internal Control

TRA follows the provisions of statements promulgated by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting; revenues are recorded when earned and expenditures recorded when the underlying obligation is incurred. Investments are presented at fair value. We also maintain a system of internal controls designed to assure responsible safeguarding of assets and reliable financial records.

Financial Highlights

The TRA Statement of Plan Net Assets stands at about $ 17.7 billion. The continued exceptional performance in the investment markets over the past decade is the primary reason for the continued growth in the asset base. Since 1995, the actuarial value of TRA assets has nearly doubled.

For the second consecutive year, TRA's assets in the Minnesota Post Retirement Investment Fund (Post Fund) for retired members — $9.65 billion — exceeds TRA's assets in the active member fund — $8.1 billion. This phenomenon is reflective of TRA's growing base of retirees and other benefit recipients while the number of active members has remained relatively stable for the past decade.

The major sources of revenue for TRA are employee contributions, employer contributions, and investment earnings. Total revenues for fiscal year 2000 were $1.8 billion, a slight decrease of about 11 percent from the previous year's total of $2.0 billion. Smaller but still strong investment returns accounted for much of the decrease.

The expenditures from the fund consist primarily of payments made to members and beneficiaries for retirement, disability, or survivor benefits. In total, benefit payments for fiscal year 2000 were $755 million, an increase of over 21 percent from the previous fiscal year. Eligible members may choose to withdraw their contributions from the fund upon leaving employment. For fiscal year 2000, refunds to members were over $7 million. In total, benefit payments account for over 98 percent of our operating expenses. Administrative expenses for the year were about $8.1 million.

As of June 30, 2000, TRA had 465 reporting employer units, 70,508 active members and a total of 31,946 retirees, survivors, beneficiaries and disabilitants who were receiving monthly benefits.

Actuarial Funding

The actuary retained by the Legislative Commission on Pensions and Retirement (LCPR) determines the actuarial liabilities and reserves of the pension fund under the Entry Age Normal Cost Method. Our total net assets on an actuarial basis increased during the fiscal year from $14 billion to $15.5 billion. The total required reserves necessary to fund current and future retirees of the fund also increased from $13.3 billion to $14.8 billion. The comparison of net assets to required reserves shows that the funding ratio for fiscal year 2000 was 105.21 percent, a slight decrease from the comparable 105.67 percent for fiscal year 1999. This statistic produces the fourth consecutive year in which the TRA fund is considered fully funded from an actuarial standpoint. Accordingly, TRA has eliminated its unfunded actuarial liability. As recently as six years ago, the TRA unfunded liability stood at approximately $1.5 billion. Significant actuarial gains resulting from a favorable investment market accounted for most of the amortization of the unfunded liability.

The TRA funding sufficiency, as measured by a percentage of covered payroll, rose during the year from 0.14 percent to 2.08 percent. The increase was largely due to the positive impact of a series of actuarial methodology and assumption revisions, as well as actuarial gains due to positive investment experience.

Investment Strategies

All TRA assets are invested under the authority and direction of the State Board of Investment (SBI). The SBI has developed strategic asset allocation and other investment policies to represent the long-term funding needs of our members. The SBI, along with its Investment Advisory Council (IAC), also continually reviews its policies to ensure sufficient assets are available to finance promised benefits. The executive directors of the three statewide retirement systems sit on the IAC and represent their members in its role to advise the SBI on investment-related matters.

During fiscal year 2000, a strong economic environment, positive corporate earnings, and a continuance of high levels of cash flow contributed to the sixth consecutive year of positive performance for the U.S. markets, although stock and bond returns were lower than historical averages. The Wilshire 5000 Stock Index increased 9.5 percent. With rising long-term interest rates and poor performance in the corporate sector for the 12-month period, the U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, provided a gain of 4.6 percent.

The performance of international stock markets was strong during the year. Developed markets were far ahead of the U.S. market and historical averages. The Morgan Stanley Capital International Index of Europe, Australasia and the Far East (EAFE) gained 17.2 percent for the twelve months ending June 20, 2000. The markets of developing countries, or "emerging markets," increased by 9.5 percent during the fiscal year.

Investment Results

Within this investment environment, the retirement assets under the SBI's control performed well:

- The Basic Retirement Funds (Basic Fund) for active members gained 10.5 percent during fiscal year 2000. The Basic Fund benefited from its high U.S. stock exposure, as well as strong returns from international equities and alternative investments.

- The Post Fund for retired members gained 8.6 percent for the fiscal year. This gain, combined with strong returns in prior years, will provide a lifetime post-retirement benefit increase of 9.53 percent for eligible retirees.

Economic Conditions and Outlook

Minnesota's economy performed well in fiscal year 2000. Personal income grew at an annual rate of 6.1 percent during the fiscal year, 0.2 percentage points above the U.S. average. Despite a weak agricultural sector, the state continues its record of outperforming the U.S. economy and moving up in the state rankings of per capita personal income. In calendar 1999, per capita personal income was 7 percent above the national average.

The Minnesota unemployment rate remains low. Labor markets have been very tight in the state for several years, and labor force participation rates continue to be among the highest in the nation. The Minnesota unemployment rate has been at two-thirds, or less, of the national average since early 1997. In fiscal 2000, the Minnesota unemployment rate averaged just 2.7 percent, 1.4 percentage points below the U.S. average. Despite widespread reports of employers having difficulties in finding new workers, payroll employment grew by more than 55,000 during the past fiscal year.

The economy of Minnesota is projected to grow at roughly the same rate as the U.S. economy during fiscal year 2001. Payroll employment growth is projected to be 1.2 percent, 0.1 percentage point greater than the expected U.S. average. Personal income in Minnesota is expected to grow at a rate of 6.2 percent, exceeding the U.S. average by 0.1 percentage point. Wage growth is projected to be noticeably stronger in Minnesota than nationally, due to the continuation of the tight labor market.

Professional Services

We purchase actuarial services from the firm Buck Consultants of San Francisco, California. The annual actuarial valuation of the pension fund is prepared by Milliman & Robertson, Inc., the actuary retained by the Legislative Commission on Pensions and Retirement to prepare actuarial reports for all the statewide retirement plans.

The Office of the Attorney General provides legal counsel to our Board of Trustees and the State Office of the Legislative Auditor conducts an annual financial audit of the pension fund and prepares a report (see pages 12-13). All financial transactions, including the disbursements from the pension fund, are processed through the centralized controls of the Minnesota Accounting and Procurement System, under the supervision of the state departments of Finance and Administration.

Financial Communication

An Annual Statement of Account for fiscal year 2000 was mailed to each active member in October 2000. This statement provides current and cumulative information related to salaries, contributions and service credit. Projected and deferred retirement benefit estimates are also provided for eligible members. In November 2000, inactive TRA members (those no longer employed as teachers) received their Annual Statement of Account balance with contribution and service data.

A plan summary with financial and actuarial data for the year ended June 30, 2000, will be distributed to each active and retired member in the Winter 2001 edition of the *TRIB*, our quarterly newsletter. A comprehensive benefit handbook containing financial and plan information was mailed to all active members in September 2000.

Customer Services

Meeting daily demands while planning to improve the quality of services in the future is a daily, two-pronged challenge at TRA. In February 2000, the Board of Trustees approved a four-year reengineering of business processes subsequently named FROST (Functional Redesign of Strategic Technologies). We have contracted with KPMG, a major vendor in the public pension consulting field, to design and develop an integrated package of computer applications designed to improve the processing and servicing of member pension benefits. Our first emphasis will be a redesign of employer reporting of member data and a concerted effort to purify and audit our existing member data. From there, TRA will concentrate on benefit processes such as retirement estimates, service credit calculation and on-line, interactive member features. The final phase of the project will be to program new systems to actually pay the benefits to our members.

While the future holds exciting promise of new and enhanced features, we continue to provide quality counseling and benefit payment services to our members. Retirement counseling services take place in both our main Saint Paul office and at 15 locations throughout the state. We have added a new group presentation offering called *Understanding TRA*, which focuses on issues for members 5-15 years away from retirement. Our telephone service center received over 52,000 calls last year, and an estimated 95 percent of them were addressed without a callback or transfer. The *TRIB* is mailed to all active and retired members. Our Web site offers the ability to self-calculate future retirement benefits, and is also updated regularly with the latest news of TRA events and other benefit provision changes.

Improved Money Purchase (IMP) Lawsuit

For the past year and one-half, a group of TRA retirees and members have pursued legislative and legal initiatives to expand eligibility for the benefit provision known as the Improved Money Purchase (IMP) clause. This clause applies to certain members first hired prior to July 1, 1969, and who did not return an election form of various benefit options by June 30, 1972. Eligible members receive benefits based on the greater of two independent calculation methods: the defined benefit High-Five Formula method; or a defined contribution calculation using employee contributions, employer match and compounded investment earnings. As of June 30, 2000, less than 2,000 active members retain IMP eligibility.

The 2000 Legislature held a hearing, but did not advance a bill to expand IMP eligibility. The group of teachers retained counsel and subsequently sued TRA and the State of Minnesota. In November 2000, Ramsey County District Court Judge John Van de North dismissed the lawsuit on the grounds that the statute of limitations had run out on the plaintiffs' claims. On December 5, 2000, the plaintiffs have appealed this decision to the Minnesota Court of Appeals. We expect the Court of Appeals to render a decision by late spring or early summer of 2001.

Legislation and Other Initiatives

One major TRA initiative was passed by the 2000 Legislature and signed by Governor Ventura. The provision permits retired teachers to return to teaching at TRA-covered employers without any loss of their TRA pension benefits. While earnings limitations still apply, any pension benefits withheld due to earnings over the limit will be placed in a savings account on behalf of the retiree. At age 65 or one year after the termination of a resumed career, the retiree may apply for a lump sum refund of withheld benefits, including accrued interest at 6 percent annualized.

Construction work is proceeding as scheduled on new offices at 60 Empire Drive in Saint Paul. In partnership with the other two statewide pension groups, the Minnesota State Retirement System (MSRS) and the Public Employees Retirement Association (PERA), TRA is financing the construction of this new facility. Groundbreaking began in May 2000, with a September 2001 occupancy date planned. We believe the building and parking facility will help improve our service to a growing number of Minnesota educators and retirees for many decades to come.

We expect various benefit improvements will be proposed to the 2001 Legislature. One major concern is management's goal to maintain adequate pre-funding of promised benefits. We will closely scrutinize all benefit improvement proposals, obtain actuarial cost estimates, and provide financial and demographic data to legislators and other state officials for consideration.

National Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Teachers Retirement Association for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 1999. This was the second consecutive year that the Association has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

The preparation of this report is possible only through the combined efforts of our employees, employer units, and professional consultants. It is intended to provide a complete and reliable portrayal of the financial status of the pension fund. A copy is mailed to each public school in the state.

We would like to thank you, our Board of Trustees, our advisors, employees, and the many people who diligently work to ensure the successful operation and financial soundness of our pension fund.

Respectfully submitted,

Gary Austin
Executive Director

John Wicklund
Assistant Executive Director
Administration

TRA

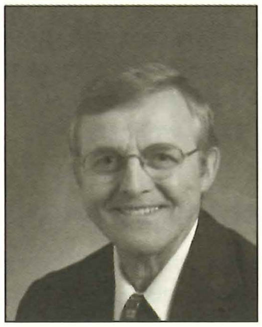
Board of Trustees

As of December 1, 2000

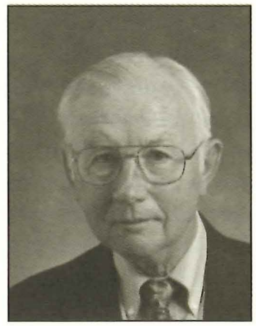
President

Carol F. Ackerson
Elected Member
New Ulm, MN

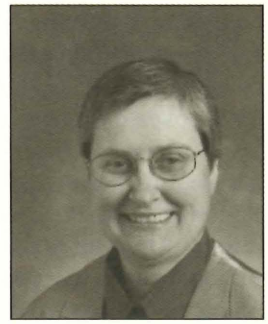
Vice President



Curtis D. Hutchens
Elected Member
St. Cloud, MN

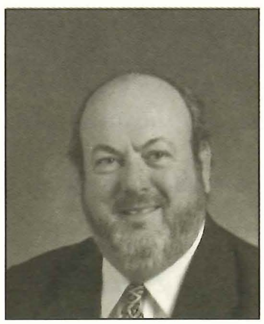


Vernell R. Jackels
Retiree Representative
Winona, MN

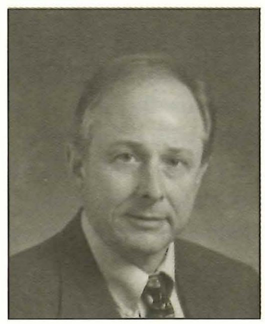


Martha Lee (Marti) Zins
Elected Member
Hopkins, MN

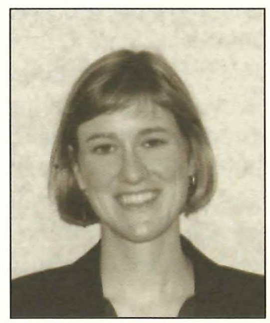
Sandy Schaefer
Elected Member
Fairfax, MN



Bob Lowe
Minnesota School Boards Association Representative

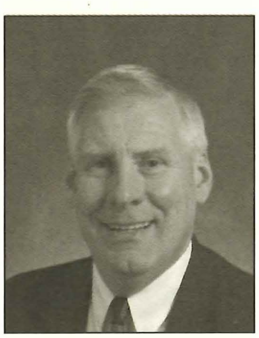


Barry Sullivan
Representing Christine Jax
Commissioner of Children, Families, and Learning

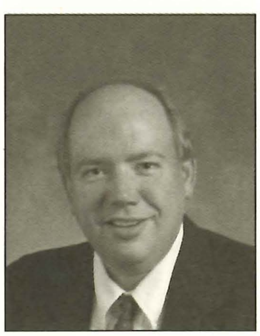


Kristin Dybdal
Representing Pam Wheelock
Commissioner of Finance

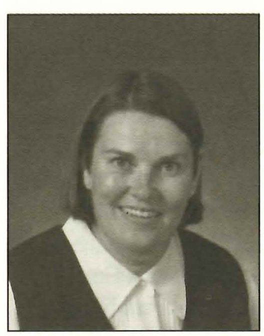
Administration



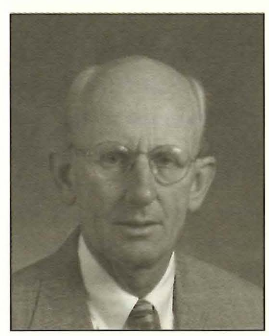
Gary Austin
Executive Director



John Wicklund
Assistant Director *of Administration*



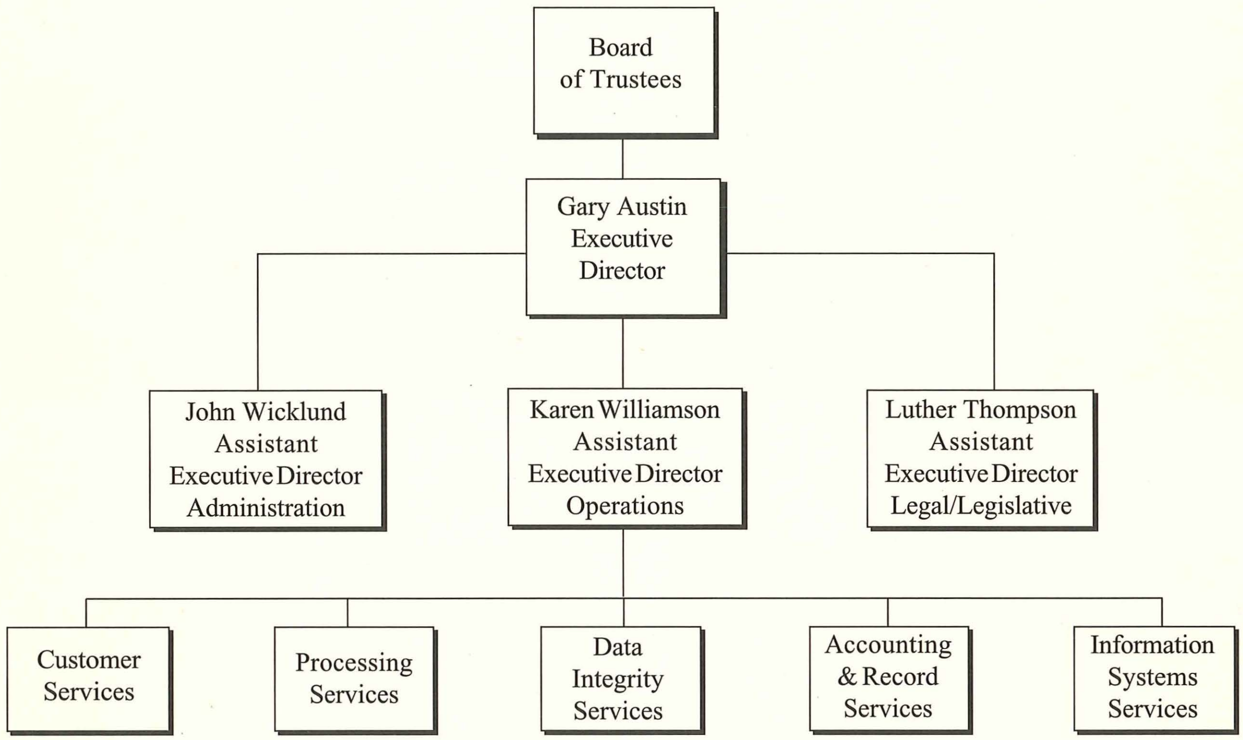
Karen Williamson
Assistant Director *of Operations*



Luther Thompson
Assistant Director
Legal and Legislative Services

Administrative Organization

As of December 2000



Consulting Services

Actuary

Buck Consultants
San Francisco, California

Auditor

Office of the Legislative Auditor
Saint Paul, Minnesota

Legal Counsel

Office of the Attorney General
Saint Paul, Minnesota

Medical Advisor

Minnesota Department of Health
Minneapolis, Minnesota

Mission Statement

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

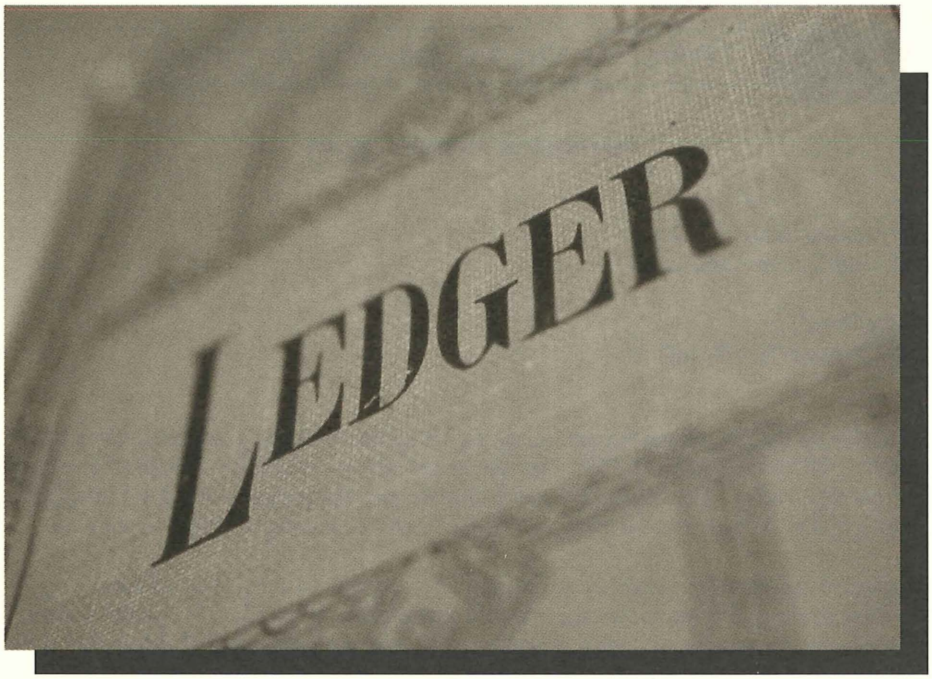
Our mission is to enhance the quality of life for Minnesota teachers and their beneficiaries and to assist them in planning for an independent and financially secure retirement.

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

Our Values

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

Teachers Retirement Association of Minnesota



Financial

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Auditor's Report

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

Independent Auditor's Report

Members of the Board of Trustees
Teachers Retirement Association
and
Executive Director
Teachers Retirement Association

We have audited the accompanying statement of plan net assets of the Teachers Retirement Association (TRA) as of June 30, 2000, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of TRA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRA at June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The required supplementary information on pages 25 to 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. We did not audit this information and do not express an opinion on it. The supplementary information is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted mainly of inquiries of management regarding the methods of measurement and presentation for the Schedule of Funding Progress, Schedule of Employer Contributions, and Notes to Required Supplementary Information.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information on pages 27 to 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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E-mail: auditor@state.mn.us • TDD Relay: 651/297-5353 • Website: www.auditor.leg.state.mn.us

Members of the Board of Trustees and
Executive Director
Teachers Retirement Association
Page 2

The Introductory, Investment, Actuarial, and Statistical Sections listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2000, on our consideration of TRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 1, 2000

Teachers Retirement Fund
Statement of Plan Net Assets
As of June 30, 2000

Assets		
Cash and short-term investments		
Cash	$	330,287
Bond Proceeds		10,918,962
Short-term investments		75,879,089
Total Cash and short-term investments	$	87,128,338
Receivables		
Employer Contributions	$	19,848,051
Investment Income		397,069
Bond Interest		22,094
Total Receivables	$	20,267,214
Investments (at fair value)		
Equity in the Post Fund	$	9,648,010,695
Fixed Income Pool		1,974,468,732
Venture Capital Pool		573,255,362
Indexed Equity Pool		1,296,550,543
Real Estate Fund Pool		310,687,748
Resource Fund Pool		78,295,622
Domestic Equity Pool		2,821,860,254
Global Equity Pool		1,187,729,613
Total Investments	$	17,890,858,569
Securities Lending Collateral	$	1,644,076,167
Building		
Land	$	171,166
Construction in Progress		560,746
Deferred Bond Charge		134,922
Total Building	$	866,834
Fixed Assets Net of Accumulated Depreciation	$	1,176,232
Total Assets	$	19,644,373,354
Liabilities		
Current		
Accounts Payable	$	6,034,463
Due to the Post Fund		232,404,817
Accrued Compensated Absences		473,272
Accrued Expenses - Building		179,700
Bonds Interest Payable		53,566
Securities Lending Collateral		1,644,076,167
Total Current Liabilities	$	1,883,221,985
Long Term		
Bonds Payable	$	11,571,000
Total Liabilities	$	1,894,792,985
Net Assets Held in Trust for Pension Benefits	$	17,749,580,369

(A Schedule of Funding Progress for the plan is presented on page 25.)
The accompanying notes are an integral part of this statement.

Teachers Retirement Fund
Statement of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2000

Additions	
Contributions	
Employee	$ 138,696,271
Employer	134,418,833
Total Contributions	$ 273,115,104
Net Investment Income	
Investment Income	$ 1,560,899,483
Less Investment Expense	(11,412,168)
Net Investment Income	$ 1,549,487,315
From Securities Lending Activities	
Securities Lending Income	$ 95,995,401
Securities Lending Expenses:	
Borrower Rebates	(86,913,177)
Management Fees	(2,580,226)
Total Securities Lending Expenses	(89,493,403)
Net Income from Securities Lending	6,501,998
Total Net Investment Income	$ 1,555,989,313
Other Income	$ 2,387,928
Total Additions	$ 1,831,492,345
Deductions	
Retirement Benefits Paid	$ 755,036,577
Refunds of Contributions to Members	7,262,919
Administrative Expenses	8,137,683
Interest Paid to the Post Fund	3,903,332
Total Deductions	$ 774,340,511
Net Increase	$ 1,057,151,834
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	$ 16,692,428,535
End of Year	$ 17,749,580,369

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2000

I. Plan Description

A. Organization

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

B. Participating Members and Employers

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

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

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

C. Benefit Provisions

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon the death of eligible members. All benefits vest after three years of eligible service credit. The defined retirement benefits are based on a member's highest average salary for any consecutive 60 months of allowable service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan. Coordinated members are covered by Social Security while Basic members are not. All new TRA members must participate in the Coordinated Plan. TRA currently has less than 100 members who participate as Basic members.

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

Figure 1

Employer Units

	June 30, 2000
Independent school districts	342
Joint powers units	40
Colleges and universities	40
State agencies	16
Charter schools	25
Professional organizations	2
Total Employer Units	465

Membership

	June 30, 2000
Retirees, disabilitants and beneficiaries receiving benefits	31,946
Terminated employees with deferred vested benefits	7,375
Total	39,321
Current employees	
Vested	52,708
Non-vested	17,800
Total	70,508

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

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

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

II. Significant Accounting Policies and Plan Asset Matters

A. Reporting Entity

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

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

B. Basis of Accounting

TRA financial statements for its defined benefit fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the year in which they are earned and become measurable. Expenses including benefit payments and refunds are recorded when the liability is incurred.

C. Investment Policies

1. Pursuant to Minnesota Statutes, Chapter 11A, the state's retirement fund assets are commingled in various pooled investment accounts, administered by the State Board of Investment (SBI). As of June 30, 2000, the participation shares in the pooled accounts at market value for the TRA Active Fund was approximately 37.4 percent. The TRA share of the net assets of the Minnesota Post Retirement Investment Fund (Post Fund) at market values totaled 45.3 percent. Figure 2 provides specific totals.

2. Minnesota Statutes, section 11A.24, broadly restricts retirement fund investments to obligations and stocks of United States and Canadian governments, their agencies and their registered corporations; short-term obligations of specified high quality; restricted participation as a limited partner in venture

capital, real estate or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments.

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

4. Information about the primary government's (State of Minnesota) investments, including credit risk classification, can be obtained from the Department of Finance, 400 Centennial Office Building, 658 Cedar Street, Saint Paul, Minnesota 55155. Information on investment activity and a listing of specific investments owned by the pooled asset accounts can be obtained from SBI, Suite 200, 590 Park Street, Saint Paul, Minnesota 55103.

D. Method Used to Value Investments

Investments in the pooled accounts are reported at fair value. *Figure 2* provides a summary of the cost and fair values of the investments as of June 30, 2000, as reported on the Statement of Plan Net Assets. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued using the last reported trade price. The fair value of real estate investments is based on independent yearly appraisals. Investments that do not have an established market are reported at estimated fair value.

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

Figure 2

TRA Investment Portfolio
June 30, 2000

Basic (Active) Fund	**Cost**	**Fair**
Pooled Accounts		
Fixed Income	$2,022,137,357	$1,974,468,732
Domestic Equity	2,746,020,869	2,821,860,254
Indexed Equity	823,186,247	1,296,550,543
Global Equity	1,131,881,230	1,187,729,613
Venture Capital	540,991,364	573,255,362
Real Estate	248,366,813	310,687,748
Resources Pool	87,163,017	78,295,622
Total	$ 7,599,746,897	$ 8,242,847,874
Short-Term Pooled Cash	75,879,089	75,879,089
Post Fund Account	8,055,622,000	9,648,010,696
Total Invested	$15,731,247,986	$17,966,737,659

Net Investment Income is summarized on the Statement of Changes in Net Plan Assets. The summarized amounts were $1,549,487,315 for fiscal year 2000. *Figure 3* shows the various components of these composite amounts, including TRA's share of the Minnesota Post Retirement Investment Fund.

The cost of security transactions is included in the transaction price. Administrative expenses of SBI and investment management fees of the external money managers and the state's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts. TRA's share of these expenses totaled $11,412,169.

E. Securities Lending

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

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

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

Figure 3

Net Investment Income

Investment Income	**Fiscal Year 2000**
Net Appreciation in Fair Value:	
Investment Pools	$ (502,026,635)
MPRIF Participation	(325,374,394)
Interest	90,225,567
Dividends	964,742,663
Net Gain on Sales of Pools	270,282,788
MN Post-Retirement Fund	1,063,049,494
Less Investment Expense	(11,412,168)
Net Investment Income	$ 1,549,487,315

TRA

During the fiscal year, SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and SBI's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which SBI could not determine. On June 30, 2000, SBI had no credit risk exposure to borrowers. TRA's portion of the collateral held and the market value of securities on loan from SBI as of June 30, 2000, were $1,644,076,167 and $1,601,860,069 respectively.

F. Accrued Compensated Absences

Employees of TRA accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in collective bargaining agreements. Accumulated amounts for compensated absences are accrued when incurred. Such leave is liquidated in cash primarily at the time of termination of employment.

G. Fixed Assets

Fixed assets are capitalized at the time of acquisition at cost. Depreciation is computed on a straight-line method over the useful life of the related assets. The estimated useful lives are three to ten years.

Fixed assets as presented on the June 30, 2000, Statement of Net Assets Available were $2,556,482 at cost. Accumulated depreciation totaled $1,380,250 resulting in a net fixed asset value of $1,176,232.

H. Operating Leases

TRA is committed under lease agreements for rental of office space through November 30, 2001. For accounting purposes, these leases are considered operating leases. Lease expenditures for fiscal year 2000 totaled $390,239. TRA is able to cancel these leases under a 60-day notification clause. Minimum rental payments required as of June 30, 2000, are shown in *Figure 4*.

Figure 4

Minimum Rental Payments

Fiscal Year Ending June 30	Amount
2001	$ 419,126
2002	181,148
Total	$ 600,274

I. Administrative Expenses and Budget

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

TRA administrative costs are financed through investment earnings and turnover gains from employer contributions of members obtaining a refund of their employee contributions.

J. Cash

Cash on deposit consists of year-end receipts not processed as of the investment cutoff on June 30. TRA cash funds are held in the state treasury where they are commingled with other state funds. Minnesota Statutes, section 9.031, requires that deposits be secured by depository insurance and collateral shall be in amounts sufficient to ensure that deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral. Throughout fiscal year 2000, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all TRA deposits.

K. Accounts Receivable

Amounts classified as accounts receivable consist primarily of member and employer contributions received after the fiscal year end on salaries earned prior to June 30, 2000. Under Minnesota Statutes, section 354.52, subdivision 4, TRA employers must remit contributions at least monthly.

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

L. Improved Money Purchase (IMP)

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

Beginning with fiscal year 1999, significant numbers of retiring members discovered that their IMP benefit was higher than the High-Five Average Formula benefit. This phenomenon occurred as strong annual investment returns generated high interest rates compounding on large employee contribution balances accumulated after long teaching careers.

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

As of June 30, 2000, approximately 1,900 active members are eligible for the IMP provision. Assuming IMP eligibility remains limited to the existing, closed group of members, TRA management believes the actuarial impact of the remaining IMP-eligible members will not adversely harm the overall financial integrity of the fund.

M. IMP Provision (Subsequent Event)

On July 10, 2000, a lawsuit was filed against the Board of Trustees of the Teachers Retirement Association and the State of Minnesota. (*Lawrence A. Jacobson et. al.v.Board of Trustees of the Teachers Retirement Association, et. al.*) The lawsuit was filed in Ramsey County District Court by eleven active and retired teachers on behalf of themselves and a proposed class of between 4,000 and 7,000 TRA members. The Plaintiffs were represented by St. Paul attorney Joseph O'Neill of the O'Neill, Grills, and O'Neill law firm. The lawsuit challenged the constitutionality of legislation enacted from 1973 to 1989 that altered teacher benefit choices made under a 1969 TRA law.

The TRA Board of Trustees and the State were represented by the Minnesota State Attorney General's Office. On July 31, 2000, the Motion to Dismiss the lawsuit was filed on behalf of the TRA Board of Trustees and the State. On October 5, 2000, Ramsey County District Court Judge John Van de North heard the dismissal motion.

On November 15, 2000, Ramsey County District Court Judge John Van de North dismissed the lawsuit by these former and current members of TRA. The plaintiffs have a 60-day period to file a notice to appeal the decision to the Minnesota Court of Appeals.

Should TRA and the State of Minnesota ultimately lose this lawsuit, the impact on the TRA Fund would be material. Since the exact size of the proposed class action and future investment returns of the TRA Fund are unknown, we cannot estimate with reasonable certainty the final impact, if any, on the TRA Fund.

N. Change in Actuarial Assumptions and Methods

For the July 1, 2000, actuarial valuation, the Legislative Commission on Pensions and Retirement (LCPR) adopted a number of changes in the demographic assumptions. A summary of these changes is provided on page 49. Most notably, both male and female pre-retirement mortality tables were strengthened to reflect longer life expectancy as a group. Another significant change is the adoption of a graded retirement rate, beginning at age 55.

The LCPR also adopted methodology changes in determining the funding level of the TRA Fund. The asset valuation methodology was changed to employ a more effective asset smoothing technique that is market-value based and that eliminates artificial bias related to money manager investment style. In addition, the actuarial funding method was modified to reflect a 30-year amortization credit of the surplus of the Actuarial Value of Assets over the Actuarial Accrued Liability.

The financial effects of these changes can be seen on page 55. On Line G, the effect of changing actuarial assumptions was a cost to the TRA Fund of approximately $378 million. The changes to the actuarial funding methodology was a further cost of about $155 million (see page 55, line F).

Another major assumption change affects TRA's participation in the Minnesota Post-Retirement Investment Fund (MPRIF). In February 2000, the LCPR also adopted new post-retirement mortality assumptions. Once again, these tables were strengthened to reflect longer lives of retirees than previously assumed.

The effect of this assumption change necessitated a transfer of approximately $201 million from the TRA Fund to MPRIF for the July 1, 2000, valuation. This transfer was completed on November 30, 2000, with accrued interest at a rate of 8.5 percent annualized. The transfer amount is portrayed on the Statement of Plan Net Assets (page14) as a "Due To the Post Fund" liability.

O. Construction of Office Building

The 1999 Legislature enacted authorization permitting TRA, the Public Employees Retirement Association (PERA), and the Minnesota State Retirement System (MSRS) to purchase land and construct a building to house the administrative offices of these three state entities. Ownership of the facility is prorated based on the amount of square footage each retirement system will occupy in the building. TRA's ownership share is 39.9 percent. The building is located at 60 Empire Drive in Saint Paul. Construction of the facility began in May 2000 with a September 2001 occupancy date anticipated.

In June 2000, the State of Minnesota, under the authority of the Commissioner of Finance, issued revenue bonds totaling $29 million to pay for the construction of the facility. Each owner (retirement system) is responsible for principal and interest payments based on its ownership percentage. These bonds are backed by the assets of the three retirement systems, excluding equity interest in the Minnesota Post-Retirement Investment Fund (MPRIF). At fiscal year end, TRA's share of long-term bonds payable is $11,571,000. Interest expected to be paid over the term of the bonds is $13,325,333. In *Figure 5*, TRA's share of the long-term bonds payable plus interest is summarized.

Figure 5

Long Term Debt Repayment Schedule
June 30, 2000

Fiscal Year	**Principal and Interest**
2001	$ 332,360
2002	665,133
2003	829,920
2004	830,720
2005	830,720
Thereafter	21,407,480
Interest	(13,325,333)
Long Term Bonds Payable	$ 11,571,000

Total costs for construction in progress during the fiscal year were $1,405,377. TRA's share of these costs is $560,745, as shown on the Statement of Plan Net Assets. The building is located on 4.3 acres of land purchased for $428,988, of which TRA's share is $171,166.

Once the building is constructed, TRA will depreciate its share of the facility over 40 years. TRA's share of bond issuance costs are shown on the Statement of Plan Net Assets as Deferred Bond Charges and will be amortized over the 30-year life of the bonds.

III. Contributions Required and Made

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

Contributions totaling $273,115,104 ($138,696,271 employee and $134,418,833 employer) were made in accordance with the actuarially determined contribution requirements. On page 56, contributions are projected as sufficient to meet the required normal costs.

The sufficiency as a percent of covered payroll is 2.08 percent. This translates into a contribution sufficiency of about $58.6 million projected for fiscal year 2001. The Legislative Commission on Pensions and Retirement annually reviews the adequacy of TRA's statutory contributions.

IV. Reserve Accounts

A. Minnesota Post Retirement Investment Fund (Post Fund)

For all retiring members, the reserves required to pay the cost of retirement benefits are transferred from the TRA Fund to the Post Fund which is managed by SBI. Participation in the Post Fund is shown at the actuarially determined required reserves level in accordance with Minnesota Statutes, section 11A.18, subdivision 7.

It includes a 6 percent assumed income distribution and any mortality gains or losses as determined by an independent actuary hired by the state legislature. As of June 30, 2000, TRA's share of the net assets of the Post Fund is $8.055 billion at cost and $9.65 billion at market value.

Beginning in fiscal year 1993, the Post Fund income available for distribution is determined using a post-retirement benefit increase formula based on total investment return rather than realized earnings.

This formula contains both an inflation adjustment and an investment component. Annuitants and other individuals receiving benefits as of July 1, 1999, are eligible to receive the full January 1, 2001, benefit increase shown in *Figure 6*.

Figure 6

January 1, 2001 Benefit Increase

Inflation-Based Benefit Increase	2.5000%
Investment-Based Benefit Increase	7.0342%
Total Benefit Increase	9.5342%

Benefit recipients whose effective date of retirement is after July 1, 1999 but before June 2, 2000 receive a prorated amount of the January 1, 2001 benefit increase.

B. Member Reserves

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

C. Benefit Reserves

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

Required Supplemental Schedules
Schedule of Employer Contributions (Unaudited)

Dollars in Thousands

Year Ended June 30	Actuarially Required Contrib. Rate (A)	Actual Covered Payroll (B)	Actual Employee Contributions (C)	Annual Required Contribution [(A) x (B)] - (C)	Actual Employer Contribution*	Percentage Contributed
1992	13.04%	$1,989,624	$ 91,506	$167,941	$162,370	96.68%
1993	13.13%	2,065,881	94,709	176,541	168,071	95.20%
1994	12.75%	2,150,300	100,803	173,360	171,855	99.13%
1995	14.73%	2,204,693	143,536	181,215	179,672	99.15%
1996	14.30%	2,268,390	148,051	176,329	184,495	104.63%
1997	12.78%	2,359,011	154,161	147,321	191,670	130.10%
1998	9.55%**	2,422,957	124,096	107,296	151,323	141.03%
1999	8.39%**	2,625,254	132,040	88,219	130,526	147.96%
2000	8.36%**	2,704,575	138,696	87,406	134,419	153.79%

* Includes contributions from other sources (if applicable).

** Actuarially Received Contribution Rate calculated according to the parameters of GASB 25 using a 30-year amortization of the negative unfunded accrued liability.

Schedule of Funding Progress (Unaudited)

Dollars in Thousands

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A / B)	Actual Covered Payroll (Previous FY) (C)	UAAL as Percentage of Covered Payroll (B - A) / (C)
07/01/92	$ 6,324,733	$ 7,662,522	$1,337,789	82.54%	$1,989,624	67.24%
07/01/93	7,045,937	8,266,059	1,220,122	85.24%	2,065,881	59.06%
07/01/94	7,611,936	9,115,266	1,503,330	83.51%	2,150,300	69.91%
07/01/95	8,348,124	9,717,623	1,369,499	85.91%	2,204,693	62.12%
07/01/96	9,541,221	10,366,168	824,947	92.04%	2,268,390	36.37%
07/01/97	11,103,759	10,963,637	(140,122)	101.28%	2,359,011	-5.94%
07/01/98	12,727,546	12,046,312	(681,234)	105.66%	2,422,957	-28.12%
07/01/99	14,011,247	13,259,569	(751,678)	105.67%	2,625,254	-28.63%
07/01/00	15,573,151	14,802,441	(770,710)	105.21%	2,704,575	-28.50%

Teachers Retirement Association

Notes to the Required Supplemental Schedules (Unaudited)

June 30, 2000

Schedule of Funding Progress

The actuary for the Legislative Commission on Pensions and Retirement conducts a study every four years to determine the accuracy of the economic and demographic assumptions used for long-term TRA funding objectives. If actual actuarial experiences are less favorable than assumed by the actuary, the difference is added to unfunded accrued liabilities. Each time a new benefit is added that applies to service already rendered, an additional unfunded accrued liability is created. Minnesota Statutes, Chapter 356.215 requires that all unfunded accrued liabilities be financed systematically over a closed period ending June 30, 2020.

To illustrate this feature, the TRA benefit formula multiplier was increased by .13 percent per year of service during fiscal year 1994. The benefit was funded solely through an increase in employee contributions effective in fiscal year 1995. Thus, the unfunded actuarial accrued liability rose dramatically for fiscal year 1994.

In an inflationary economy, the value of the dollar is decreasing. In this environment, employee contributions result in a dollar increase in unfunded actuarial accrued liabilities. This occurs at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded liabilities can be misleading. Unfunded actuarial accrued liabilities divided by active employee payroll provide an index which clarifies understanding. The smaller the ratio of unfunded liabilities to covered payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the retirement association is becoming financially stronger or weaker.

As of June 30, 2000, TRA is fully funded from an actuarial standpoint and reports a sufficiency. An unfunded accrued liability resulting from benefit improvements and/or unfavorable actuarial experience would be combined with the outstanding balance and amortized over a closed period ending June 30, 2020.

Actuarial Assumptions and Method

1. Funding Method

The Entry Age Normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. As of June 30, 2000, the actuarial value of the plan assets exceeds the actuarially accrued liability (see page 54, line B3). For the July 1, 2000, valuation, the actuarial funding method was modified to reflect a 30-year amortization credit of this surplus.

2. Asset Valuation Method

For actuarial purposes, Minnesota Statutes, Chapter 356.215 requires valuation of all investment securities using a market-based smoothing method over five years.

3. Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2000, the date of the most recent actuarial valuation, include:

- Investment return — 8.5 percent.
- Inflation rate — 5 percent.
- Salary increases - An inflation factor of 5 percent, plus a merit factor ranging from .25 percent to 2.25 percent, declining as the member ages.
- Benefit increases after retirement — Payment of earnings on retired reserves in excess of 6 percent and an inflation guarantee up to 2.5 percent of the Consumer Price Index (CPI).

Actuarial assumption changes were adopted during the fiscal year by the Minnesota Legislature. Significant changes are highlighted on page 49.

Administrative Expenses

For the Fiscal Year Ended June 30, 2000

Salaries	$3,336,586
Employer Contributions to Teachers Retirement Association	168,901
Employer Contributions to Social Security	245,202
Insurance Contributions	407,083
Actuarial Services	119,402
Audit Fees	70,441
Computer Support Services	1,467,101
Department Head Expenses	1,144
Depreciation of Office Furniture and Equipment	483,662
Dues and Subscriptions	7,783
Duplicating and Printing Expense	179,844
Employee Training	22,125
Insurance Expense	4,240
Lease of Office and Storage Space	390,239
Legal Fees	7,063
Management Consultant Services	108,590
Medical Services	35,728
Miscellaneous Administrative Expenses	8,261
Postage	281,763
Rental of Office Machines/Furnishings	48,761
Repairs and Maintenance	68,170
State Indirect Costs	70,634
Stationery and Office Supplies	163,759
Systems Development (FROST)	271,852
Telephone	68,787
Travel-Director and Staff	47,127
Travel-Trustees	14,254
Worker's Compensation	2,839
Board Substitute Teachers	2,776
Loss on Disposal of Equipment	15,095
Bond Interest Expense	18,471
Total Administrative Expenses	$8,137,683

TRA

Teachers Retirement Fund
Schedule of Changes in Plan Net Assets
For Fiscal Year Ended June 30, 2000

	Member
Additions	
Contributions:	
Member Contributions	$ 138,247,210
Employer Contributions	0
Total Contributions	138,247,210
Investment Income:	
Net Appreciation in FMV	0
Interest	0
Dividends	0
Net Gain on Sales of Pools	0
Distributed Income from Post Fund	0
Investment Management Fees	0
Net Investment Income	0
From Securities Lending Activities:	
Securities Lending Income	0
Securities Lending Borrower Rebates	0
Securities Lending Management Fees	0
Net Income from Securities Lending	0
Other Income	0
Total Additions	$ 138,247,210
Deductions	
Benefits Paid	0
Refunds of Member Contributions	7,081,541
Administrative Expenses	0
Interest Paid Post Fund	0
Total Expenses	$ 7,081,541
Net Increase	$ 131,165,669
Other Changes in Reserves	
Annuities Awarded	($ 100,874,669)
Other Transfers	2,812,674
Change in Assumptions	0
Mortality Loss	0
Total Other Changes	($ 98,061,995)
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,321,578,908
End of Year	$ 1,354,682,582

The accompanying notes are an integral part of this statement.

Reserves for 2000

Post Fund	Benefit	Total June 30, 2000
$ 0	$ 449,061	$ 138,696,271
0	134,418,833	134,418,833
0	134,867,894	273,115,104
(325,374,394)	(502,026,635)	(827,401,029)
0	90,225,567	90,225,567
0	964,742,663	964,742,663
0	270,282,788	270,282,788
1,063,049,494	0	1,063,049,494
0	(11,412,168)	(11,412,168)
737,675,100	811,812,215	1,549,487,315
54,279,930	41,715,471	95,995,401
(49,159,646)	(37,753,531)	(86,913,177)
(1,442,013)	(1,138,213)	(2,580,226)
3,678,271	2,823,727	6,501,998
0	2,387,927	2,387,927
$ 741,353,371	$ 951,891,763	$ 1,831,492,344
$ 742,171,853	$ 12,864,724	$ 755,036,577
0	181,378	7,262,919
0	8,137,683	8,137,683
0	3,903,332	3,903,332
$ 742,171,853	$ 25,087,117	$ 774,340,511
$ (818,482)	$ 926,804,646	$ 1,057,151,833
$ 768,364,103	($ 667,489,434)	$ 0
0	(2,812,674)	0
201,253,000	(201,253,000)	0
9,766,985	(9,766,985)	0
$ 979,384,088	($ 881,322,093)	$ 0
8,669,445,089	6,701,404,536	16,692,428,535
$ 9,648,010,695	$ 6,746,887,089	$17,749,580,368

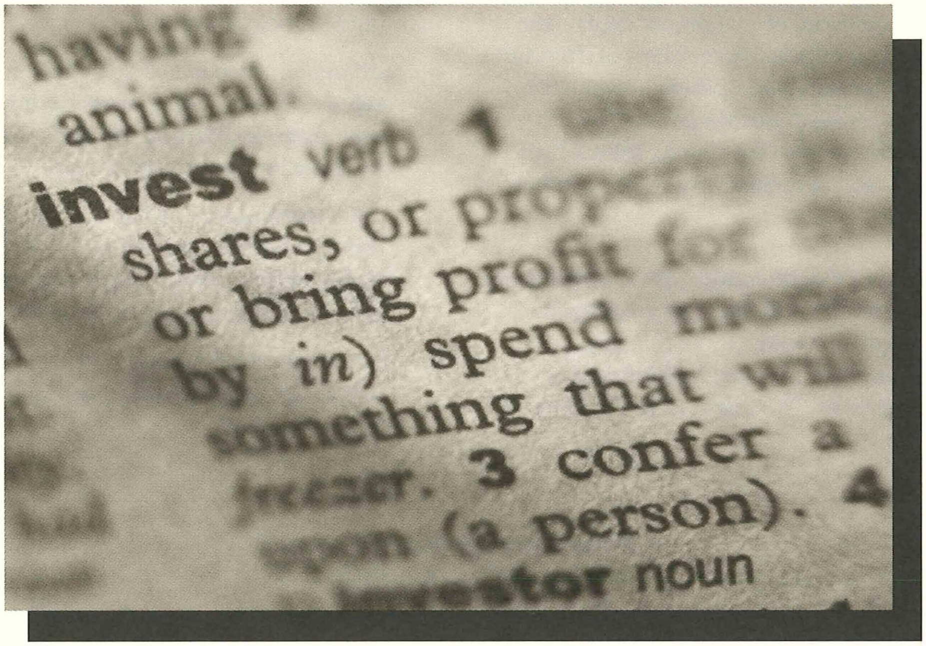
TRA

Consultant Expenditures

For the Fiscal Year Ended June 30, 2000

Investment Pool Managers	
Investment Board	$ 341,354
Financial Control Systems	50,193
Pension Consulting	12,088
Richards & Tierney	50,370
Equity Pool Managers	9,242,436
Bond Pool Managers	1,715,727
Total Investment Pool Managers Expenditures	$11,412,168
MIS Programmers/Analysts	
Computer Horizons	$ 320,740
Compuware	786,728
GE Capital	1,011
IBM	5,108
Keystone	165,537
KPMG	142,500
Syscom	100,275
Total MIS Programmers/Analysts Expenditures	$ 1,521,899
Management	
MN Department of Administration	$ 2,507
Maximus	26,336
Ray Clarke and Associates	74,250
Total Management Expenditures	$ 103,093
Actuarial	
Buck Consultants	$ 85,696
Milliman & Robertson (LCPR)	33,706
Total Actuarial Expenditures	$ 119,402
Legal	
Attorney General	$ 23,700
Audit	
Legislative Auditor	$ 34,460
Pension Benefit Information	35,981
Total Audit Expenditures	$ 70,441
Medical	
MN Department of Health	$ 35,236
Total Consultant Expenditures	$13,285,939

Teachers Retirement Association of Minnesota



Investments

Investments

Investments

Investments

Investments

Investments

Investment Summary

Prepared by TRA management with data obtained from the State Board of Investment's Fiscal Year 2000 Annual Report

The assets of the Minnesota Teachers Retirement Association (TRA) are invested under the direction and authority of the State Board of Investment (SBI). The investment portfolio for the active members of TRA has a fair value of approximately $8.32 billion. In addition, TRA's share of the assets of the Minnesota Post Retirement Investment Fund (Post Fund), from which retiree benefits are paid, is approximately $9.65 billion, at fair value.

The five-member SBI Board consists of Governor Jesse Ventura (Chair), Secretary of State Mary Kiffmeyer, State Treasurer Carol Johnson, Attorney General Michael Hatch, and State Auditor, Judith Dutcher. Howard Bicker serves as SBI's Executive Director.

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

- SBI appoints ten members experienced in finance and investment. These members traditionally have come from the Minneapolis and Saint Paul corporate investment community.
- The Commissioner of Finance and the executive directors of TRA, the Minnesota State Retirement System and the Public Employees Retirement Association are permanent members of the Council.
- Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

Investment Advisory Council

As of December 2000

Gary Austin
Executive Director
Teachers Retirement Association

David Bergstrom
Executive Director
MN State Retirement System

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

Douglas Gorence
Chief Investment Officer
U of M Foundation Investment Advisors

Kenneth F. Gudorf
Chief Executive Officer
Agio Capital Management, LLC

P. Jay Kiedrowski
Executive Vice President
Wells Fargo & Co.

Han Chin Liu
Governor's Appointee
Active Employee Representative

Judith W. Mares
Financial Consultant
Mares Financial Consulting, Inc.

Malcolm W. McDonald**
Director and Senior Vice President
Space Center, Inc.

Gary R. Norstrem, Retired
Treasurer
City of Saint Paul

Daralyn Peifer
Managing Director
Private Investments
General Mills, Inc.

Mary Stanton
Governor's Appointee
Active Employee Representative

Michael Troutman
Vice President
Finance and Investments
Evangelical Lutheran Church in America

Mary Most Vanek
Executive Director
Public Employees Retirement Assn

Elaine Voss
Governor's Appointee
Retiree Representative

Pamela Wheelock
Commissioner
MN Department of Finance

Jan Yeomans*
Treasurer
3M Co.

*Chair
**Vice-Chair

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

The Council has formed three committees organized around broad investment subjects relevant to SBI's decision-making: Asset Allocation, Stock and Bond Managers and Alternative Investments.

All proposed investment policies are reviewed by the appropriate Committee and the full Council before they are presented to SBI for action.

Basic Retirement Funds

Investment Objectives

The pension contributions of active TRA members are invested through the Basic Retirement Funds (Basic Funds) administered by SBI. SBI has one overriding responsibility with respect to its management of the Basic Funds: to ensure that sufficient funds are available to finance promised benefits at the time of retirement.

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

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

SBI measures the performance of the Basic Funds relative to a composite of market indices that is weighted in a manner that reflects their long-term asset allocation policy. The Basic Funds are expected to exceed the composite index over a five-year period. Performance is measured net of all fees and costs to assure that SBI's focus is on its true net return.

Asset Allocation

The allocation of assets among stocks, bonds, and alternative investments can have a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. Consequently, SBI has focused considerable attention on the selection of an appropriate long-term asset allocation policy for the Basic Funds. The following table shows the actual asset mix of the Basic Funds at the end of fiscal year 2000.

Basic Funds Asset Mix

June 30, 2000

	Actual Mix	Policy Mix
Domestic Stocks	49.4%	45.0%
International Stocks	14.3%	15.0%
Bonds	24.0%	24.0%
Alternative Assets	11.3%	15.0%
Unallocated Cash	1.0%	1.0%
Total	100.0%	100.0%

Total Return Vehicles

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

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

Diversification Vehicles

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

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

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

Fiscal Year 2000 Changes

SBI did not make changes to its long-term asset allocation targets for the Basic Funds during fiscal year 2000. The actual asset mix of the Basic Funds for fiscal year 2000 was in line with its long-term targets. It should be noted that the unfunded allocation to alternative investments in the Basic Funds is held in domestic stocks until it is needed for investment. As a result, the actual amount invested in domestic stocks was above its long-term target.

Rate of Return Results

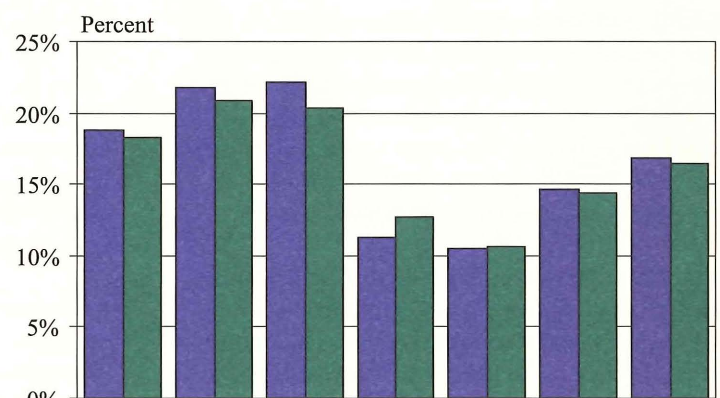
The Basic Funds produced a total rate of return for fiscal year 2000 of 10.5 percent. Over the last five years, the Basic Funds have generated an annualized return of 16.8 percent. The current fair value of the total Basic Funds is about $21.2 billion. TRA's share of the fund is approximately 40 percent or $8.32 billion.

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

- The ability of the managers selected by SBI, in aggregate, to add value to the returns available from the broad capital markets.
- The impact of SBI's rebalancing activity. (SBI rebalances the total fund when market movements take the stock or bond segments above or below their long-term asset allocation targets. The policy imposes a low risk discipline of *buy low-sell high* on a total fund basis.)

For the five-year period ending June 30, 2000, the Basic Funds out-performed the composite index by 0.3 percentage points annualized. The primary contributors of the value added came from above-index performance by

Basic Funds Performance vs. Composite Index



	1996	1997	1998	1999	2000	3 Yr.	5 Yr.
Basic Fund	18.8%	21.8%	22.2%	11.3%	10.5%	14.6%	16.8%
Composite Index	18.3%	20.8%	20.3%	12.7%	10.6%	14.4%	16.5%

the international stock and bond portions of the portfolio, while the domestic stock segment underperformed index performance during the period. Actual returns relative to the total fund composite index over the last five years are shown in the graph on page 34.

Post Retirement Fund

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

The assets of the Post Fund finance monthly annuity payments paid to retirees. On June 30, 2000, the Post Fund had a market value of $20.8 billion. TRA retirees' portion of this value is approximately $9.65 billion or 46 percent. The Post Fund generated an investment return of 8.6 percent for fiscal year 2000.

Investment Objectives

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

SBI measures the performance of the Post Fund relative to a composite of market indices that is weighted in a manner that reflects its long-term asset allocation policy. The Post Fund is expected to exceed the composite index over a five-year period. Performance is measured net of all fees and costs to assure that SBI's focus is on true net return.

Asset Allocation

Throughout the 1980s, the Post Fund was invested primarily in bonds. SBI revised its asset allocation strategy for the Post Fund in fiscal year 1993 in order to reflect the goals associated with the new post-retirement benefit increase formula (described later). Throughout fiscal year 1993, the actual asset mix of the Post Fund moved gradually toward a 50 percent allocation to common stocks. During fiscal year 1994, SBI added allocations to international stocks and alternative investments. The current long-term asset allocation policy and actual asset mix of the Post Fund at the end of fiscal year 2000 is presented in the following table.

Post Fund Asset Mix

June 30, 2000

	Actual Mix	Policy Mix
Domestic Stocks	50.8%	50.0%
Int'l Stocks	14.1	15.0
Bonds	30.6	27.0
Alternative Assets	1.9	5.0
Unallocated Cash	2.6	3.0
Total	100.0%	100.0%

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

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

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

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

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

Investment Management and Performance

In order to gain greater operating efficiency, the Post Fund shares with the Basic Funds the same domestic stock, bond and international stock managers. The Post Fund is expected to exceed the return of a composite of market indices over a five-year period. The Post Fund's performance exceeded its composite market index by 0.6 percentage points for the five-year period since July 1, 1995.

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

Benefit Increase Formula

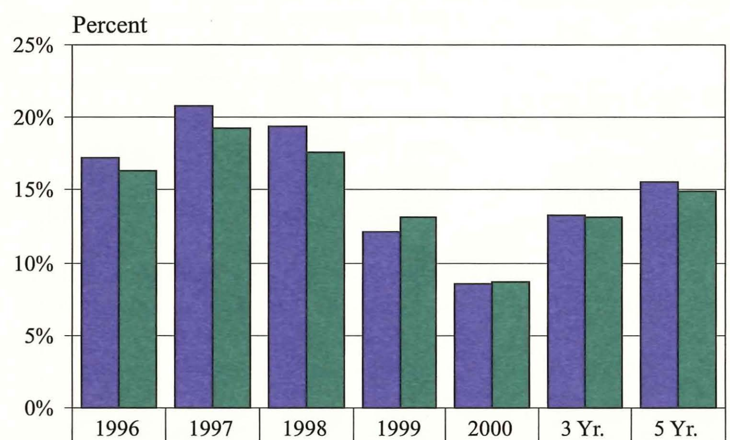
The retirement benefit increase formula of the Post Fund was changed by the 1992 Legislature. The revised formula was effective beginning in fiscal year 1993 and is based on a combination of two components:

- ***Inflation Component.*** Each year, retirees receive an inflation-based adjustment equal to 100 percent of inflation, up to a maximum specified in statute. The inflation component is granted regardless of investment performance. The cap is necessary to maintain the actuarial soundness of the entire plan. It is the difference between the return assumption for the Basic Funds and the return assumption for the Post Fund.

  The return assumption in the Basic Funds is 8.5 percent. The return assumption for the Post Fund is 6.0 percent. This means the cap on the inflation adjustment is 2.5 percent for fiscal year 2000.

- ***Investment Component.*** Each year, retirees also receive an investment-based adjustment, *provided* net investment gains are above the amount needed to finance the Post Fund's actuarial assumption and the inflation adjustment. Investment gains and losses will be spread over five years to smooth out the volatility of returns. In addition, all accumulated investment losses must be recovered before an investment-based adjustment is granted.

Post Fund Performance vs. Composite Index



	1996	1997	1998	1999	2000	3 Yr.	5 Yr.
Post Fund	17.2%	20.8%	19.4%	12.1%	8.6%	13.3%	15.5%
Composite Index	16.3%	19.3%	17.6%	13.2%	8.7%	13.1%	14.9%

The current formula has two primary advantages:

- It provides benefit increases that are more sensitive to inflation than those granted under the old formula.
- It allows the Post Fund to maximize the long-term earning power of its assets. Without the need to generate the higher levels of current income required under the old formula, the Post Fund can increase its stock exposure and thereby enhance its prospects for higher total rates of return over the long run.

The Post Fund will provide a benefit increase of 9.5342 percent for fiscal year 2000 payable January 1, 2001. As noted earlier, this increase is comprised of two components:

- *Inflation component* of 2.5 percent which is the maximum increase allowed by law. The increase in the Consumer Price Index for wage earners (CPI-W) for the twelve months ending June 30, 2000, exceeded 2.5 percent. (This is the same inflation index used to calculate increases in Social Security payments.)
- *Investment component* of 7.0342 percent. This represents a portion of the market value increase that exceeds the amount needed to cover the actuarial assumed rate of return and the inflation adjustment.

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

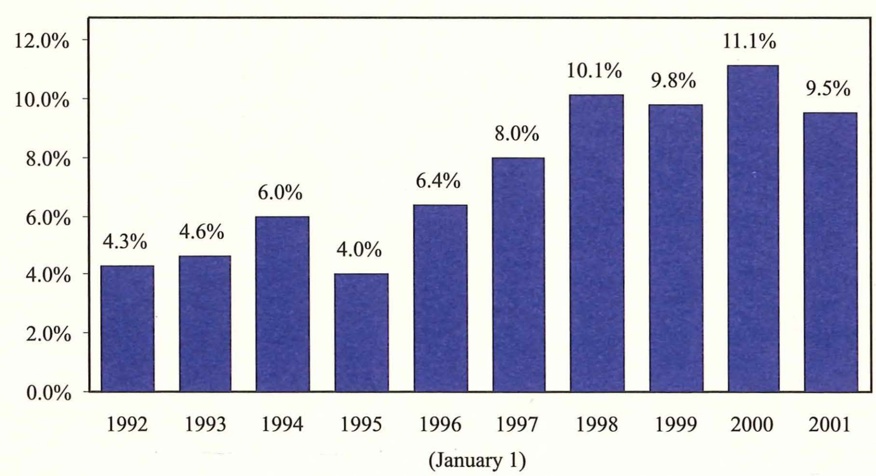
Prior to fiscal year 1993, the benefit increase formula was dependent on the level of excess realized income generated by the Post Fund. The 9.5342 percent increase granted for fiscal year 2000 represents the eighth post-retirement adjustment provided under the new benefit increase formula previously described.

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

This investment management structure allows SBI to gain greater operating efficiency within asset classes and to keep money management costs as low as possible for all participants. Further information on investment activity and a listing of specific investments owned by the pooled accounts can be obtained from the Minnesota State Board of Investment, Suite 200, 590 Park Street, Saint Paul, MN 55103.

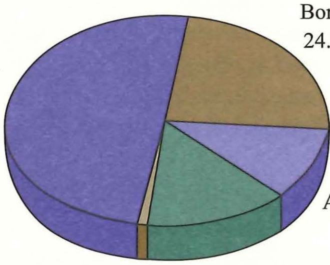
Recent Post Retirement Benefit Increases

Rounded to the nearest tenth of one percent

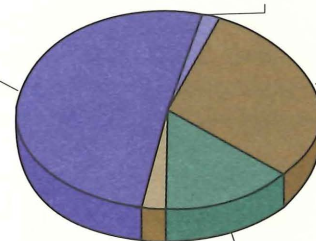


Teachers Retirement Fund
Portfolio Distribution
June 30, 2000

Basic Fund
(Active Members)



Post Fund
(Retirees)



Teachers Retirement Fund
Performance of Asset Pools (Net of Fees)
June 30, 2000

	Rates of Return (Annualized)		
	FY 2000	3-Year	5-Year
Domestic Stock Pool	**8.2%**	**18.6%**	**22.2%**
Wilshire 5000	8.6	18.7	22.2
Bond Pool	**4.7%**	**6.1%**	**6.6%**
Lehman Aggregate	4.6	6.0	6.3
International Stock Pool	**16.9%**	**8.9%**	**12.3%**
Composite Index	16.4%	8.4	10.3
Real Estate Pool (Basic Funds Only)	**9.2%**	**18.0**	**12.9%**
Private Equity Pool (Basic Funds Only)	**43.1%**	**28.7**	**30.9%**
Resource Pool (Basic Funds Only)	**27.8%**	**6.4**	**12.3%**
Yield Oriented Pool (Post Fund Only)	**13.8%**	**14.8**	**13.3%**

Teachers Retirement Fund
List of Largest Assets Held

June 30, 2000

Composite Holdings of Top Ten Equities

By Fair Value

Security	% of Portfolio
Intel Corp.	1.75%
General Electric Co.	1.62
Cisco Systems, Inc.	1.49
Microsoft Corp.	1.19
Pfizer Inc.	1.12
Citigroup Inc.	0.88
ExxonMobil Corp.	0.86
Wal-Mart Stores, Inc.	0.77
Oracle Corp.	0.64
Merck & Co., Inc.	0.58

Composite Holdings of Top Ten Bond Holdings

By Fair Value

Security	Coupon	Maturity Date	Rating	% of Portfolio
FNMA	6.00%	12/31/2029	AAA	0.35%
United States Treasury Bonds	8.50	02/15/2020	AAA	0.34
FNMA	8.00	12/31/2029	AAA	0.31
FHLMC	6.50	12/31/2029	AAA	0.30
GNMA	7.00	12/31/2029	AAA	0.28
GNMA	6.50	12/15/2029	AAA	0.26
United States Treasury Bonds	3.63	04/15/2028	AAA	0.25
FNMA	8.00	12/31/2029	AAA	0.23
United States Treasury Bonds	3.88	04/15/2029	AAA	0.23
FNMA	7.50	12/31/2029	AAA	0.22

TRA's assets are commingled in various pooled investment accounts administered by the State Board of Investment (SBI). TRA does not own specific values of the underlying assets. The percentages shown are those of the total pooled accounts. Information on investment activity, a listing of specific investments owned by the pooled accounts and a schedule of fees and commissions can be obtained from SBI.

Summary of Investments*

As of June 30, 2000

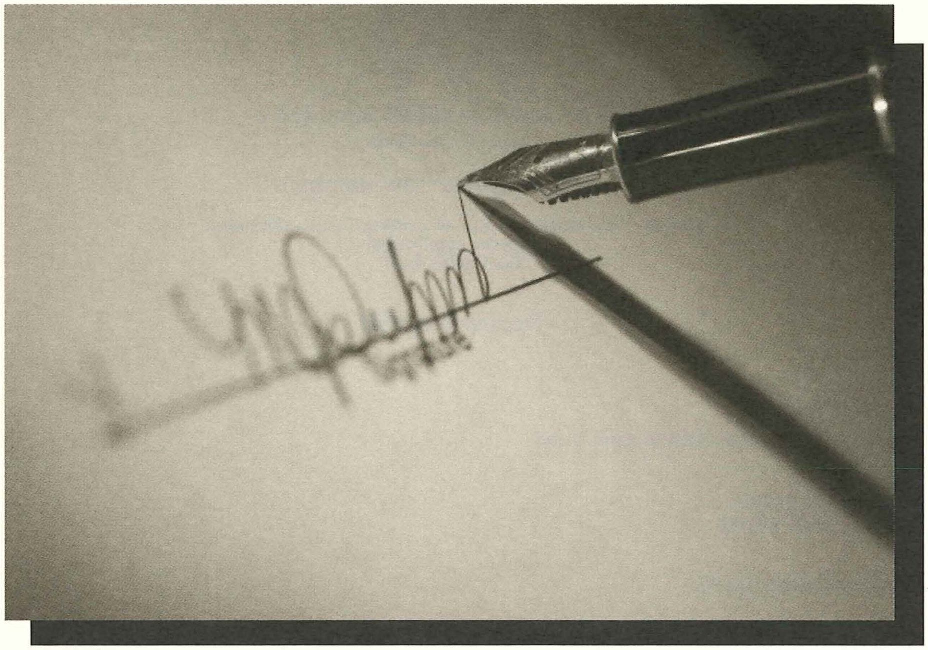
	Book		Fair	
	Book Value	Total Book Value	Fair Value	Total Fair Value
Fixed Income Investments				
Fixed Income Pool	$2,022,137,357		$1,974,468,732	
Total Fixed Income Investments		$2,022,137,357		$1,974,468,732
Equity Investments				
External Indexed Equity Pool	$ 823,186,247		$1,296,550,543	
Global Equity Pool	1,131,881,230		1,187,729,613	
External Domestic Equity Pool	2,746,020,869		2,821,860,254	
Total Equity Investments		$4,701,088,346		$5,306,140,410
Alternative Investments				
Internal Venture Capital Pool	$ 540,991,364		$ 573,255,362	
Internal Real Estate Fund Pool	248,366,813		310,687,748	
Internal Resource Fund Pool	87,163,017		78,295,622	
Total Alternative Investments		$ 876,521,194		$ 962,238,732
Short Term Investment				
Short Term Cash Equivalents	$ 75,879,089		$ 75,879,089	
Total Short Term Investments		$ 75,879,089		$ 75,879,089
Total Investments		$7,675,625,986		$8,318,726,963

*TRA's share of the Basic Funds; does not include investments in the Post Fund.

General Information Regarding Investment of Funds

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

Teachers Retirement Association of Minnesota



Actuarial

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Actuary's Letter

MILLIMAN & ROBERTSON, INC.
Actuaries & Consultants

Internationally WOODROW MILLIMAN

Suite 400, 15800 Bluemound Road, Brookfield, Wisconsin 53005-6069
Telephone: 262/784-2250
Fax: 262/784-4116

December 8, 2000

Board of Trustees
Teachers Retirement Association Fund
Suite 500
17 West Exchange
St. Paul, MN 55102

Members of the Board:

We have completed our annual actuarial valuation of the Teachers Retirement Association Fund (TRA) to test how well the fundamental financing objectives are being achieved and to determine the actuarial status of the TRA as of July 1, 2000.

The fundamental financing objectives of the fund are 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 deadlines for full funding.

The results of the valuation indicate that the TRA is already at the level of full funding. On an ongoing basis, the sufficiency is 2.08% of payroll, which is the result of the statutory contributions of Chapter 354 of 10.00% exceeding required contributions of Chapter 356 of 7.92%.

The actuarial valuation was based upon applicable statutory provisions and the Standards of Actuarial Work in effect on July 1, 2000. In the aggregate, the basic financial membership data provided to us by the Association office appears reasonable in comparison to last year. We have relied upon the data as submitted in performing the actuarial valuation. It is our understanding that the data has subsequently been audited with no significant changes made.

The valuation was performed by using the actuarial cost methods and actuarial assumptions that are described in a separate table of this report. The actuarial cost method and the assumptions related to asset valuation, investment return, earnings progression and active member payroll growth are specified by state statute. All other assumptions are based on actual experience with changes recommended by the actuary, adopted by TRA Board, and

Board of Trustees
December 8, 2000
Page Two

approved by the Legislative Commission on Pensions and Retirement. All assumptions and methods used for funding purposes meet the parameters for the disclosures presented in the financial section of the TRA comprehensive annual financial report, set by GASB Statement No. 25. Under Statement 25, the actuarial required contribution is 7.92%.

The trend data schedules presented in the financial section, and the supporting schedules in the actuarial section of the Comprehensive Annual Financial Report were prepared by the staff of the TRA based on information contained in our actuarial valuation report.

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

Respectfully submitted,

MILLIMAN & ROBERTSON, INC.

Thomas K. Custis

Thomas K. Custis, F.S.A.
Consulting Actuary

TKC/bh

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Summary of Actuarial Assumptions and Methods

1. Interest

Pre-Retirement – 8.5% per annum
Post-Retirement – 8.5% per annum

2. Salary Increases

Reported salary for prior fiscal year, with new hires annualized, increased according to the table on the right to current fiscal year and annually for each future year.

Age	Salary Increases
20	8.00
25	7.75
30	7.50
35	7.00
40	6.25
45	5.50
50	5.25
55	5.00
60	5.00

3. Mortality

Pre-Retirement
Male — 1983 Group Annuity Mortality (GAM) Table for males set back ten years.
Female — 1983 Group Annuity Mortality Table for females set back eight years.

Post-Retirement
Male — Same as above except set back five years.
Female — Same as above except set back four years.

Post-Disability
Male — 1965 rates through age 54. For ages 55 to 64, graded rates between 1965 RRB (Railroad Retirement Board) rates and the Post-Retirement mortality table. For ages 65 and later, the Post-Retirement mortality table.

Female — 1965 RRB rates through age 54. For ages 55 to 64, graded rates between 1965 RRB rates and the Post-Retirement mortality table. For ages 65 and later, the Post-Retirement mortality table.

4. Retirement Age

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

5. Separation From Service

Select and ultimate rates were based on plan experience as of June 30, 1996. Ultimate rates after the third year are illustrated in the Annual Separation table of sample values below. Select rates for the first three years are as follows:

	First Year	Second Year	Third Year
Male	.40	.14	.08
Female	.35	.12	.08

Annual Separation Rate Per 10,000 Employees
Sample Values

	Pre-Retirement Death		Withdrawal		Disability	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
20	3	1	300	400	0	0
30	4	2	270	400	0	0
40	6	4	220	240	2	2
50	12	8	120	120	7	3
60	39	19	0	0	15	11

6.	**Disability**	Graduated rates illustrated in table of sample values on previous page.
7.	**Expenses**	Prior year expenses expressed as percentage of prior year payroll.
8.	**Return of Contributions**	All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.
9.	**Family Composition**	85% of male members and 65% of female members are assumed to be married. Female is three years younger than male. Assume members have no children.
10.	**Social Security**	N/A
11.	**Benefit Increases After Retirement**	Payment of earnings on retired reserves in excess of 6% accounted for by 6% post-retirement assumptions.
12.	**Special Consideration**	Married members assumed to elect subsidized joint and survivor form of annuity as follows:

Males —	15% elect	50%	J&S option
	15% elect	75%	J&S option
	50% elect	100%	J&S option
Females —	20% elect	50%	J&S option
	10% elect	75%	J&S option
	30% elect	100%	J&S option

13.	**Actuarial Cost Method**	Entry Age Normal Actuarial Cost Method with normal costs expressed as a level percentage of earnings. Under this method, actuarial gains (losses) reduce (increase) the Unfunded Actuarial Accrued Liability.
14.	**Asset Valuation Method**	Market Value, adjusted for amortization obligations receivable at the end of the fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during the fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year). Transition rules apply between July 1, 2000, and July 2, 2003, when the method is fully in effect.
15.	**Payment on the Unfunded Actuarial Accrued Liability** (Currently Not Applicable)	A level percentage of payroll each year to the statutory amortization date assuming payroll increases of 5 percent per annum. If there is a negative Unfunded Actuarial Liability, the surplus amount shall be amortized over 30 years as a level percentage of payroll.

Valuation Report Highlights

Dollar Amounts in Thousands	July 1, 1999 Valuation	July 1, 2000 Valuation
A. Contributions (Table 6)		
1. Statutory Contributions – Chapter 354 (% of Payroll)	10.00%	10.00%
2. Required Contributions – Chapter 356 (% of Payroll)	9.86%	7.92%
3. Sufficiency (Deficiency) (A.1 - A.2)	0.14%	2.08%
B. Funding Ratios		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	$14,011,247	$15,573,151
b. Current Benefit Obligations (Table 3)	$12,533,786	$14,009,611
c. Funding Ratio (a/b)	111.79%	111.16%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	$14,011,247	$15,573,151
b. Actuarial Accrued Liability (Table 4)	$13,259,569	$14,802,441
c. Funding Ratio (a/b)	105.67%	105.21%
3. Projected Benefit Funding Ratio (Table 3)		
a. Current and Expected Future Assets	$16,526,750	$18,324,588
b. Current and Expected Future Benefit Obligations	$15,719,403	$17,235,087
c. Funding Ratio (a/b)	105.14%	106.32%
C. Plan Participants		
1. Active Members		
a. Number	68,613	70,508
b. Projected Annual Earnings	$ 2,692,960	$ 2,813,696
c. Average Annual Earnings (Projected $)	$ 39,249	$ 39,906
d. Average Age	42.9	42.6
c. Average Service	12.1	11.7
2. Others		
a. Service Retirements	27,457	29,525
b. Survivors	1,816	1,912
c. Disability Retirements	476	509
d. Deferred Retirements	7,020	7,375
e. Terminated Other Non-vested	18,317	17,833
f. Total	55,086	57,154

Actuary's Commentary

Purpose

The purpose of this valuation is to determine the financial status of the Plan. In order to achieve this purpose, an actuarial valuation is made at the beginning of each fiscal year as required by Section 356.215 of Minnesota Statutes.

Report Highlights

The financial status of the Plan can be measured by three different funding ratios:

- The Accrued Benefit Funding Ratio is a measure of current funding status and, when viewed over a period of years, presents a view of the funding progress. It is based upon benefits that have been earned by service to the valuation date. This year's ratio is 111.16%. The corresponding ratio for the prior year was 111.79%.
- The Accrued Liability Funding Ratio is also a measure of funding status and funding progress. It is based on the actuarial cost method that has historically been used by the state. For 2000, the ratio is 105.21%, which is a decrease from the 1999 value of 105.67%.
- The Projected Benefit Funding Ratio is a measure of the adequacy or deficiency in the contribution level. This year's ratio of 106.32% verifies that the current statutory contributions are sufficient.

Asset Information (Tables 1 and 2)

Effective with the July 1, 2000, valuation of the fund, Minnesota Statutes requires that the asset value used for actuarial purposes spread differences between actual return (measured on a market-value basis) and expected return on non-Minnesota Post Retirement Investment Fund (MPRIF) assets over five years, in a manner similar to that already being used within the MPRIF. The previous method required under Minnesota Statutes recognized one-third of the unrealized gains and losses. An Asset Valuation Method requirement exists because market values (which include all unrealized gains and losses) are typically volatile and can produce erratic changes in the contribution requirements from year to year. The intent of the change to the current method is to employ a more effective asset-smoothing technique that is market-value based and which eliminates artificial bias related to manager style. The effective date of this requirement is July 1, 2000, with full transition to be accomplished as of July 1, 2003.

The calculation of the Actuarial Value of Assets is shown in Table 1 on lines E.l to E.4. Actuarial Value of Assets is determined as:

- Market Value of Assets at June 30, 2000, *less*
- 80% of the current year Unrecognized Asset Return at July 1, 2000 (the difference between actual net return on Market Value of Assets between 06/30/99 and 06/30/2000 and the asset return expected during that period based on the assumed interest rate employed in the July 1, 1999 Actuarial Valuation); *less*
- 60% of the Unrecognized Asset Return at July 1, 1999 (the difference between Market Value of Assets on 06/30/99 and the Actuarial Value of Assets used in the July 1, 1999 Actuarial Valuation).

The term "Actuarial Value of Assets" is used to indicate that the value was determined for use in this actuarial valuation. Since Minnesota Statutes refers to this value as "Current Assets," the latter phrase will be used in the remainder of this report.

This Plan participates in the Minnesota Post Retirement Investment Fund (MPRIF). After the MPRIF liability has been calculated for each participating Plan, the State Board of Investments (SBI) will determine each Plan's portion of the excess earnings for the January benefit increase, as well as the Plan's allocated market share of MPRIF.

Actuarial Balance Sheet (Table 3)

An actuarial balance sheet provides a method for evaluating current and future levels of funding.

The Current Benefit Obligation used to measure current funding levels is calculated as follows:

- **For Active Members** — Salary and service are projected to retirement to determine benefits for each member and the ratio of credited service to total service establishes the portion of the projected benefit to be used in calculating the current funding level.

- **For Non-Active Members** — The discounted value of benefits, including augmentation in cases where benefits have not commenced.

GASB Disclosure

Disclosure of the Current Benefit Obligation amounts used to be required by Statement No. 5 of the Governmental Accounting Standards Board (GASB). However, Statement No. 5 has been superceded by Statement No. 25. Page 25 in the Financial section of this report is included to fulfill the requirements of Statement No. 25.

Actuarial Cost Method (Table 4)

The approach used by the state of Minnesota to determine contribution sufficiency is the Entry Age Normal Actuarial Cost Method. The primary characteristic of this method is that it allocates costs as a level percentage of payroll.

A comparison of this actuarial method (Table 4) to the actuarial balance sheet (Table 3) illustrates the two techniques for allocating liabilities of active Members to past and future. As noted in the prior section, the balance sheet allocates benefits and corresponding liabilities on the basis of service. The method used in Table 4 allocates liabilities so that the cost each year will be a constant percentage of payroll. Both approaches, however, calculate the value of all future benefits the same way (see line F of Table 3 and line A6, column 1, of Table 4).

An Unfunded Actuarial Accrued Liability is computed under the Entry Age Normal Actuarial Cost Method by comparing the liabilities allocated to past service (Actuarial Accrued Liability) to the Current Assets. This amount, line B3, is funded over the remaining years to the amortization date by a series of payments that remain a constant percentage of payroll each year.

Source of Actuarial Gains and Losses (Table 5)

The assumptions used in making the calculations using the Entry Age Normal Actuarial Cost Method are based on long-term expectations. Each year the actual experience will deviate from the long-term expectations. For a detailed analysis of the major components, refer to Table 5.

Contribution Sufficiency (Table 6)

This report determines the adequacy of Statutory Contributions by comparing the Statutory Contributions to the Required Contributions.

The Required Contributions, set forth in Chapter 356, consist of:

- Normal costs based on the Entry Age Normal Actuarial Cost Method.

- A Supplemental Contribution for amortizing any Unfunded Actuarial Accrued Liability.

- An Allowance for Expenses.

Table 6 shows the Plan has a contribution sufficiency, since the Statutory Contribution Rate is 10.00% compared to the Required Contribution Rate of 7.92%.

Changes in Actuarial Assumptions

An entire new set of actuarial assumptions was recommended based on the 1992-96 experience analysis and was adopted by the LCPR for use in this valuation. Also incorporated with these assumption changes were changes to the calculation of benefits for IMP-eligible members and former members. The assumptions summarized in this report reflect the following changes:

Teachers Retirement Association Fund

Summary of Assumption Changes

(Adopted February 22, 2000, effective for July 1, 2000 Valuation)

Assumption	Previous	Current
Salary Increases	Merit table that ranges from 7.25% at age 20 down to 5.25% at age 70	Merit table that ranges from 8.0% at age 20 down to 5.0% at age 70
Male Pre-Retirement Mortality	1983 GAM (Male – 8)	1983 GAM (Male – 10)
Female Pre-Retirement Mortality	1983 GAM (Female – 4)	1983 GAM (Female – 8)
Male Post-Retirement Mortality	1983 GAM (Male – 4)	1983 GAM (Male – 5)
Female Post-Retirement Mortality	1983 GAM (Female – 2)	1983 GAM (Female – 4)
Male Post-Disability Mortality	1977 RRB	1965 RRB to age 54, graded mortality rates between 1965 RRB and Post-Retirement Mortality table between ages 55 and 64, Post-Retirement Mortality table table for ages 65 and later
Female Post-Disability Mortality	1977 RRB	1965 RRB to age 54, graded mortality rates between 1965 RRB and Post-Retirement Mortality table between ages 55 and 64, Post-Retirement Mortality table for ages 65 and later
Retirement Age	Age 62. In addition, 45% of Basic members and 30% of Coordinated members are assumed to retire each year that they are eligible for the Rule of 90.	Graded rates beginning at age 55. A different set of rates applies if the member is eligible for the Rule of 90.
Separation Decrement	Select and ultimate table. Rates during the select period are based on attained age at valuation date.	Select and ultimate table. Rates during the select period are based on gender. Ultimate rates are gender-based and generally lower than current rates.
Disability Decrement	Age-related rates.	Rates which are both age-related and gender-related. Recommended rates are significantly lower than current rates, especially for females.
Form of Annuity Selected - Male	15% elect 50% J&S option 0% elect 75% J&S option 10% elect 100% J&S option	15% elect 50% J&S option 15% elect 75% J&S option 50% elect 100% J&S option
Form of Annuity Selected - Female	10% elect 50% J&S option 0% elect 75% J&S option 10% elect 100% J&S option	20% elect 50% J&S option 10% elect 75% J&S option 50% elect 100% J&S option
Combined Service Annuity Load Factor	None	1.0% load on liabilities for active and deferred vested participants.

Effective with this July 1, 2000 valuation, the funding method changes have been incorporated:

- Asset Valuation Method is changed to employ a more effective asset-smoothing technique that is market-value based and that eliminates artificial bias related to manager style.

- The actuarial funding method was modified to reflect a 30-year amortization credit of the surplus of the Actuarial Value of Assets over the Actuarial Accrued Liability.

Changes in Plan Provisions

There were no changes in the plan provisions that affected plan costs for the current valuation.

Statement of Plan Net Assets

Table 1

July 1, 2000

Dollar Amounts in Thousands

	Fair Value	Cost Value
A. Assets in Trust		
1. Cash, Equivalents, Short-term Securities	$ 87,128	$ 87,128
2. Fixed Income	1,974,469	2,022,137
3. Equity	5,957,691	5,329,243
4. Real Estate	310,688	248,367
5. Equity in MPRIF	8,055,622	8,055,622
6. Invested Securities Lending Collateral	1,644,076	1,644,076
7. Other	2,043	2,043
Subtotal	$ 18,031,717	$ 17,388,616
B. Assets Receivable	20,267	20,267
C. Liabilities		
1. Invested Securities Lending Collateral	(1,644,076)	(1,644,076)
2. Other	(250,717)	(250,717)
Subtotal	(1,894,793)	(1,894,793)
D. Net Assets Held in Trust for Pension Benefits		
1. MPRIF Reserves	8,055,622	8,055,622
2. Member Reserves	1,354,683	1,354,683
3. Other Non-MPRIF Reserves	6,746,886	6,103,785
4. Total Assets Available for Benefits	$ 16,157,191	$ 15,514,090

E. Determination of Actuarial Value of Assets		
1. Fair Value of Assets Available for Benefits (D4)		$ 16,157,191
2. Unrecognized Asset Returns (UAR)		
a. June 30, 2000	$ 157,486	
b. June 30, 1999	763,418	
3. UAR Adjustment: .80 x (E2.a) + .60 x (E2.b)		584,040
4. Actuarial Value of Assets (E1 - E3) (Same as "Current Assets")		$ 15,573,151

Statement of Changes in Plan Net Assets

Table 2

Year Ending June 30, 2000

(Dollars in Thousands)	Non-MPRIF Assets	MPRIF Reserves	Fair Value
A. Assets Available at Beginning of Period	$ 8,022,983	$ 6,751,682	$ 14,774,665
B. Additions			
1. Member Contributions	$ 138,696	$ 0	$ 138,696
2. Employer Contributions	134,419	0	134,419
3. Contributions From Other Sources	0	0	0
4. MPRIF Income	0	1,066,727	1,066,727
5. Net Investment Income			
a. Interest and Dividends	1,061,470	0	1,061,470
b. Net Realized Gain (Loss)	270,283	0	270,283
c. Net Change in Unrealized Gain (Loss)	(505,705)	0	(505,705)
d. Investment Expenses	(11,412)	0	(11,412)
e. Net Subtotal	814,636	0	814,636
6. Other	2,388	0	2,388
7. Total Additions	$ 1,090,139	$ 1,066,727	$ 2,156,866
C. Operating Expenses			
1. Service Requirements	$ 2,047	$ 732,126	$ 734,173
2. Disability Benefits	9,838	0	9,838
3. Survivor Benefits	980	10,045	11,025
4. Refunds	7,263	0	7,263
5. Administrative Expenses	8,138	0	8,138
6. Other	3,903	9	3,903
7. Total Disbursements	$ 32,169	$ 742,171	$ 774,340
D. Other Changes in Reserves			
1. Annuities Awarded	(768,364)	768,364	0
2. Mortality Gain/Loss	(9,767)	9,767	0
3. Change in MPRIF Assumptions	(201,253)	201,253	0
4. Total Other Changes	(979,384)	979,384	0
E. Assets Available at End of Period	$ 8,101,569	$ 8,055,622	$ 16,157,191

F. Determination of Current Year Unrecognized Asset Return	
1. Average Balance	
(a) Non-MPRIF Assets Available at Beginning of Period	$ 8,022,983
(b) Non-MPRIF Assets Available at End of Period*	8,312,589
(c) Average Balance {[F1.a + F1.b - B5.e - B6] / 2}	7,759,274
2. Expected Return: .085 x F1.c	659,538
3. Actual Return	817,024
4. Current Year Unrecognized Asset Return: F3 - F2	$ 157,486

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

Actuarial Balance Sheet

Table 3

July 1, 2000

	Dollar Amounts in Thousands
A. Current Assets (Table 1, E4)	$15,573,151
B. Expected Future Assets	
1. Present Value of Expected Future Statutory Supplemental Contributions (See Table 6)	318,791
2. Present Value of Future Normal Costs	2,432,646
3. Total Expected Future Assets	2,751,437
C. Total Current and Expected Future Assets	$18,324,588

D. Current Benefit Obligations	**Non-Vested**	**Vested**	**Total**
1. Benefit Recipients			
a. Retirement Annuities		$ 7,750,796	$ 7,750,796
b. Disability Benefits		124,279	124,279
c. Surviving Spouse and Child Benefits		326,553	326,553
2. Deferred Retirements with Future Augmentation		423,446	423,446
3. Former Members without Vested Rights		62,370	62,370
4. Active Members			
a. Retirement Annuities	23,907	4,909,453	4,933,360
b. Disability Benefits	39,312	0	39,312
c. Survivor Benefits	43,382	0	43,382
d. Deferred Retirements	4,681	152,927	157,608
e. Refund Liability Due to Death or Withdrawal	0	148,505	148,505
5. Total Current Benefit Obligations	$111,282	$13,898,329	$14,009,611

E. Expected Future Benefit Obligations	$ 3,225,476
F. Total Current and Expected Future Benefit Obligations	$17,235,087
G. Current Unfunded Actuarial Liability (D5 – A)	($ 1,563,540)
H. Current and Future Unfunded Actuarial Liability (F – C)	($ 1,089,501)

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

Table 4

July 1, 2000

Dollar Amounts in Thousands	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
	(1)	(2)	(3) = (1) – (2)
A. Determination of Actuarial Accrued Liability (AAL)			
1. Active Members			
a. Retirement Annuities	$ 7,890,798	$2,047,429	$ 5,843,369
b. Disability Benefits	67,332	28,162	39,170
c. Survivor Benefits	73,282	29,056	44,226
d. Deferred Retirements	305,122	164,225	140,897
e. Refunds Due to Death or Withdrawal	211,109	163,774	47,335
f. Total	$ 8,547,643	$2,432,646	$ 6,114,997
2. Deferred Retirements with Future Augmentation	423,446		423,446
3. Former Members Without Vested Rights	62,370		62,370
4. Annuitants in the MPRIF	8,055,622		8,055,622
5. Recipients Not in the MPRIF	146,006		146,006
6. Total	$17,235,087	$2,432,646	$14,802,441

B. Determination of Unfunded Actuarial Accrued Liability (UAAL)	
1. AAL (A6)	$14,802,441
2. Current Assets (Table 1, E4)	15,573,151
3. UAAL (B1 – B2)	($ 770,710)
C. Determination of Supplemental Contribution Rate	
1. Present Value of Future Payrolls Through the Amortization Date of July 1, 2030	$52,260,768
2. Supplemental Contribution Rate (B3 ÷ C1)	-1.47%

TRA

Changes in Unfunded Actuarial Accrued Liability (UAAL)

Table 5

Year Ending June 30, 2000

		Dollar Amounts in Thousands
A.	**UAAL at Beginning of Year**	$ (751,678)
B.	**Change Due to Interest Requirements and Current Rate of Funding**	
	1. Normal Cost and Expenses	$ 265,734
	2. Contribution	(273,115)
	3. Interest on A, B1 and B2	(64,206)
	4. Total (B1 + B2 + B3)	(71,587)
C.	**Expected UAAL at End of Year (A + B4)**	$ (823,265)
D.	**Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations from Expected**	
	1. Salary Increases	$ (117,377)
	2. Investment Return	(554,336)
	3. MPRIF Mortality	9,767
	4. Mortality of Other Benefit Recipients	(4,992)
	5. Other Items	185,473
	6. Total	$ (481,465)
E.	**UAAL at End of Year Before Plan Amendments and Changes in Actuarial Assumption (C + D6)**	$ (1,304,730)
F.	**Change in Unfunded Actuarial Accrued Liability Due to Change in Actuarial Methods**	155,306
G.	**Change in Unfunded Actuarial Accrued Liability Due to Changes in Actuarial Assumptions**	378,714
H.	**UAAL at End of Year (E + F + G)**	$ (770,710)

TRA

Determination of Contribution Sufficiency

Table 6

July 1, 2000

Dollar Amounts in Thousands	Percent of Payroll	Dollar Amount
A. Statutory Contributions - Chapter 354		
1. Employee Contributions	5.00%	$140,710
2. Employer Contributions	5.00%	140,710
3. Total	10.00%	$281,420
B. Required Contributions - Chapter 356		
1. Normal Cost		
a. Retirement Benefits	7.76%	$218,325
b. Disability Benefits	0.10%	2,856
c. Survivor Benefits	0.10%	2,799
d. Deferred Retirement Benefits	0.48%	13,371
e. Refunds Due to Death or Withdrawal	0.65%	18,395
f. Total	9.09%	$255,746
2. Supplemental Contribution Amortization by July 1, 2030 of UAAL	-1.47%	(41,361)
3. Allowance for Expenses	0.30%	8,441
4. Total	7.92%	$222,826
C. Contribution Sufficiency (Deficiency) [A3 – B4]	2.08%	$ 58,594

Note: Projected Annual Payroll for Fiscal Year Beginning on July 1, 2000 is $2,813,696.

Summary of Actuarial and Unfunded Actuarial Liabilities

Dollar Amounts in Thousands

Valuation as of June 30	Aggregate Actuarial Liabilities	Valuation Assets	Assets as a % of Actuarial Liabilities	Unfunded Accrued Liabilities (UAL)	Annual Active Member Payroll	UAL as a % of Annual Active Member Payroll
1991	$ 7,213,720	$ 5,614,924	77.8%	$ 1,598,796	$ 1,874,365	85.3%
1992	7,662,522	6,324,733	82.5%	1,337,789	1,934,014	69.2%
1993	8,266,059	7,045,937	85.2%	1,220,122	2,024,000	60.3%
1994	9,115,266	7,611,935	83.5%	1,503,331	2,104,578	71.4%
1995	9,717,623	8,348,124	85.9%	1,369,499	2,197,262	62.3%
1996	10,366,168	9,541,221	92.0%	824,947	2,252,383	36.6%
1997	10,963,637	11,103,759	101.3%	(140,122)	2,359,011	(5.9%)
1998	12,046,312	12,727,546	105.6%	(681,234)	2,422,958	(28.1%)
1999	13,259,569	14,011,247	105.7%	(751,678)	2,625,254	(28.6%)
2000	14,802,441	15,573,151	105.2%	(770,710)	2,704,575	(28.5%)

Solvency Test

Dollar Amounts in Thousands

Valuation as of June 30	Aggregate Accrued Liabilities: (1) Member Contributions	(2) Retirees and Beneficiaries	(3) Members (Employer Financed Portion)	Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Reported Assets: (1)	(2)	(3)
1991	$ 838,160	$ 2,370,851	$ 4,004,709	$ 5,614,924	100%	100%	60.1%
1992	886,618	2,662,744	4,113,160	6,324,733	100%	100%	67.5%
1993	921,143	3,120,037	4,224,879	7,045,937	100%	100%	71.1%
1994	970,813	3,559,614	4,584,839	7,611,935	100%	100%	67.2%
1995	1,070,347	3,866,694	4,780,582	8,348,124	100%	100%	71.4%
1996	1,164,651	4,319,329	4,882,188	9,541,221	100%	100%	83.1%
1997	1,252,843	4,808,918	4,901,876	11,103,759	100%	100%	100.0%
1998	1,303,006	5,570,230	5,173,076	12,727,546	100%	100%	100.0%
1999	1,321,579	6,751,682	5,186,308	14,011,247	100%	100%	100.0%
2000	1,354,683	8,055,622	5,392,136	15,573,151	100%	100%	100.0%

Schedule of Active Member Valuation Data

Year Ended June 30	Active Members	Annual Payroll	Annual Average	% Increase in Average Pay
1991	65,093	$ 1,874,364,682	$ 28,795	3.7%
1992	65,557	1,934,014,000	29,501	2.5%
1993	65,268	2,024,000,000	31,017	5.0%
1994	66,514	2,104,578,000	31,641	2.1%
1995	67,558	2,197,262,000	32,524	2.8%
1996	68,490	2,252,383,000	32,888	1.1%
1997	68,554	2,359,011,000	34,411	4.6%
1998	68,247	2,422,958,000	35,503	3.2%
1999	68,613	2,625,254,000	38,262	7.7%
2000	70,508	2,704,575,000	39,249	2.6%

Schedule of Retirees and Beneficiaries

Year Ended June 30	Added During Year	Removed During Year	Number End of Year	Total Annual Benefits	% Increase in Total Annual Benefits	Average Annual Benefits
1991	1,499	541	18,094	$ 200,415,271	11.5%	$ 11,076
1992	1,630	512	19,212	227,066,655	16.7%	11,819
1993	2,166	568	20,810	256,630,249	13.0%	12,332
1994	1,886	559	22,137	309,036,770	20.2%	13,960
1995	1,632	601	23,168	338,857,152	9.6%	14,626
1996	1,806	667	24,307	378,072,148	11.6%	15,554
1997	2,063	689	25,681	427,588,141	13.1%	16,650
1998	2,246	699	27,228	533,851,113	24.9%	19,607
1999	3,234	713	29,749	620,937,964	16.3%	20,872
2000	2,983	786	31,946	755,036,577	21.6%	23,634

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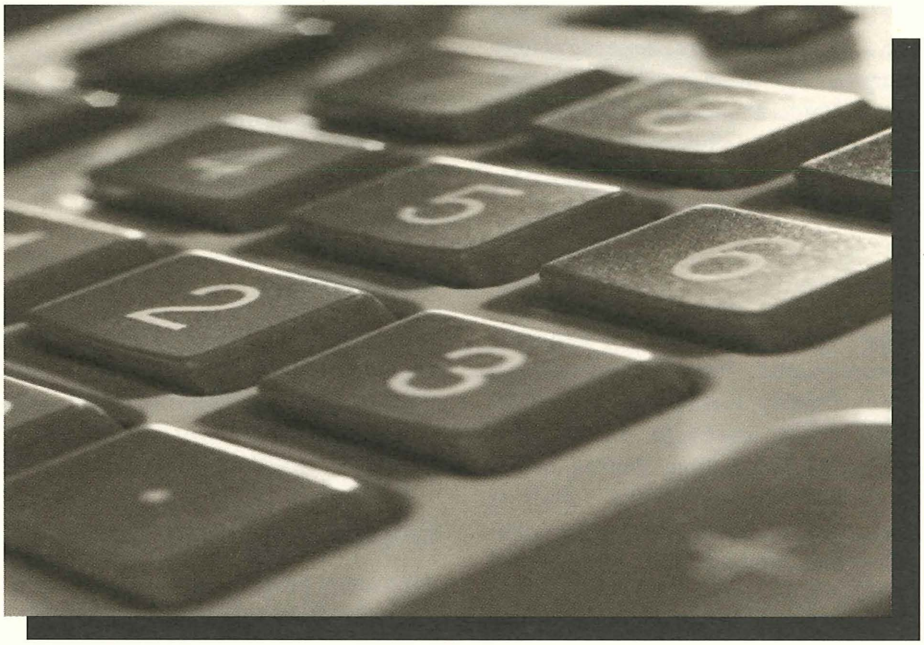
Teachers Retirement Association of Minnesota



Statistical

Statistical

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Plan Summary

June 30, 2000

Purpose

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

Administration

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

Membership

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

Retirement Service Credit

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

Financing

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

Employee Contributions

TRA members pay a percentage of their gross annual salary as determined by their membership plan. Basic Plan members (without Social Security coverage) contribute 9 percent of their annual salary while Coordinated Plan members (coordinated with Social Security coverage) contribute 5 percent of their annual salary.

Employer Contributions

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

Purchase of Prior Service Credit

Vested members may elect to purchase eligible credit for prior military service, maternity leaves or maternity breaks in service, out-of-state teaching service, Peace Corps or VISTA service, or private/parochial school service.

All or a portion of their eligible prior service may be purchased. The cost of the service is based on an actuarial methodology recognizing both an increased future monthly benefit and the expectation that the member will retire earlier than had been previously assumed. The option to purchase service credit is set to expire on May 16, 2002.

Retirement Benefit

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

Before July 1, 1989

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

> 1.2 percent of average salary for the first 10 years of allowable service and 1.7 percent of average salary for each subsequent year of allowable service with a reduction of 0.25 percent for each month the member is under age 65 at the time of retirement (or under age 62 with 30 or more years of allowable service) and no reduction if age plus years of allowable service totals 90 or more.
>
> **OR**
>
> 1.7 percent of average salary for each year of allowable service with augmented actuarial reduction (approximately 4.0 percent – 5.5 percent per year) for each month the member is under age 65.

Early retirement benefit eligibility is age 55 with 3 or more years of allowable service or any age with at least 30 years of allowable service when using the smaller step percentage factor.

For Basic system members (those without Social Security coverage) the formula percentages are 2.2 percent and 2.7 percent rather than the 1.2 percent and 1.7 percent shown for Coordinated system members (those with Social Security coverage).

After June 30, 1989

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

> 1.7 percent of average salary for each year of allowable service with augmented actuarial reduction (approximately 4.0 percent – 5.5 percent per year) for each month the member is under the full Social Security retirement benefit eligible age but not to exceed age 66. Under current federal law, the retirement age for full Social Security retirement benefits is age 65 for persons born in 1937 or earlier. For persons born in 1938 to 1942, Social Security gradually increases the retirement age for full Social Security benefits until it reaches age 66 for those persons born in 1943 to 1954.

Early retirement benefit eligibility is age 55 with 3 or more years of allowable service.

Deferred Retirement

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

Their benefit is augmented by 3 percent interest compounded annually until January 1 of the year following attainment of age 55 and 5 percent thereafter until the retirement benefit begins.

July 1, 1997 Increase

Effective July 1, 1997, all benefit recipients received an actuarially equivalent permanent increase based on a change in the post-retirement interest assumption from 5 percent to 6 percent. This increase recognizes that future post-retirement annual adjustments will be 1 percent less. Members who terminate service after June 30, 1997, and whose benefits commence during the period July 2, 1997, through July 1, 2002, receive a percentage of the July 1, 1997, permanent increase as follows:

July 2, 1997 - July 1, 1998	50%
July 2, 1998 - July 1, 1999	40%
July 2, 1999 - July 1, 2000	30%
July 2, 2000 - July 1, 2001	20%
July 2, 2001 - July 1, 2002	10%

Annuity Plan Options

Six different annuity plan options are available to TRA members providing monthly benefit payments for as long as the annuitant lives. Plan A-1 provides the highest possible monthly benefit, but terminates upon the member's death. A member may choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features.

1. Life Plan A-1, For Life of Member
2. Life Plan B-1, Guaranteed Refund
3. Life Plan C-3, 15-Year Term Certain and Life Thereafter
4. Life Plan E-1, 100% Survivorship with Bounceback
5. Life Plan E-2, 50% Survivorship with Bounceback
6. Life Plan E-3, 75% Survivorship with Bounceback

Post Fund Increases

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

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

The potential for a greater increase is provided by the investment component that is based on investment returns in excess of the amount needed to pay the cost-of-living component and to cover the 6 percent earnings assumption that determined the original benefit at retirement.

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

Combined Service Annuity

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

Refunds

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

Repayment of Refunds

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

Disability Benefits

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

Survivor Benefits

If a Coordinated member dies before retirement, the total amount of accumulated contributions plus 6 percent interest compounded annually is paid to the surviving spouse or, if there is none, to the designated beneficiary. Any survivor benefits payable from Social Security are in addition to the TRA survivor benefit. In some cases, a joint and survivor annuity (described in the next section) may be selected instead of this benefit.

If a Basic member dies before retirement, survivor benefits are payable to a dependent spouse and/or dependent children. The minimum benefit is equal to 50 percent of the Basic member's monthly average salary paid in the last full fiscal year preceding death, subject to a family maximum of $1,000 per month. In some cases, a joint and survivor annuity (described in the next section) may be selected instead of this benefit.

If the member is not married and there are no dependent children, then the total amount of accumulated contributions plus 6 percent interest compounded annually is paid to the designated beneficiary.

Joint and Survivor Annuity

The surviving spouse of a married member with at least three years of allowable service credit may elect to receive the joint and survivor annuity benefit instead of the lump sum benefit. The annuity is payable monthly to the spouse or to a designated beneficiary for as long as the spouse or beneficiary lives; however, payments terminate upon the death of the spouse or beneficiary with no remaining benefits for other beneficiaries. In lieu of a lifetime benefit, only a spouse may elect to receive actuarially equivalent payments for a period certain of 5, 10, 15 or 20 years.

The amount of the annuity is based upon the High-Five Formula and the ages of the member and the spouse or designated beneficiary at the time of the member's death. The member's accumulated deductions and interest plus the employer's contributions are used to provide the benefit. The surviving spouse of an eligible member has a choice of the joint and survivor annuity benefit or the lump sum benefit. If there is no surviving spouse, actuarially equivalent payments may be made for a period certain for any surviving dependent child under the age of 20.

Ten-Year Summary of Revenue

By Source

Year Ended June 30	Member Contributions	Employer Contributions	Net Investment Income	Other	Total
1991	$ 89,313,081	$159,439,219	$ 426,529,649	$ 1,964,986	$ 677,246,935
1992	91,505,605	162,369,508	707,624,183	1,942,689	963,441,985
1993	94,709,399	168,070,511	682,492,365	2,347,431	947,619,706
1994	100,803,239	171,854,594	703,964,661	8,752,052	985,374,546
1995	143,535,906	179,671,657	659,253,303	553,171	983,014,037
1996	148,051,326	184,495,447	1,213,973,588	713,733	1,547,234,094
1997	154,160,516	191,670,080	2,296,019,494	704,736	2,642,554,826
1998	124,095,573	151,322,830	2,637,948,298	1,329,869	2,914,696,570
1999	132,040,005	130,525,591	1,775,404,067	1,587,211	2,039,556,874
2000	138,696,271	134,418,833	1,555,989,313	2,387,928	1,831,492,345

Ten-Year Summary of Expenditures

By Type

Year Ended June 30	Retirement Benefits	Survivor Benefits	Disability Benefits	Refunds	Administrative Expenses	Other	Total
1991	$194,589,338	$2,921,349	$2,904,585	$ 5,554,181	$2,790,089	$ 714,476	$209,474,018
1992	220,352,768	3,314,799	3,399,088	5,494,749	2,895,659	775,682	236,232,745
1993	249,018,533	3,719,037	3,892,680	4,749,970	3,124,192	191,470	264,695,882
1994	300,482,282	4,341,112	4,213,376	3,583,342	3,338,007	614,377	316,572,496
1995	328,764,719	5,125,383	4,967,050	4,619,063	3,665,748	2,008,430	349,150,393
1996	366,352,840	6,080,640	5,638,668	5,039,811	3,835,501	620,477	387,567,937
1997	414,414,893	6,887,894	6,285,354	10,898,914	4,552,372	638,751	443,678,178
1998	517,008,277	9,027,669	7,815,166	5,689,067	5,417,370	1,226,839	546,184,388
1999	602,176,461	9,891,582	8,869,921	6,271,448	7,976,908	1,764,550	636,950,870
2000	734,173,055	11,025,836	9,837,686	7,262,919	8,137,683	3,903,332	774,340,511

Summary of Changes in Membership

Fiscal Year Ending June 30, 2000

Active and Inactive Members

	Active		Inactive	
	Basic	Coordinated	Basic	Coordinated
Total July 1, 1999	23	68,590	49	25,773
Additions				
New hires	—	6,255	—	—
New inactives from active	—	—	1	4,256
Returns from inactive	—	1,803	—	—
Returns from retired	—	676	—	—
Returns from terminated	—	—	—	48
Restored write-offs	—	171	1	76
Repaid refunds	—	—	2	188
Transfers from nonstatus	—	—	—	97
System change to:	—	1		
Deletions				
Service retirements	(10)	(2,212)	(13)	(552)
Deaths	—	(47)	(1)	(61)
Refunds	—	(423)	(4)	(1,465)
Writeoffs	—	—	—	(954)
Terminated (no refund)	(1)	(4,256)	—	—
Returns to active	—	—	—	(1,803)
Transfers to IRAP	—	(14)	—	—
Members in Disability Status	—	(33)	—	(453)
System change to:	(1)	—	—	—
Data adjustments	0	(14)	1	22
Total June 30, 2000	**11**	**70,497**	**36**	**25,172**

	Basic System	Coordinated System	Total
Active	11	70,497	70,508
Inactive	36	25,172	25,208
Total	47	95,669	95,716

TRA

Summary of Changes in Membership (continued)

Fiscal Year ending June 30, 2000

Annuitants

	Basic			Coordinated		
	Men	Women	Total	Men	Women	Total
Total annuitants July 1, 1999	1,962	2,760	4,722	10,794	11,932	22,726
Members retired during year	9	12	21	1,305	1,351	2,656
Adjustments	(1)	1	—	1	(1)	—
Annuities cancelled	—	—	—	(1)	(1)	(2)
Annuitants deceased during year	(49)	(133)	(182)	(185)	(262)	(447)
Total annuitants June 30, 2000	1,921	2,640	4,561	11,914	13,019	24,933
Annuitants not receiving warrants June 30, 2000	—	—	—	(2)	(8)	(10)
Total active annuitants June 30, 2000	1,921	2,640	4,561	11,912	13,011	24,923

Other Annuitants

	Former College Supplemental Retirement Annuities			Former Variable Annuities		
	Men	Women	Total	Men	Women	Total
Active annuitants July 1, 1999	71	47	118	516	316	832
Members re-employed or terminated by law	(1)	(1)	(2)	(2)	—	(2)
Annuitants deceased during year	(4)	—	(4)	(6)	(2)	(8)
Total annuitants: June 30, 2000	66	46	112	508	314	822
Annuitants not receiving warrants June 30, 2000	—	—	—	—	—	—
Total other annuitants June 30, 2000	66	46	112	508	314	822

Summary of Changes in Membership (continued)

Fiscal Year ending June 30, 2000

Beneficiaries of Members Deceased Prior to Retirement

	Joint & Survivor Annuities			Survivor Annuities		
	Men*	Women*	Total	Men	Women	Total
July 1, 1999	366	166	532	5	63	68
Added during year	27	20	47	—	—	—
Terminated during year	(3)	(2)	(5)	—	—	—
Cancellation	(2)	(9)	(11)	—	—	—
Total June 30, 2000	**388**	**175**	**563**	**5**	**63**	**68**

* Gender of member

Disabilitants

	Basic System			Coordinated System		
	Men	Women	Total	Men	Women	Total
July 1, 1999	6	3	9	202	266	468
Added during year	—	—	—	28	55	83
Died during year	—	—	—	(7)	(5)	(12)
Transferred to retirement	(4)	(1)	(5)	(24)	(15)	(39)
Resumed employment	—	—	—	(1)	(2)	(3)
Cancelled	—	—	—	—	(1)	(1)
Total Active Disabilitants June 30, 2000	**2**	**2**	**4**	**198**	**298**	**496**

Beneficiaries of Retired Members

	Basic System			Coordinated System		
	Men*	Women*	Total	Men*	Women*	Total
July 1, 1999	229	46	275	734	186	920
Added during year	23	7	30	118	37	155
Annuities terminated by law	(3)	(4)	(7)	(13)	(5)	(18)
Deaths	(10)	(9)	(19)	(32)	(9)	(41)
Total June 30, 2000	**239**	**40**	**279**	**807**	**209**	**1016**

* Gender of member

Schedule of Benefits Amount Paid

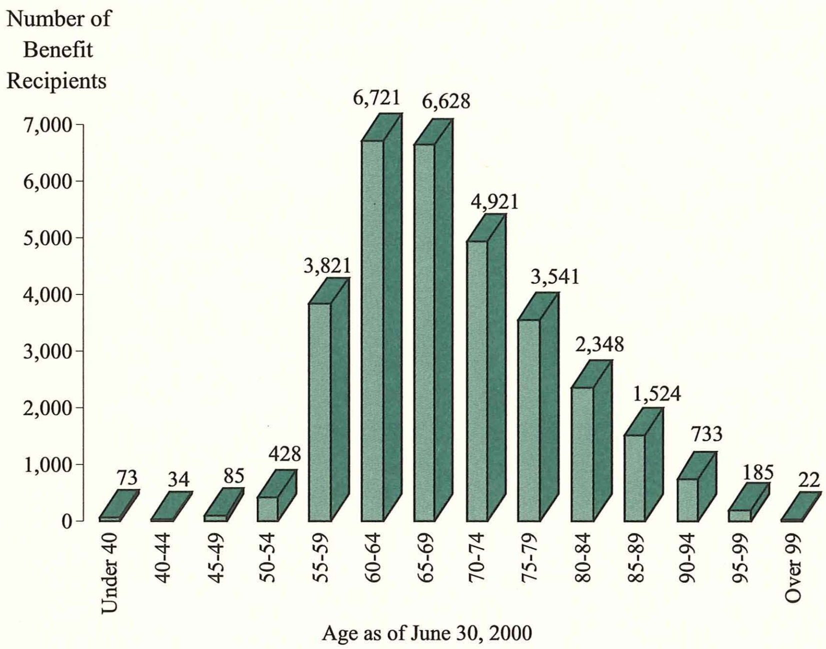
For Month of June 2000

Monthly Benefit Amount	Number of Recipients	Cumulative Total
Under $100	530	530
$ 100 - 199	848	1,378
$ 200 - 299	924	2,302
$ 300 - 399	935	3,237
$ 400 - 499	834	4,071
$ 500 - 599	805	4,876
$ 600 - 699	784	5,660
$ 700 - 799	819	6,479
$ 800 - 899	779	7,258
$ 900 - 999	751	8,009
$1,000 - 1,099	735	8,744
$1,100 - 1,199	730	9,474
$1,200 - 1,299	784	10,258
$1,300 - 1,399	834	11,092
$1,400 - 1,499	843	11,935
$1,500 - 1,599	829	12,764
$1,600 - 1,699	844	13,608
$1,700 - 1,799	918	14,526
$1,800 - 1,899	923	15,449
$1,900 - 1,999	900	16,349
$2,000 - 2,099	859	17,208
$2,100 - 2,199	771	17,979
$2,200 - 2,299	788	18,767
$2,300 - 2,399	713	19,480
$2,400 - 2,499	699	20,179
$2,500 - 2,599	654	20,833
$2,600 - 2,699	611	21,444
$2,700 - 2,799	635	22,079
$2,800 - 2,899	625	22,704
$2,900 - 2,999	582	23,286

Monthly Benefit Amount	Number of Recipients	Cumulative Total
$3,000 - 3,099	546	23,832
$3,100 - 3,199	511	24,343
$3,200 - 3,299	534	24,877
$3,300 - 3,399	485	25,362
$3,400 - 3,499	490	25,852
$3,500 - 3,599	415	26,267
$3,600 - 3,699	380	26,647
$3,700 - 3,799	402	27,049
$3,800 - 3,899	348	27,397
$3,900 - 3,999	353	27,750
$4,000 - 4,099	334	28,084
$4,100 - 4,199	269	28,353
$4,200 - 4,299	315	28,668
$4,300 - 4,399	253	28,921
$4,400 - 4,499	225	29,146
$4,500 - 4,599	196	29,342
$4,600 - 4,699	185	29,527
$4,700 - 4,799	145	29,672
$4,800 - 4,899	129	29,801
$4,900 - 4,999	131	29,932
$5,000 - 5,099	117	30,049
$5,100 - 5,199	103	30,152
$5,200 - 5,299	103	30,255
$5,300 - 5,399	94	30,349
$5,400 - 5,499	86	30,435
$5,500 and Over	629	31,064
Total	31,064	

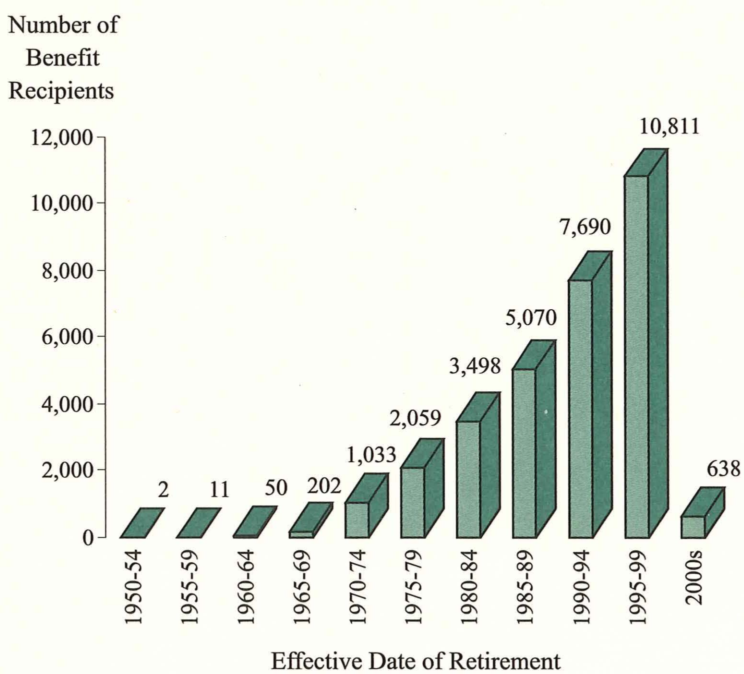
Schedule of Benefit Recipients by Current Age

For Month of June 2000



Benefit Recipients by Effective Date of Retirement

For Month of June 2000



TRA

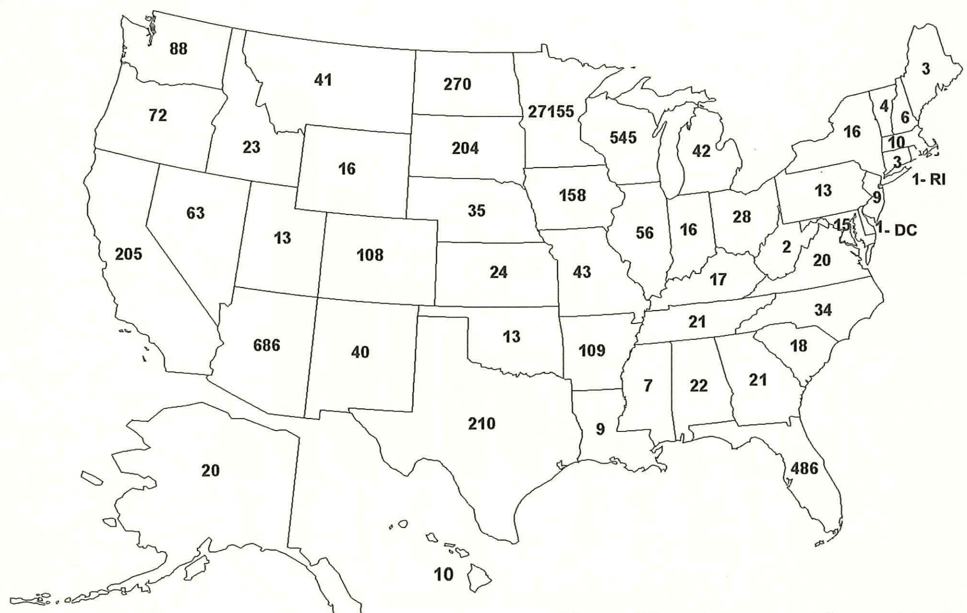
Schedule of New Retirees and Initial Benefit Paid

For the Six Fiscal Years Ending June 30, 2000

	Years of Formula Service						
Fiscal Year	**<10**	**10-15**	**16-20**	**21-25**	**26-30**	**Over 30**	**Total**
1995							
Avg. Monthly Benefit	$175.57	$525.11	$877.86	$1319.90	$1,699.62	$2,514.11	$1,650.63
Number of Retirees	136	113	127	200	227	557	1360
1996							
Avg. Monthly Benefit	$197.20	$487.35	$1,031.26	$1,410.58	$1,808.75	$2,563.49	$1,809.16
Number of Retirees	141	102	106	194	272	692	1507
1997							
Avg. Monthly Benefit	$190.02	$620.88	$943.52	$1,403.79	$1,928.56	$2,633.81	$1,856.00
Number of Retirees	189	108	145	212	286	843	1783
1998							
Avg. Monthly Benefit	$220.86	$674.83	$1,058.85	$1,544.28	$2,216.02	$2,959.73	$2,128.26
Number of Retirees	191	131	144	232	306	983	1987
1999							
Avg. Monthly Benefit	$243.40	$696.37	$1,217.30	$1,664.26	$2,406.11	$3,204.73	$2,526.67
Number of Retirees	172	148	191	231	420	1716	2878
2000							
Avg. Monthly Benefit	$233.43	$668.46	$1,164.27	$1,660.98	$2,343.63	$3,115.03	$2,229.47
Number of Retirees	244	234	190	269	432	1308	2677

Distribution of TRA Benefits
Mailing Address of Benefit Recipient

June 2000



Note: 32 recipients reside outside the United States

Schedule of Benefit Recipients by Type

For Month of June 2000

Monthly Benefit Amount	Number of Recipients	Type of Retirement		
		Regular	Disability	Beneficiary
$ 1 - $ 250	1,809	1,618	24	167
$ 251 - $ 500	2,262	1,974	37	251
$ 501 - $ 750	1,993	1,761	44	188
$ 751 - $1,000	1,945	1,684	44	217
$1,001 - $1,250	1,840	1,577	53	210
$1,251 - $1,500	2,086	1,820	38	228
$1,501 - $1,750	2,105	1,883	43	179
$1,751 - $2,000	2,313	2,089	59	165
$2,001 - $2,250	2,008	1,854	41	113
$2,251 - $2,500	1,831	1,689	39	103
$2,501 - $2,750	1,599	1,507	24	68
$2,751 - $3,000	1,517	1,432	18	67
$3,001 - $3,250	1,316	1,255	6	55
$3,251 - $3,500	1,233	1,188	4	41
$3,501 - $3,750	1,005	969	4	32
$3,751 - $4,000	894	858	2	34
$4,001 - $4,250	755	723	2	30
$4,251 - $4,500	636	615	2	19
$4,501 - $4,750	448	436	1	11
$4,751 - $5,000	337	322	0	15
$5,001 - $5,250	279	265	1	13
$5,251 - $5,500	224	217	0	7
Over $5,500	629	604	2	23
Total	**31,064**	**28,340**	**488**	**2,236**

Distribution of Active Members

As of June 30, 2000

Age	Years of Service < 1	1-4	5-9	10-14	15-19	20-24	25-29	30+	All
< 25	1,236	1,083							2,319
25-29	1,382	6,299	905	1					8,587
30-34	725	3,381	4,342	547					8,995
35-39	714	1,826	2,216	2,605	478	1			7,840
40-44	775	1,756	1,602	1,806	1,879	710	2		8,530
45-49	720	1,696	1,735	1,641	1,499	2,965	1,208	1	11,465
50-54	516	1,203	1,361	1,467	1,331	1,930	4,196	1,648	13,652
55-59	342	568	521	665	672	844	1,293	1,967	6,872
60-64	182	220	166	189	211	223	332	292	1,815
65+	150	112	43	20	18	27	20	43	433
All	6,742	18,144	12,891	8,941	6,088	6,700	7,051	3,951	70,508

Average Annual Earnings of Active Members

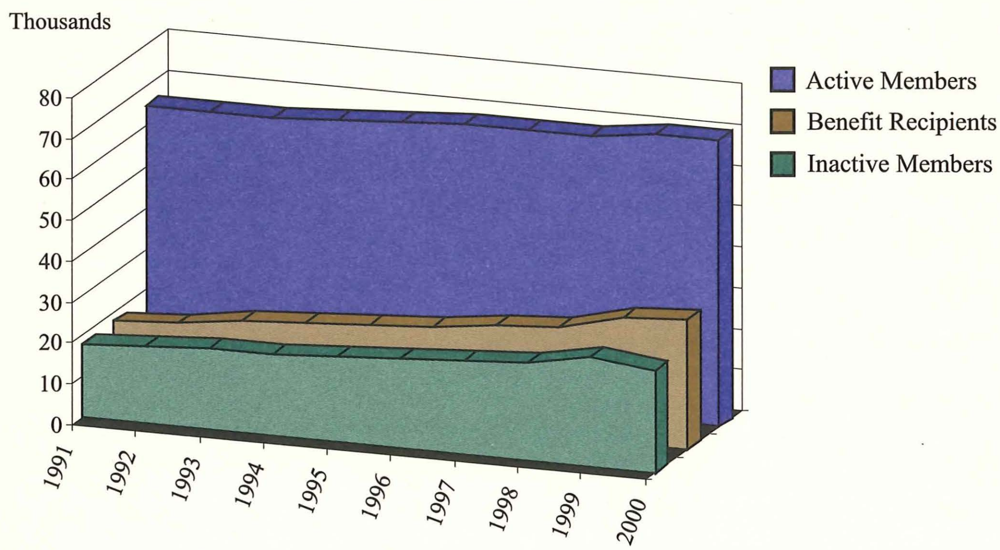
For Fiscal Year Ended June 30, 2000

Age	Years of Service < 1	1-4	5-9	10-14	15-19	20-24	25-29	30+	All
< 25	17,130	25,900							21,226
25-29	17,056	26,307	33,934	34,276					25,623
30-34	13,715	26,654	34,089	40,558					30,046
35-39	15,920	26,629	34,802	41,976	46,517	37,244			34,277
40-44	13,746	24,719	35,023	43,016	47,190	49,433	47,475		36,544
45-49	13,739	24,227	34,644	43,611	45,598	50,410	51,770	57,703	40,390
50-54	15,555	23,264	34,296	43,456	48,015	51,603	52,242	54,373	45,323
55-59	13,997	21,863	32,855	42,155	47,810	53,259	56,559	58,010	47,537
60-64	10,089	16,037	26,183	39,593	46,563	52,655	58,481	62,669	42,135
65+	8,051	7,883	19,223	37,385	56,946	51,725	63,048	62,739	23,199
All	15,197	25,453	34,212	42,594	47,001	51,087	53,276	56,889	37,087

Ten-Year Summary of Membership

Year Ended June 30	Active Members	Inactive Members	Benefit Recipients
1991	65,093	18,273	18,094
1992	65,557	19,242	19,212
1993	65,268	20,309	20,810
1994	66,514	20,901	22,137
1995	67,558	21,514	23,168
1996	68,490	22,211	24,307
1997	68,554	23,009	25,681
1998	68,247	23,907	27,228
1999	68,613	25,822	29,749
2000	70,508	25,208	31,946

Ten-Year Summary of Membership



Schedule of Participating Employers

As of June 30, 2000

Independent School Districts (342)

Ada-Borup #2854
Adrian #511
Aitkin #1
Albany #745
Albert Lea #241
Alden #242
Alexandria #206
Annandale #876
Anoka-Hennepin #11
Ashby #261
Atwater-Cosmos-Grove City #2396
Austin #492
BDRSH #3001
Badger #676
Bagley #162
Balaton #411
Barnesville #146
Barnum #91
Battle Lake #542
Becker #726
Belgrade-Brooten-Elrosa #2364
Belle Plaine #716
Bellingham #371
Bemidji #31
Benson #777
Bertha-Hewitt #786
Big Lake #727
Bird Island-Olivia-Lake Lillian #2534
Blackduck #32
Blooming Prairie #756
Bloomington #271
Blue Earth #2860
Braham #314
Brainerd #181
Brandon #207
Breckenridge #846
Brewster #513
Brooklyn Center #286
Browerville #787
Browns Valley #801
Buffalo #877
Buffalo Lake-Hector #2159
Burnsville #191
Butterfield #836
Byron #531
Caledonia #299
Cambridge-Isanti #911
Campbell-Tintah #852
Canby #891
Cannon Falls #252
Carlton #93
Cass Lake #115
Cedar Mountain #2754
Centennial #12
Chaska #112
Chatfield #227
Chisago Lakes #2144
Chisholm #695
Chokio-Alberta #771
Clearbrook-Gonvick #2311
Cleveland #391
Climax #592
Clinton-Graceville-Beardsley #2888
Cloquet #94
Columbia Heights #13
Comfrey #81
Cook County #166
Cromwell #95
Crookston #593
Crosby-Ironton #182
Cyrus #611
Dassel-Cokato #466
Dawson #378
Deer River #317
Delano #879
Detroit Lakes #22
Dilworth-Glyndon-Felton #2164
Dover-Eyota #533
Eagle Valley #2759
East Central #2580
East Grand Forks #595
Eden Prairie #272
Eden Valley #463
Edgerton #581
Edina #273
Elgin-Millville #806
Elk River #728
Ellsworth #514
Ely #696
Esko #99
Evansville #208
Eveleth-Gilbert #2154
Fairmont-Ceylon #2752
Faribault #656
Farmington #192
Fergus Falls #544
Fertile-Beltrami #599
Fillmore Central #2198
Fisher #600
Floodwood #698
Foley #51
Forest Lake #831
Fosston #601
Frazee #23
Fridley #14
Fulda #505
Gibbon-Fairfax-Winthrop #2365
Glencoe-Silver Lake #2859
Glenville-Emmons #2886
Goodhue #253
Goodridge #561
Granada-Huntley-E. Chain #2536
Grand Meadow #495
Grand Rapids #318
Greenbush-Middle River #2683
Greenway #316
Grygla #447
Hancock #768
Hastings #200
Hawley #150
Hayfield #203
Hendricks #402
Henning #545
Herman-Norcross #264
Hermantown #700
Heron Lake-Okabena #330
Hibbing #701
Hill City #2
Hills-Beaver Creek #671
Hinckley-Finlayson #2165
Holdingford #738
Hopkins #270
Houston #294
Howard Lake-Waverly-Winsted #2687
Hutchinson #423
International Falls #361
Inver Grove Heights #199
Isle #473
Ivanhoe #403
Jackson County Central #2862
Janesville-Waldorf-Pemberton #2835
Jordan #717
Karlstad-Strandquist #2358
Kasson-Mantorville #204
Kelliher #36
Kenyon-Wanamingo #2172
Kerkhoven-Murdock-Sunburg #775
Kimball #739
Kingsland #2137
Kittson Central #2171
La Crescent-Hokah #300
Lake Benton #404
Lake City #813
Lake Crystal-Wellcome Memorial #2071
Lake of the Woods #390
Lake Park-Audubon #2889
Lake Superior #381
Lakeview #2167
Lakeville #194
Lancaster #356
Lanesboro #229
Laporte #306
Le Center #392

LeRoy #499
Lester Prairie #424
Le Sueur-Henderson #2397
Lewiston #857
Litchfield #465
Little Falls #482
Littlefork-Big Falls #362
Long Prairie-Grey Eagle #2753
Luverne #2184
Lyle #497
Lynd #415
MACCRAY #2180
Mabel-Canton #238
Madelia #837
Mahnomen #432
Mahtomedi #832
Mankato #77
Maple Lake #881
Maple River #2135
Marshall #413
Martin County W #2448
McLeod West #2887
McGregor #4
Medford #763
Melrose #740
Menahga #821
Mentor #604
Mesabi East #2711
Milaca #912
Milroy # 635
Minneota #414
Minnetonka #276
Minnewaska Area #2149
Montevideo #129
Montgomery #394
Monticello #882
Moorhead #152
Moose Lake #97
Mora #332
Morris #769
Mounds View #621
Mountain Iron-Buhl #712
Mountain Lake #173
Murray County Central #2169
NRHEG #2168
Nashwauk-Keewatin #319
Nett Lake #707
Nevis #308
New London-Spicer #345
New Prague #721
New Ulm #88
New York Mills #553
Newfolden #441
Nicollet #507
Norman Cty East #2215
Norman Cty West #2527
North Branch #138
North St. Paul-Maplewood #622
Northfield #659
Norwood Young America #108
Ogilvie #333
Oklee #627
Onamia #480
Orono #278
Ortonville #62
Osakis #213
Osseo #279
Owatonna #761
Park Rapids #309
Parkers Prairie #547
Paynesville #741
Pelican Rapids #548
Pequot Lakes #186
Perham #549
Pierz #484
Pillager #116
Pine City #578
Pine Island #255
Pine Point #25
Pine River-Backus #2174
Pipestone-Jasper #2689
Plainview #810
Plummer #628
Princeton #477
Prinsburg #815
Prior Lake #719
Proctor #704
Randolph #195
Red Lake #38
Red Lake Falls #630
Red Rock Central #2884
Red Wing #256
Redwood Falls #2758
Remer #118
Richfield #280
Robbinsdale #281
Rochester #535
Rockford #883
Rocori #750
Roseau #682
Rosemount-Apple Valley-Eagan #196
Roseville #623
Rothsay #850
Round Lake #516
Royalton #485
Rush City #139
Rushford-Peterson #239
Russell #418
Ruthton #584
St. Anthony-New Brighton #282
St. Charles #858
St. Clair #75
St. Cloud #742
St. Francis #15
St. James #840
St. Louis County #2142
St. Louis Park #283
St. Michael-Albertville #885
St. Peter #508
Sartell #748
Sauk Centre #743
Sauk Rapids #47
Sebeka #820
Shakopee #720
Sibley East #2310
Sioux Valley #328
Sleepy Eye #84
So. Koochiching #363
So. St. Paul #6
So. Washington County #833
Southland #500
Spring Grove #297
Spring Lake Park #16
Springfield #85
Staples-Motley #2170
Stephen-Argyle #2856
Stewartville #534
Stillwater #834
Swanville #486
Thief River Falls #564
Tracy #417
Tri District #6067
Triton #2125
Truman #458
Tyler #409
Ulen-Hitterdal #914
Underwood #550
United South Central #2134
Upsala #487
Verndale #818
Virginia #706
Wabasha-Kellogg #811
Wabasso #640
Waconia #110
Wadena-Deer Creek #2155
Walker-Hackensack-Akeley #113
Walnut Grove #641
Warren-Alvarado-Oslo #2176
Warroad #690
Waseca #829
Watertown-Mayer #111
Waterville-Elysian-Morristown #2143
Waubun #435
Wayzata #284
West Central Area #2342
W St. Paul-Mendota Heights-Eagan #197
Westbrook #175
Westonka #277
Wheaton #803
White Bear Lake #624
Willmar #347
Willow River #577
Windom #177
Win-E-Mac #2609
Winona #861
Worthington #518
Wrenshall #100
Yellow Medicine East #2190
Zumbrota-Mazeppa #2805

Joint Powers Units (40)

Area Special Ed Coop.
Bemidji Regional Interdistrict Council
Benton-Stearns Ed. Dist.
Border Region Ed. Dist.
Carver-Scott Ed. Coop.
Fergus Falls Area Special Ed. Coop.
Freshwater Ed. Dist.
Goodhue Cty. Ed. Dist.
Hiawatha Valley Ed. Dist.
Intermediate School Dist. #287
Intermediate School Dist. #916
Intermediate School Dist. #917
Lac qui Parle Valley
Lake Agassiz Special Ed. Coop.
Lakes Country Services Coop.
Meeker & Wright Special Ed. Coop.
Metro Education Coop. Unit
Midstate Ed. Dist.
Midwest Special Ed. Coop.
MN River Valley Special Ed. Coop.
MN Valley Ed. Dist.
MN Valley Cooperative Ctr.
North Central ECSU #5
N. Country Vocational Coop. Ctr.
Northeast Service Coop.
Northwest MN ECSU
Northwest Reg. Interdistrict Council
Pine to Prairie Coop. Ctr.
Resource Training and Solutions
Riverbend Ed. Dist.
Root River Ed. Dist.
Runestone Area Ed. Dist.
Southwest/West Central ECSU
South Central ECSU
Southeast ECSU
Technology and Information Educational Services (TIES)
West Central Ed. Dist.
West Central Migrant Project
Wright Technical Ctr.
Zumbro Ed. Dist.

MN State Colleges and Universities (40)

Akita Japan State University
Alexandria Technical College
Anoka-Hennepin Technical College
Anoka-Ramsey Community College
Bemidji State University
Central Lakes College
Century Community & Technical College
Dakota County Technical College
Fergus Falls Community College
Fond du Lac Community College
Hennepin Technical College
Hibbing Community College
Inver Hills Community College
Itasca Community College
Lake Superior College
Mesabi Range Community & Technical College
Metropolitan State University
Minneapolis Community & Technical College
Minnesota State College - SE Technical
Minnesota State University, Mankato
Minnesota West Community & Technical College
MnSCU Board Office
Moorhead State University
Normandale Community College
Northeast Service Unit
North Hennepin Community College
Northland Community & Technical College
Northwest Technical College
Pine Technical College
Rainy River Community College
Ridgewater College
Riverland Community College
Rochester Community & Technical College
South Central Technical College
Southwest State University
St Cloud State University
St Cloud Technical College
St Paul Technical College
Vermilion Community College
Winona State University

Charter Schools (25)

Bluffview Montessori #4001
Central MN Deaf School #4022
Coon Rapids Learning Center #4049
ECHO Charter School #4026
Eci Nompa Woonspe #4028
Emily Charter School #4012
Hanska Community School #4051
LaCrescent Montessori Academy #4054
Lafayette Charter School #4050
Martin Hughes School #4040
Math & Science Academy #4043
Nerstrand Elementary School #4055
New Country Charter School #4007
New Heights Charter School #4003
North Lakes Academy #4053
Odyssey Charter School #4030
PACT Charter School #4008
PEAK'S Charter Schools #4033, #4045, #4047, #4048
Rochester Off-Campus Charter HS #4056
Toivola-Meadowlands Charter School #4002
Village School of Northfield #4021
World Learner Charter School #4016

State Agencies (16)

Anoka Metro Regional Treatment Ctr
Brainerd Regional Human Services Ctr
Department of Children, Families & Learning
Department of Economic Security
Faribault Residential Academies
Fergus Falls Regional Treatment Ctr
Higher Education Services Office
MN Correctional Facility, Red Wing
MN Correctional Facility, Thistledew
MN Department of Corrections
Minnesota Extended Treatment Options
Moose Lake Regional Treatment Ctr
Perpich Center for Arts Education
St Peter Regional Treatment Ctr
Teachers Retirement Association
Willmar Regional Treatment Ctr

Professional Organizations (2)

Education Minnesota
MN Association of School Administrators