

R 88.12
13027
Suppl.

**OFFICE OF SENATE RESEARCH
STATE CAPITOL
ST. PAUL, MINN. 55155**

Teachers' Retirement Fund Association
St. Paul, Minnesota

SUPPLEMENTAL REPORT

May 13, 1974

**LEGISLATIVE REFERENCE LIBRARY
STATE OF MINNESOTA**

A. S. Hansen, inc.

Teachers' Retirement Fund Association
St. Paul, Minnesota

SUMMARY SHEET
(Census as of December 31, 1973)

MEMBERSHIP

	<u>Prior Year</u>	<u>Current Year</u>	<u>Net Change</u>
Retired Members and Beneficiaries		801	
Annual Benefit Payments		\$ 3,261,550	
Active Members		2,803	
Participating Payroll		<u>37,933,849</u>	

FUNDED STATUS

Value of Benefits Earned to Date		\$62,756,402	
Assets		33,004,303	
Funding Ratio	<u>46.2%</u>	<u>52.6%</u>	<u>+6.40%</u>

ADEQUACY OF CONTRIBUTIONS

Member/Employer		19.000%	
Actuarial Requirement		18.289%	
Margin	<u>(0.154%)</u>	<u>0.711%</u>	<u>+0.865%</u>

Teachers' Retirement Fund Association
St. Paul, Minnesota

ACTUARIAL BALANCE SHEET
(Year Commencing January 1, 1974)

INVESTMENT RETURN 5%

RESOURCES

Assets on Hand	\$ 33,004,303
Present Value of Future Entry Age Normal Level Contribution Requirements	38,331,626
Entry Age Normal Level Contribution Requirements Accumulated to Date	<u>63,573,194</u>
<u>Total Resources</u>	<u>\$134,909,123</u>

REQUIREMENTS

Present Value of Benefits (Past and Future Service)	
Retired Members and Beneficiaries	\$ 25,204,930
Deferred Vested Benefits	551,376
Active Members	<u>109,152,817</u>
<u>Total Requirements</u>	<u>\$134,909,123</u>

Teachers' Retirement Fund Association
St. Paul, Minnesota

ENTRY AGE NORMAL LEVEL CONTRIBUTION REQUIREMENT
(Year Commencing January 1, 1974)

INVESTMENT RETURN 5%

Present Value of Future Entry Age Normal Level Contribution Requirements (Exhibit 1)	\$ 38,331,626
Present Value of Future Payroll of Current Members	416,726,700
Entry Age Normal Level Contribution Rate at Beginning of Year	<u>9.198%</u>
Entry Age Normal Level Contribution Rate Adjusted for Mid-Year Receipt	<u>9.428%</u>

Teachers' Retirement Fund Association
St. Paul, Minnesota

INTEREST REQUIREMENT ON UNFUNDED OBLIGATION
(Year Commencing January 1, 1974)

INVESTMENT RETURN 5%

Entry Age Normal Level Contribution Requirement Accumulated to Date (Exhibit 1)	\$63,573,194
Interest Requirement on Level Contribution Requirement at End of Year	<u>\$ 3,178,660</u>
Interest Requirement on Level Contribution Requirement Adjusted for Mid-year Receipt	\$ 3,258,127
Considered Payroll	<u>\$37,933,849</u>
Interest Requirement as Percentage of Considered Payroll	<u>8.589%</u>

Teachers' Retirement Fund Association
St. Paul, Minnesota

DETERMINATION OF PROVISION FOR ACCRUED LIABILITY
 (Year Commencing January 1, 1974)

A. <u>5% Basis</u>	Present Value of <u>Vested Benefits</u>	Percentage Funding Objective		Funding Objective
		<u>Prior Year</u>	<u>Current Year</u>	
Plan in Effect - 1973	\$62,756,402	45%	50%	\$31,378,301
Assets on Hand				33,004,303
Provision for Accrued Liability (Objective - Assets)				0
Covered Payroll				37,933,849
Provision for Accrued Liability as Percentage of Covered Payroll				<u>0</u>
B. <u>40-Year Funding Basis</u>				
Net Unfunded Entry Age Normal Level Contribution Requirements Accumulated to Date				\$63,573,194
Principal Payment - 40-Year Funding Basis				526,259
Covered Payroll				37,933,849
Principal Payment as a Percentage of Covered Payroll				<u>1.387%</u>
Provision for the Accrued Liability (Lesser of A or B)				<u>0</u>

Teachers' Retirement Fund Association
St. Paul, Minnesota

PROGRESS OF FUNDING

<u>Year Ending 12/31</u>	<u>Present Value of Vested Benefits</u>	<u>Assets on Hand</u>	<u>Funding Ratio</u>
1971	\$59,501,403	\$22,541,277	37.9%
1972	59,593,105	27,554,138	46.2%
1973	62,756,402	33,004,303	52.6%

Teachers' Retirement Fund Association
St. Paul, Minnesota

ACTUARIAL BALANCE EXPRESSED
AS A PERCENTAGE OF COVERED PAYROLL
(Year Commencing January 1, 1974)

INVESTMENT RETURN 5%

Member and Employer Contribution Rate	19.00%
Entry Age Normal Level Contribution Rate (Exhibit 2)	9.428%
Interest Requirement on Unfunded Obligation (Exhibit 3)	8.589%
Expense Requirement	0.272%
Total Level Requirement	<u>18.289%</u>
<u>Contribution Rate Less Level Requirement</u>	<u>0.711%</u>
Provision for Accrued Liability (Exhibit 4)	0
<u>Contribution Rate Less Actuarial Balance: Current Accrual Requirement</u>	<u>0.711%</u>

Teachers' Retirement Fund Association
St. Paul, Minnesota

MINIMUM ACCOUNTING ACCRUAL REQUIREMENT
(5% Interest, 3-1/2% Salary Scale)

	<u>Year Ending 1971</u>	<u>Year Ending 1972</u>	<u>Year Ending 1973</u>
Payroll	\$35,291,273	\$35,030,594	\$37,933,849
Past Service Obligation	95,046,976	95,193,387	96,577,497
Assets on Hand	\$22,541,277	\$27,554,138	\$33,004,303
Present Value of Future Past Service Payments	<u>25,365,929</u>	<u>24,686,060</u>	<u>26,170,562</u>
Unfunded Past Service	\$47,139,770	\$42,953,189	\$37,402,632
5% Interest on Unfunded	<u>2,356,989</u>	<u>2,147,659</u>	<u>1,870,132</u>
5% Interest on Unfunded Payroll	6.68%	6.13%	4.93%
14% less Normal Cost	<u>4.95</u>	<u>4.75</u>	<u>4.80</u>
Estimated Rate Deficit	<u>(1.73%)</u>	<u>(1.38%)</u>	<u>(0.13%)</u>