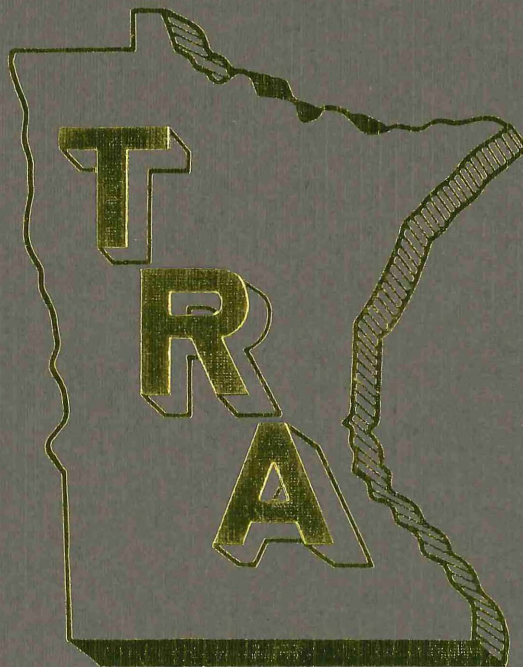




# Teachers Retirement Association of the State of Minnesota



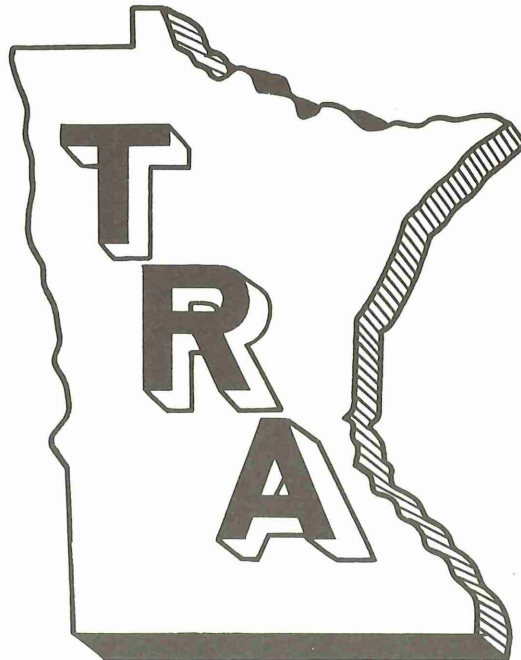
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SAINT PAUL, MINNESOTA 55155

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 1991

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# **Teachers Retirement Association of the State of Minnesota**



**Suite 500, Gallery Building  
17 West Exchange Street  
St. Paul, MN 55102**

**Elton I. Erdahl, Executive Director**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 1991**

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STATE OF MINNESOTA

**TEACHERS RETIREMENT ASSOCIATION**

Suite 500, Gallery Building  
17 West Exchange Street • St. Paul, MN 55102  
TELEPHONE: (612) 296-2409  
MINNESOTA TOLL FREE: 1-800-652-9747

December 31, 1991

Board of Trustees  
State of Minnesota  
Teachers Retirement Association  
St. Paul, MN 55102

This is the Annual Report of the Minnesota Teachers Retirement Association for the fiscal year ended June 30, 1991. This report includes the appropriate financial statements with related footnotes, plan summaries, and the opinion of the Legislative Auditor for both the Teachers Retirement Fund and the College Supplemental Retirement Fund. In addition, the Report of the Actuary, various schedules, statistical tables and an investment summary are provided for the Teachers Retirement Fund. A listing of the investment portfolio is available upon request.

The financial statements of the funds are prepared using the accrual basis of accounting. Revenues are recorded when earned and expenditures recorded when obligations are incurred. Fixed assets are recorded at cost and depreciated over the estimated life of the asset. The actuary for the Legislative Commission on Pensions and Retirement determines the actuarial liabilities and reserves under the entry age normal cost method. The College Supplemental Retirement Fund is a defined contribution plan and no actuarial report is required.

**Revenues**

The three major sources of revenue for the funds are employee and employer contributions plus investment earnings. Total revenues for the Teachers Retirement Fund for '91 were \$681.6 million. This was a decrease of 12% over the previous year. For the College Supplemental Retirement Fund, the total of employee and employer contributions increased from \$2,942,026.02 for FY '90 to \$6,848,455.84 for FY '91 due mainly to an increase in contribution ceilings. Earnings of the College Supplemental Retirement Fund are reflected in monthly share values which are based on the market value of the Fund's investments. With an overall increase in share values during the year, the unrealized appreciation of invested assets was increased by \$5,938,528.22.

### **Expenditures**

The expenditures of the funds consist primarily of payments made to members and beneficiaries for retirement, disability or survivor benefits. Other expenditures include administrative expenses and requested refunds of member contributions upon termination of employment. For FY '91, total expenditures were \$213,821,540.84 for the Teachers Retirement Fund and \$3,372,606.88 for the College Supplemental Retirement Fund. Compared to the previous fiscal year, these expenditures increased 12% for the Teachers Retirement Fund and decreased slightly for the College Supplemental Retirement Fund.

The Teachers Retirement Fund had 1,299 members retire during the year compared to 1,085 who retired during the previous year. A total of 18,094 members and beneficiaries are now receiving a monthly benefit from the fund. These benefits totaled \$200,415,271.18 for FY '91; an increase of \$20,623,217.94 over the previous year. Members of the College Supplemental Retirement Fund are provided the option of redeeming their share accounts (including employer's matching) and purchasing an annuity paid from the Post Retirement Investment Fund. Several other redemption options are also available.

Refunds of contributions plus interest to members of the Teachers Retirement Fund who terminated teaching service during the year totaled \$5,242,363.12. This is a decrease from the previous year's refunds of \$5,949,620.42. Former members and beneficiaries of deceased members of the College Supplemental Retirement Fund received refunds of \$3,206,988.48 during the year, a decrease of \$50,795.09 from the previous fiscal year.

All administrative services are provided and paid for by the Teachers Retirement Fund; however, the College Supplemental Retirement Fund reimburses the Teachers Retirement Fund each year for the administrative services it has received. For FY '91, administrative expenses totaled \$2,790,089.30 for the Teachers Retirement Fund and \$165,618.40 for the College Supplemental Retirement Fund. The cost of administration of the Teachers Retirement Fund represented 0.15% of the current covered payroll of all active members.

### **Funding**

The total net assets of the Teachers Retirement Fund on the actuarial balance sheet increased during the past year from \$5,131,999,000 to \$5,614,924,000. The total required reserves as determined by the Actuary for the fund increased from \$6,611,074,000 to \$7,213,720,000. The comparison of net assets to required reserves shows that the funding ratio for FY '91 was 77.84%. This is an increase over the 77.63% funding ratio for the previous year. The unfunded liability increased by \$134,873,082 during the year, and the Actuary has projected that the employer additional contribution rate of 3.64% of covered payroll will not be sufficient to amortize the unfunded liability of the fund by the year 2020 which is the full funding target date. The College Supplemental Retirement Fund is fully funded since it is a defined contribution plan and members' contributions are matched currently by employer contributions.



### **Investments**

The investment income of the Teachers Retirement Fund and the Post Retirement Fund continued to provide an important part (63.5%) of the total revenues received during FY '91. This emphasizes the importance of investment income for financing the retirement program and limiting the need for employee and employer contributions. Employee contributions were 13.1% and employer contributions 23.4% of total FY '91 revenues.

### **Professional Services**

Actuarial services are provided to the Teachers Retirement Fund by the firm of Coates, Herfurth & England, Inc. of San Francisco. However, the official actuarial report of the fund is prepared by Milliman & Robertson, Inc., which is retained by the Legislative Commission on Pensions and Retirement for the purpose of preparing actuarial reports for all of the statewide funds. An actuarial study of the College Supplemental Fund is not required. The office of the Attorney General provides legal counsel to the funds. The State Legislative Auditor conducts an annual financial audit of the funds with appropriate comments included on page 14 of this report. The State Board of Investment is responsible for all investment transactions of the funds. Further information regarding investments held by the Teachers Retirement Fund can be found under the "Investments" section of this report. All financial transactions, including disbursements from the funds, are processed through the Statewide Accounting System under the supervision of the Department of Finance.

### **Reports to Members**

An annual statement of account for the fiscal year ended June 30, 1991 was distributed to each active member in December, 1991. This statement provides current and cumulative information regarding salaries, contributions, and service credit. Projected and deferred retirement benefit estimates are also provided for eligible members. A Plan Summary, as well as summaries of the Annual Financial and Actuarial Reports of the Fund for the year ended June 30, 1991, will be distributed to each active member in a January, 1992 newsletter.

### **Acknowledgments**

This report was prepared by the staff of the Teachers Retirement Association and it is intended to fairly present the financial status of both the Teachers Retirement Fund and the College Supplemental Retirement Fund. Other reliable information is also included. A copy of this report will be mailed to each public school building in the State.

Respectfully submitted,



Elton I. Erdahl  
Executive Director

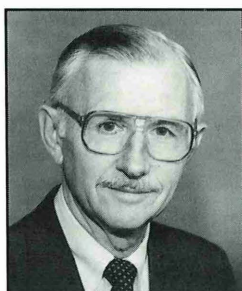


## BOARD OF TRUSTEES

(As of December 1, 1991)

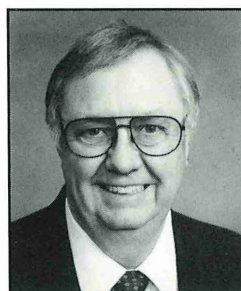
### Elected Members

#### President



Vernell R. Jackels  
Winona Public Schools  
Member since 1985  
Term expires 7/1/93

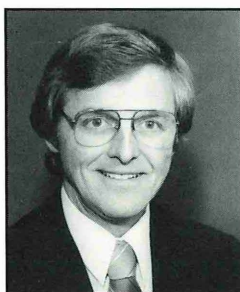
#### Vice President



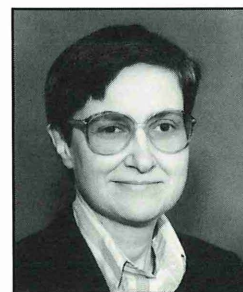
Mark Evans, Retiree  
Staples, MN  
Member since 1975  
Term expires 7/1/93



Carol F. Ackerson  
New Ulm Public Schools  
Member since 1987  
Term expires 7/1/95



Curtis D. Hutchens  
St. Cloud Public Schools  
Member since 1987  
Term expires 7/1/95



Martha Lee Zins  
Hopkins Public Schools  
Member since 1989  
Term expires 7/1/93

### Ex-Officio Members

Bert McKasy  
Commissioner of Commerce

Gene Mammenga  
Commissioner of Education

John Gunyou  
Commissioner of Finance

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## ADMINISTRATIVE STAFF

Elton I. Erdahl, Executive Director

John J. Gardner, Assistant Executive Director  
Member Services and Records Division

Gary Austin, Assistant Executive Director  
Finance and Systems Division

## **TEACHERS RETIREMENT FUND PLAN SUMMARY**

### **Purpose**

The Teachers Retirement Fund was established on July 1, 1931 by the Minnesota 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**

The management of the Teachers Retirement Fund is vested in a board of eight trustees — three are ex-officio and five are elected. The ex-officio trustees are the Commissioner of Education, the Commissioner of Finance and the Commissioner of Commerce. 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 appoints an actuary and uses legal counsel provided by the Attorney General's office.

### **Membership**

All teachers employed in Minnesota's public elementary and secondary schools, state universities, community colleges and all other educational institutions maintained by the State (except those teachers employed by the cities of Minneapolis, St. Paul, and Duluth or by the University of Minnesota) are required to be members; however, no state university or community college teacher first employed after June 30, 1989 is a member except for purposes of Social Security coverage and no state university or community college teacher first employed before July 1, 1989 is a member except for purposes of Social Security coverage if that person elects coverage by the Individual Retirement Account Plan administered by the State University and Community College Boards.

### **Retirement Service Credit**

Service credit for benefits is earned from teaching service performed on a full-time, part-time or substitute basis. In addition, service credit may be obtained by using paid accumulated sick leave or by purchasing service for a qualified leave of absence. If a teacher teaches at least 170 full days in any fiscal year, credit is given for a full year of teaching service. 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.

### **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 system of membership. Basic system members (without Social Security coverage) contribute 8.5% of their annual salary while Coordinated system members (with Social Security coverage) contribute 4.5% of their annual salary. The Basic system of membership is being phased out.

### **Employer Contributions**

Local school districts and other TRA covered employer units provide matching contributions of 8.5% of total salary for members in the Basic system and 4.5% of total salary for members in the Coordinated system. In addition, the employer unit contributes an amount equal to 3.64% of total salary for amortizing the unfunded liability. For Coordinated system members the employer unit also makes the required matching contribution to the Social Security Administration.

### **Retirement Benefit**

The retirement benefit is determined by a formula. The formula includes three component parts: the average of the highest five successive annual salaries, an accumulated percentage factor based on the total years of service credit, and the age of the member 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.**

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% of average salary for the first 10 years of allowable service and 1.5% of average salary for each subsequent year of allowable service with a reduction of 0.25% for each month the member is under age 65 at the time of retirement (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

1.5% of average salary for each year of allowable service with augmented actuarial reduction for each month the member is under age 65 (approximately 4%-5% per year).

Early retirement benefit eligibility is age 55 with 3 or more years of allowable service (10 or more years of allowable service if termination of teaching service occurs before July 1, 1987 and 5 or more years of allowable service if termination of teaching service occurs after June 30, 1987 but before May 16, 1989); but any age with at least 30 years of allowable service.

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:

1.5% of average salary for each year of allowable service with augmented actuarial reduction (approximately 4%-5% per year) for each month the member is under the full Social Security retirement benefit eligible age. Under current federal law, the retirement age for full Social Security retirement benefits is age 65 but starting in the year 2003, Social Security will gradually increase the retirement age for full Social Security retirement benefits until it reaches age 67 in the year 2027.

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



For Basic system members (those without Social Security coverage) the formula percentages are 2.0% and/or 2.5% rather than the 1.0% and/or 1.5% shown for Coordinated system members (those with Social Security coverage).

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

### **Annuity Plan Options**

Monthly annuity payments are always made to the annuitant for as long as the annuitant lives. The annuitant may provide survivors benefits to designated beneficiaries by selecting one of several annuity plan options listed below:

1. Life Plan B-1, Guaranteed Refund
2. Life Plan C-3, 15 Year Certain
3. Life Plan E-1, Survivorship in Full with "Bounceback"
4. Life Plan E-2, Survivorship in Half with "Bounceback"

### **Post Retirement Increases**

The required reserves needed to pay retirement benefits are transferred from the fund's regular assets to the Minnesota Post Retirement Investment Fund (MPRIF) at the time of retirement. Benefits may be increased periodically based on the income yield of the MPRIF in excess of the 5% assumed earnings rate. There is a guarantee that benefits will never be decreased below the original amount established at retirement as adjusted by the periodic increases.

### **Combined Service Annuity**

Any member who has combined total years of allowable service which meet the minimum vesting requirements with any two or more of the 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 of the covered funds in which allowable service was established.

### **Refunds**

Upon termination of teaching service and application, TRA will issue a refund of a member's accumulated contributions plus 5% interest compounded annually if termination occurred before May 16, 1989, and 6% 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 appropriate 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 compounded interest at the annual rate of 6%.

**Disability**

Any active member, who becomes disabled after at least three years of allowable service, is eligible to apply for a total and permanent disability provided at least two of the required three years of allowable service are performed after last becoming a member. Total and permanent disability is defined 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.

**Coordinated Survivor Benefits**

If a coordinated member with Social Security coverage dies before retirement, the total amount of accumulated contributions (plus 5% interest compounded annually if death occurred before May 16, 1989 and 6% interest compounded annually if death occurred on or after May 16, 1989) 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.

**Basic Survivor Benefits**

If an active Basic member dies before retirement, survivor benefits are payable to a dependent spouse and/or dependent children. The minimum benefit is equal to 50% of the Basic member's monthly average salary paid in the last full fiscal year preceding death, subject to a family maximum of \$1,000.00 per month. If the member is not married and there are no dependent children, then the total amount of accumulated contributions (plus 5% interest compounded annually if death occurred before May 16, 1989 and 6% interest compounded annually if death occurred on or after May 16, 1989) is paid to the designated beneficiary.

**Joint and Survivor Annuity**

Married members who have attained the age of 50 with at least three years of allowable service credit, or those with 30 or more years of allowable service credit regardless of age, are eligible for this survivor benefit. This monthly annuity is payable to the spouse or to a designated beneficiary in the event of the member's death before retirement. The amount of the Joint and Survivor Annuity is based upon the ages of the member and spouse or beneficiary on the member's date of death; however, for members who die before age 55 with less than 30 years of allowable service credit, annuity payments cannot begin until the member would have attained at least the age of 55.



## COLLEGE SUPPLEMENTAL RETIREMENT FUND PLAN SUMMARY

The College Supplemental Retirement Plan was established by the 1967 Legislature to cover all unclassified employees of the State University Board and the Community College Board who have completed their second year of full-time service. The Supplemental Retirement Plan was designed as an incentive to keep qualified teachers at the state universities and community colleges. Presently, there are approximately 3,603 active and 1,150 inactive participants. Participation in the Supplemental Retirement Plan is mandatory for all eligible college personnel.

Most members of the Supplemental Retirement Plan contribute 5% of their salary between \$6,000 and \$26,000 to a maximum deduction of \$1,000. Persons not covered by a collective bargaining agreement or personnel policy providing for these increased deductions have deductions from salary withheld at the rate of 5% on that portion of fiscal year salary between \$6,000 and \$15,000 to a maximum deduction of \$450. These contributions are matched by the member's employer and the combined amount (minus a 2% administrative charge) is invested and posted monthly to the member's individual account. All shares are purchased and redeemed on the first of each month.

The net contributions received from members for the 1990-91 fiscal year were \$3,424,227.92 and an equal amount for the employer's matching portion.

The general ledger of the College Supplemental Retirement Fund reflects total net assets as of June 30, 1991 of \$129.7 million. The administrative expenses were \$165,618 for the 1990-91 fiscal year.

At the election of the member, contributions made to the College Supplemental Retirement Fund are invested in shares of the Income, Growth, Common Stock Index, Money Market, Bond Market or Guaranteed Return accounts of the Minnesota Supplemental Investment Fund administered by the State Board of Investment. If no election is made by the member, contributions are automatically invested in the Income account. The State Board of Investment computes the market value of the investments in the various accounts on a monthly basis and determines a new share value of the accounts. These share values are used for all investments and withdrawals from the fund during the month. Twice each year, each participant is entitled to indicate in writing how they wish to have their future Supplemental contributions invested. In addition, twice each year, members may transfer previously invested accumulations to other accounts except that transfers to the Guaranteed Return account can only be made once each year during September.

A member's account remains invested in the fund until the member retires, dies or terminates service. Certain rules govern whether the member will receive only the employee contributions or the employer's matching contributions as well. Upon retirement at age 55 or older, the member (or upon death, the spouse) receives the market value of the account including the employer's contributions. Upon termination before age 55, if the member applies for a refund, the member receives only the market value of the member's contributions and forfeits the employer's contributions. If the member has reached the age of 55, the member may elect to purchase an annuity. Under this election, both the member's and the employer's contributions, at current market value, are used to purchase the annuity.

In cases where the member applies for a refund and forfeits the employer's contributions, the forfeited amount is credited to the fund and is used to pay administrative expenses of the fund.

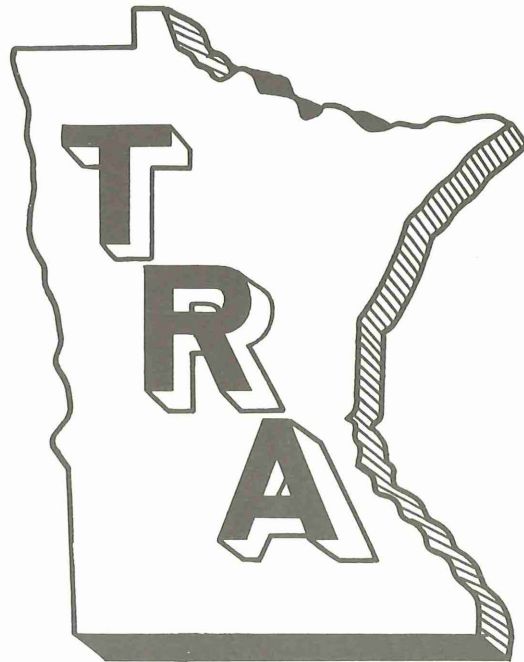
Annual statements of account are mailed to members each fall. The annual statement shows beginning and ending balances, and all account activity for the previous fiscal year.

The 1990 Legislature authorized the TRA Executive Director to transfer the administrative records of the College Supplemental Retirement Plan to the Chancellor of the State University System and the Chancellor of the State Community College System on July 1, 1991. **Effective July 1, 1991, the State University System Chancellor and the Community College System Chancellor administer the Supplemental Retirement Plan for their respective employees.**



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*Financial Section*





STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

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### **Independent Auditor's Report**

Board of Trustees  
and  
Executive Director  
Teachers Retirement Association

We have audited the accompanying financial statements of the Teachers Retirement Fund and the College Supplemental Fund, which is part of the Defined Benefit Pension Fund and the Defined Contribution Fund respectively, of the State of Minnesota as of and for the year ended June 30, 1991, as listed in the financial section of the table of contents. These financial statements are the responsibility of the Teachers Retirement Association'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 government auditing standards. 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.

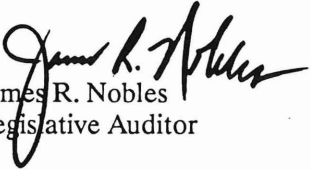
As explained in Note 2b, investments in marketable equity securities are valued at the lower of cost or market and other investments are valued at cost as required by generally accepted accounting principles. Minnesota Statutes require valuation of all securities at cost plus one-third of the unrealized capital gains or losses. Since the statutory provision deviates from generally accepted accounting principles, the basic statements are not in compliance with the statute. Note 1d contains the disclosures which must be considered together with the basic financial statements to achieve statutory reporting requirements.

The financial statements present only the Teachers Retirement Fund and the College Supplemental Fund as part of the Defined Benefit Pension Fund and the Defined Contribution Fund respectively, of the State of Minnesota and are not intended to present fairly the financial position and results of operations of the Teachers Retirement Association or the State of Minnesota in conformity with generally accepted accounting principles.

Board of Trustees  
and  
Executive Director  
Teachers Retirement Association  
Page 2

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers Retirement Fund and College Supplemental Fund as of June 30, 1991, and the results of their operations and the changes in financial position and net assets for the year then ended in conformity with generally accepted accounting principles. In addition, except for the valuation of securities, as discussed in the preceding paragraph, the aforementioned financial statements are in compliance with the reporting requirements of Minnesota Statute Section 356.20.

Our audit was made for the purpose of forming an opinion on the individual fund financial statements. The schedule of administrative expenses included in the financial section is presented for purposes of additional analysis and is not a required part of the financial statements of the Teachers Retirement or College Supplemental Funds. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

December 6, 1991



**TEACHERS RETIREMENT FUND**  
**BALANCE SHEET**  
**June 30, 1991 and 1990**

<b>ASSETS</b>		
	<b>1991</b>	<b>1990</b>
Cash .....	\$ 1,045,675.57	\$ 1,052,135.96
Accounts Receivable .....	29,452,507.38	30,874,942.12
Accrued Investment Income .....	377,833.95	192,620.60
Prepaid Expense .....	19,326.27	16,587.16
Investments:		
Outside Managed Pooled Accounts (Notes 2, 7 & 10) .....	3,178,837,997.95	2,984,399,325.04
Short-term Cash Equivalents (Notes 2 & 7) .....	31,816,403.77	33,413,339.02
Equity in Investment Funds (Note 8) .....	2,301,368,999.68	2,025,602,999.97
Fixed Assets Net of Accumulated Depreciation .....	290,219.16	329,638.06
Total Assets .....	<u>\$ 5,543,208,963.73</u>	<u>\$ 5,075,881,587.93</u>
 <b>LIABILITIES AND RESERVES REQUIRED</b>		
<b>Liabilities:</b>	<b>1991</b>	<b>1990</b>
Current —		
Accounts Payable .....	\$ 2,392,058.21	\$ 2,709,940.31
Due to Other Funds .....	27,320,365.36	27,441,051.94
Accrued Compensated Absences .....	215,166.51	222,139.49
Total Liabilities .....	<u>\$ 29,927,590.08</u>	<u>\$ 30,373,131.74</u>
<b>Fund Balance:</b>		
Member Reserves .....	\$ 838,160,497.10	\$ 787,514,052.79
Investment Fund Reserves .....	2,301,368,999.68	2,025,602,999.97
Benefit Reserves .....	4,074,190,503.22	3,797,956,947.24
Total Reserves (Note 1) .....	<u>\$ 7,213,720,000.00</u>	<u>\$ 6,611,074,000.00</u>
Unreserved Fund Balance:		
Unfunded Actuarial Accrued Liability (Note 1) .....	\$(1,700,438,626.35)	\$(1,565,565,543.81)
Total Unreserved Fund Balance (Note 1) .....	<u>\$(1,700,438,626.35)</u>	<u>\$(1,565,565,543.81)</u>
Total Fund Balance .....	<u>\$ 5,513,281,373.65</u>	<u>\$ 5,045,508,456.19</u>
Total Liabilities and Fund Balance .....	<u>\$ 5,543,208,963.73</u>	<u>\$ 5,075,881,587.93</u>

The accompanying notes are an integral part of the financial statements.

**TEACHERS RETIREMENT FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE**  
**For Fiscal Years Ended June 30, 1991 and 1990**

	<u>1991</u>	<u>1990</u>
<b>Operating Revenues:</b>		
Member Contributions (Notes 1 & 4) .....	\$ 89,313,080.97	\$ 84,542,414.34
Employer Contributions (Notes 1 & 4) .....	159,439,219.13	166,098,804.41
Investment Income (Note 9).....	235,771,333.27	361,681,867.73
Distributed Income from Equity in Investment Funds (Note 8) .....	195,105,838.96	159,117,274.93
Other .....	1,964,985.97	926,288.33
Total Operating Revenues .....	<u>\$ 681,594,458.30</u>	<u>\$ 772,366,649.74</u>
<b>Operating Expenses:</b>		
Benefits Paid (Notes 1 & 5) .....	\$ 200,415,271.18	\$ 179,792,053.24
Refunds .....	5,554,181.21	6,445,983.48
Administrative Expenses .....	2,790,089.30	2,631,690.75
Interest Paid Investment Funds (Note 9) .....	714,476.61	188,238.06
Investment Management Fees .....	4,347,522.54	5,074,347.32
Total Operating Expenses .....	<u>\$ 213,821,540.84</u>	<u>\$ 194,132,312.85</u>
Net Fund Balance Additions .....	\$ 467,772,917.46	\$ 578,234,336.89
Fund Balance, July 1, 1990 .....	5,045,508,456.19	4,467,274,119.30
Fund Balance, June 30, 1991 .....	<u>\$5,513,281,373.65</u>	<u>\$5,045,508,456.19</u>

The accompanying notes are an integral part of the financial statements.

TEACHERS RETIREMENT  
STATEMENT OF REVENUES, EXPENSES,  
For Fiscal Years

	<u>Member</u>
Operating Revenues:	
Member Contributions (Notes 1 & 4) .....	\$ 88,985,732.35
Employer Contributions (Notes 1 & 4) .....	0
Investment Income (Note 9) .....	0
Distributed Income from Equity in Investment Funds (Note 8) .....	0
Other .....	0
Total Operating Revenues .....	<u>\$ 88,985,732.35</u>
Operating Expenses:	
Benefits Paid (Notes 1 & 5) .....	\$ 0
Refunds .....	5,242,363.12
Administrative Expenses .....	0
Interest Paid Investment Funds (Note 9) .....	0
Investment Management Fees .....	0
Total Operating Expenses .....	<u>\$ 5,242,363.12</u>
Other Changes in Reserves:	
Annuities Awarded .....	\$(34,508,516.11)
Other Transfers .....	1,411,591.19
Mortality .....	0
Total Other Changes .....	<u>\$(33,096,924.92)</u>
Net Fund Balance Additions .....	\$ 50,646,444.31
Change in Unfunded Accrued Liability .....	0
Fund Balance, July 1, 1990 .....	787,514,052.79
Fund Balance, June 30, 1991 .....	<u><u>\$838,160,497.10</u></u>

The accompanying notes are an integral part of the financial statements.



**FUND  
AND CHANGE IN FUND BALANCES  
Ended June 30, 1991 and 1990**

**Reserves**

<u>Investment Funds</u>	<u>Benefit</u>	<u>Unreserved Fund Balance</u>	<u>Total June 30, 1991</u>	<u>Total June 30, 1990</u>
\$ 0	\$ 327,348.62	\$ 0	\$ 89,313,080.97	\$ 84,542,414.34
0	159,439,219.13	0	159,439,219.13	166,098,804.41
0	235,771,333.27	0	235,771,333.27	361,681,867.73
195,105,838.96	0	0	195,105,838.96	159,117,274.93
0	1,964,985.97	0	1,964,985.97	926,288.33
<u>\$ 195,105,838.96</u>	<u>\$ 397,502,886.99</u>	<u>\$ 0</u>	<u>\$ 681,594,458.30</u>	<u>\$ 772,366,649.74</u>
\$ 193,464,516.64	\$ 6,950,754.54	\$ 0	\$ 200,415,271.18	\$ 179,792,053.24
0	311,818.09	0	5,554,181.21	6,445,983.48
0	2,790,089.30	0	2,790,089.30	2,631,690.75
0	714,476.61	0	714,476.61	188,238.06
0	4,347,522.54	0	4,347,522.54	5,074,347.32
<u>\$ 193,464,516.64</u>	<u>\$ 15,114,661.08</u>	<u>\$ 0</u>	<u>\$ 213,821,540.84</u>	<u>\$ 194,132,312.85</u>
\$ 273,077,130.39	\$ (238,568,614.28)	\$ 0	\$ 0	\$ 0
0	(1,411,591.19)	0	0	0
1,047,547.00	(1,047,547.00)	0	0	0
<u>\$ 274,124,677.39</u>	<u>\$ (241,027,752.47)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 275,765,999.71	\$ 141,360,473.44	\$ 0	\$ 467,772,917.46	\$ 578,234,336.89
0	134,873,082.54	(134,873,082.54)	0	0
2,025,602,999.97	3,797,956,947.24	(1,565,565,543.81)	5,045,508,456.19	4,467,274,119.30
<u>\$2,301,368,999.68</u>	<u>\$4,074,190,503.22</u>	<u>\$(1,700,438,626.35)</u>	<u>\$5,513,281,373.65</u>	<u>\$5,045,508,456.19</u>

**TEACHERS RETIREMENT FUND**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**For Fiscal Years Ended June 30, 1991 and 1990**

	<u>1991</u>	<u>1990</u>
Resources Provided by:		
From Operations —		
Net Operating Income .....	\$467,772,917.46	\$578,234,336.89
Item Not Requiring Resources Currently:		
Depreciation Expense .....	75,697.18	66,391.81
Loss on Asset Retirement .....	<u>4,278.89</u>	<u>2,359.92</u>
Total Resources Provided .....	<u>\$467,852,893.53</u>	<u>\$578,303,088.62</u>
Resources Used by:		
Current Year Acquisition of Equipment .....	\$ 40,557.17	\$ 24,021.36
Net Increase in Working Capital .....	<u>467,812,336.36</u>	<u>578,279,067.26</u>
Total Resources Used .....	<u>\$467,852,893.53</u>	<u>\$578,303,088.62</u>

Elements of Net Increase (Decrease) in Working Capital:

	<u>Year Ended June 30,</u>		<u>Increase</u>
	<u>1991</u>	<u>1990</u>	<u>(Decrease)</u>
Current Assets:			
Cash .....	\$ 1,045,675.57	\$ 1,052,135.96	\$ (6,460.39)
Accounts Receivable .....	29,452,507.38	30,874,942.12	(1,422,434.74)
Accrued Investment Income .....	377,833.95	192,620.60	185,213.35
Prepaid Expense .....	19,326.27	16,587.16	2,739.11
Investments —			
Outside Managed Pooled Accounts			
(Notes 2, 7 & 10) .....	3,178,837,997.95	2,984,399,325.04	194,438,672.91
Short-term Cash Equivalents			
(Notes 2 & 7) .....	31,816,403.77	33,413,339.02	(1,596,935.25)
Equity in Investment Funds (Note 8).....	<u>2,301,368,999.68</u>	<u>2,025,602,999.97</u>	275,765,999.71
Total Current Assets .....	<u>\$5,542,918,744.57</u>	<u>\$5,075,551,949.87</u>	
Current Liabilities:			
Accounts Payable (Note 2) .....	\$ 2,392,058.21	\$ 2,709,940.31	\$ 317,882.10
Due to Other Funds .....	27,320,365.36	27,441,051.94	120,686.58
Accrued Compensated Absences .....	<u>215,166.51</u>	<u>222,139.49</u>	6,972.98
Total Current Liabilities .....	<u>\$ 29,927,590.08</u>	<u>\$ 30,373,131.74</u>	
Working Capital .....	<u>\$5,512,991,154.49</u>	<u>\$5,045,178,818.13</u>	<u>\$467,812,336.36</u>

The accompanying notes are an integral part of the financial statements.

**COLLEGE SUPPLEMENTAL RETIREMENT FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**June 30, 1991 and 1990**

	<u>1991</u>	<u>1990</u>
Assets:		
Cash and Cash Equivalents .....	\$ 88,088.44	\$ 5,433.30
Accrued Interest Income .....	0	2.10
Participation in the Minnesota Supplemental Retirement Fund (Notes 11 & 12):		
Income account shares .....	79,021,793.21	70,563,856.32
Growth account shares .....	32,922,882.39	32,539,861.20
Common Stock Index account shares .....	790,961.12	503,199.11
Bond Market account shares .....	2,614,629.22	2,318,309.23
Money Market account shares .....	9,228,935.66	8,707,449.03
Guaranteed Return account shares .....	5,112,671.09	3,313,726.29
 Total Assets .....	 <u>\$129,779,961.13</u>	 <u>\$117,951,836.58</u>
Liabilities:		
Accounts payable .....	\$ 31,691.00	\$ 91,259.00
Total Liabilities .....	<u>\$ 31,691.00</u>	<u>\$ 91,259.00</u>
Net Assets .....	<u>\$129,748,270.13</u>	<u>\$117,860,577.58</u>

The accompanying notes are an integral part of the financial statements.



**COLLEGE SUPPLEMENTAL RETIREMENT FUND**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**June 30, 1991 and 1990**

	<u>1991</u>	<u>1990</u>
Beginning Balance .....	\$117,860,577.58	\$105,739,915.38
From Investment Activities:		
Net realized gain from redemption of shares .....	\$ 2,278,393.05	\$ 2,276,129.11
Distribution to withdrawing members .....	(2,278,393.05)	(2,276,129.11)
Increase (decrease) in unrealized appreciation .....	5,938,528.22	10,202,440.40
Net other income (expense) .....	113,232.22	25,147.21
Increase (decrease) in net assets derived from investment activities .....	<u>\$ 6,051,760.44</u>	<u>\$ 10,227,587.61</u>
From Capital Share Transactions (exclusive of amounts allocated to investment income):		
Net contributions from members (Note 9) .....	\$ 3,424,227.92	\$ 1,471,013.01
Net employer's matching contributions (Note 9) .....	3,424,227.92	1,471,013.01
Total contributions .....	<u>\$ 6,848,455.84</u>	<u>\$ 2,942,026.02</u>
Less members' accounts refunded .....	1,012,523.73	1,048,951.43
Increase (decrease) in net assets derived from capital share transactions .....	<u>\$ 5,835,932.11</u>	<u>\$ 1,893,074.59</u>
Net increase (decrease) in net assets .....	<u>\$ 11,887,692.55</u>	<u>\$ 12,120,662.20</u>
Ending Balance .....	<u><u>\$129,748,270.13</u></u>	<u><u>\$117,860,577.58</u></u>

**STATEMENT OF OPERATIONS**  
**June 30, 1991 and 1990**

	<u>1991</u>	<u>1990</u>
Realized and Unrealized Gain (Loss) on Investments:		
Realized gain from redemption of shares:		
Proceeds from sales .....	\$ 3,290,916.78	\$ 3,325,080.54
Cost of shares redeemed .....	(1,012,523.73)	(1,048,951.43)
Net Realized Gain .....	\$ 2,278,393.05	\$ 2,276,129.11
Unrealized appreciation of investments:		
End of period .....	\$83,061,204.02	\$77,122,675.80
Beginning of period .....	(77,122,675.80)	(66,920,235.40)
Increase in Unrealized Appreciation .....	5,938,528.22	10,202,440.40
Total Net Realized and Unrealized Gain on Investments .....	<u>\$ 8,216,921.27</u>	<u>\$12,478,569.51</u>
Other Income and Expense:		
Income:		
Administrative fees collected .....	\$ 139,694.00	\$ 59,932.18
Employer contributions forfeited (Note 9) .....	83,928.30	67,296.97
Short-term investment income .....	55,228.32	29,962.28
	<u>\$ 278,850.62</u>	<u>\$ 157,191.43</u>
Expense:		
Administrative expenses .....	\$ 165,618.40	\$ 132,044.22
Net Other Income and Expense .....	<u>\$ 113,232.22</u>	<u>\$ 25,147.21</u>

The accompanying notes are an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. Plan Description

The State of Minnesota Teachers Retirement Association is the administrator of a multi-employer, cost sharing Teachers Retirement Fund (TRF) and the single-employer College Supplemental Retirement Fund (CSRF). Both the TRF and the CSRF are considered part of the State of Minnesota financial reporting entity and are included in the State's financial reports as pension trust funds.

At June 30, the number of employer units participating in TRF was as follows:

	<u>1991</u>	<u>1990</u>
Independent school districts	424	431
Joint powers units	53	53
State agencies, colleges, universities	52	53
Professional organizations	6	7
Total employer units	<u>535</u>	<u>544</u>

Teachers employed in Minnesota's public elementary and secondary schools, State universities, community colleges and all other educational institutions maintained by the State (except those teachers employed by the cities of Minneapolis, St. Paul and Duluth and by the University of Minnesota system) are required to be TRF members. The exception is that state university and community college teachers who were first employed after June 30, 1989, or who were first employed before July 1, 1989 and elected to change coverage, are now covered by the Individual Retirement Account Plan administered by the State University and Community College Boards. At June 30, TRF membership consisted of:

	<u>1991</u>	<u>1990</u>
Retirees, disabilitants and beneficiaries receiving benefits	18,086	17,135
Terminated employees with deferred vested benefits	3,134	1,955
Total	<u>21,220</u>	<u>19,090</u>
Current employees:		
Vested	48,050	48,490
Non-vested	17,043	15,834
Total	<u>65,093</u>	<u>64,324</u>

## b. Benefits

TRA provides retirement benefits as well as death and disability benefits. All benefits vest after three years of credited service. For Coordinated members (those with Social Security coverage) first hired before July 1, 1989, retirement benefits are the greater of: 1) 1% of average salary for each year in first ten years and 1.5% of average salary for each subsequent year with 0.25% reduction for each month retiree is under age 65 (age 62 if 30 or more years of service) and no reduction if age plus service totals 90 or more; or 2) 1.5% of average salary for each year of service with augmented actuarial reduction for each month retiree is under 65. For members first hired after June 30, 1989, retirement benefits are 1.5% of the average salary for each year of service with augmented actuarial reduction for each month the retiree is under the full Social Security benefit eligible age. Average salary is average of highest five successive annual salaries. For Basic members (those without Social Security coverage) the formula percentages are 2% and 2.5% rather than the 1% and 1.5% of Coordinated members. Benefits are payable for life with the amount of the benefit determined by the selection of one of five available annuity payment plans.



c. Funding of Pension Costs

Pension costs of the TRF are funded from contributions made to the association by members and their employers. Members of the fund contribute an amount equal to 4.5 percent of their salary if they are in the Coordinated Plan and 8.5 percent of their salary if they are in the Basic Plan. Coordinated members have elected to be covered by Social Security and Basic members are not covered. All new members of the fund are mandatorily covered by Social Security. Employers' contributions to the fund match the contributions of the members: 4.5 percent and 8.5 percent of the salaries of Coordinated and Basic members, respectively. Minn. Statutes, Section 354.42, Subd. 5, currently requires an additional employer contribution of 3.64 percent of the members' salaries for the purpose of amortizing the unfunded liability of the fund.

d. Actuarial Valuation

In order to determine the rate of contributions to TRF, the actuary of the Legislative Commission on Pensions and Retirement is required by Minnesota Statute to calculate the actuarial liability of TRF under the entry age normal cost method of funding. Under this method, the total actuarial liability of the fund was \$7,213,720,000.00 and net assets were \$5,513,281,373.65 based on equity investments at the lower of cost or market value. On this basis, required reserves were 76.43% funded and the unfunded liability was \$1,700,438,626.35. The actuary also is required to provide this information based upon cost value of assets plus 1/3 of the amount of any unrealized gains or losses in investments. Under this method, the value of net assets is \$5,614,924,000.00 and the total liabilities remain at \$7,213,720,000.00. This data results in a funding ratio of 77.84% and total accrued unfunded liabilities of \$1,598,796,000.00.

This funding information was determined as part of an actuarial valuation at June 30, 1991. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8.5 percent per year compounded annually; (b) projected salary increases of 6.5 percent per year compounded annually; and (c) post retirement increases to be funded from earnings in excess of the 5 percent assumed annual earnings rate of the Post Retirement Investment Fund.

## **2. Summary of Significant Accounting Policies**

a. Basis of Accounting

The accompanying financial statements include the transactions of the TRF and the CSRF reported on the accrual basis of accounting.

b. Investment Strategy

Investments of the TRF are shown on the financial statements at the lower of cost or market value for equity investments and amortized cost for fixed income investments. Assets of the TRF are pooled with those of five other statewide retirement funds and placed with Outside Investment Managers under the supervision of the State Board of Investment (SBI). Other funds included are the Minnesota State Retirement System, Public Employees Retirement Association, Public Employees Police and Fire Fund, Highway Patrol Retirement Fund, and the Judges Retirement Fund. Approximately \$836 million of regular TRF assets are actively managed by ten outside equity investment managers. Approximately \$1,332 million is invested in a passive equity index fund. The assets in the index fund are managed by an outside manager and designed to match the investment return of a broad based equity market index. The fixed income portfolio is placed with seven outside managers and has a value of approximately \$872 million as of June 30, 1991.



The internal SBI staff handles the direct investment of the remaining assets of the fund with approximately \$183 million invested in Venture Capital Pools, \$209 million in Real Estate Fund Pools, \$51 million in Resource Fund Pools, and approximately \$30 million in short-term cash equivalent investments. All of the account and trust functions for the investments handled by the Outside Managers are provided by State Street Bank and Trust Company of Boston. The same functions are provided for the Post Retirement Investment Fund and other SBI staff investments by the First Bank of St. Paul. The cost and market value of TRF's investments as of June 30, 1991 are shown in Note 7.

The investments of the CSRF are shown at the market value of the fund's participation in the six available investment accounts of the Minnesota Supplemental Retirement Fund (MSRF), consistent with the financial statement of the MSRF prepared by the State Board of Investment. The cost of members' MSRF accounts is shown in Note 12.

**c. Authorized Investments**

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; and restricted participation in registered mutual funds.

**d. Risk Categories**

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 broker's or dealer'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 broker or dealer or by its trust department or agent but not in the State's name. All TRF investments are included in risk category 1.

**3. Funding Status and Progress**

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess TRF's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the TRF, discussed in Note 1d.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1991. Significant actuarial assumptions used are the same as those used to compute the entry age normal cost funding figures in Note 1d.

At June 30, 1991, the unfunded pension obligation was \$1,023,691,820 as follows:

**Pension Benefit Obligation:**

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$2,516,106,260
Current employees — accumulated employee contributions including allocated investment income	1,664,304,194
Employer-financed vested	2,344,186,008
Employer-financed non-vested	12,376,732
<b>Total Pension Benefit Obligation</b>	<b>\$6,536,973,194</b>
 Net assets available for benefits at cost (Market Value is \$5,818,210,000)	 <u>5,513,281,374</u>
<b>Unfunded pension benefit obligation</b>	<b><u>\$1,023,691,820</u></b>

**4. Contributions Required and Contributions Made**

TRF's funding policy provides for periodic contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll contribution rates are determined by using the entry age normal cost actuarial funding method described in Note 1d. TRF also uses the level percentage of payroll method to amortize the unfunded liability over a closed period ending June 30, 2020. The current payroll contribution rates are stated in Note 1c.

Contributions totaling \$248,752,300.10 (\$159,439,219.13 employer and \$89,313,080.97 employee) were made in accordance with the actuarially determined contribution requirements. These contributions consisted of: (a) \$178,626,161.94 normal cost, and (b) \$70,126,138.16 amortization of the unfunded actuarial accrued liability.

**5. Benefit Adjustments to pre-1973 Retirees**

Annual lump sum payments to persons receiving benefits under pre-July 1973 laws are paid out of the assets of TRF. During the fiscal year ended June 30, 1991, lump sum payments totaling \$3,494,616.24 were made to 2,652 benefit recipients. Coordinated members received \$25.00 for each year of allowable service with Basic members receiving the greater of: 1) \$25.00 for each year of allowable service or 2) an annual benefit of \$400.00 for each year of allowable service minus the present amount of any Minnesota public employee pension plan benefits and Social Security benefits.

**6. Historical Trend Information**

Historical trend information designed to provide information about the TRF's progress made in accumulating sufficient assets to pay benefits when due is presented on page 28.

**7. Value of Investments (Active Members)**

Fixed Income Investments shown on the Balance Sheet of the TRF at a cost of \$872,827,048.49 had a market value computed by the State Board of Investment on June 30, 1991 of \$871,903,131.76.

Equity investments are shown on the Balance Sheet at the lower of cost or market value. A summary of these values for the various equity investments follows.



	Cost	Market
External Indexed Equity Pool	\$1,169,657,900	\$1,331,708,700
External Active Managed Equity Pools	776,352,383	836,456,167
Internal Venture Capital Pool	123,309,123	183,012,786
Internal Real Estate Fund Pool	190,100,380	209,203,654
Internal Resource Fund Pool	46,591,162	51,482,463

Short term investments are placed in cash equivalent investments and cost and market values are the same amount.

#### 8. Post Retirement Investment Fund

For all retiring members, the reserves required to pay the cost of retirement benefits are transferred from TRF's regular assets to the Minnesota Post Retirement Investment Fund (MPRIF) which is managed by the State Board of Investment. TRF's pension assets in the MPRIF as of June 30, 1991 were \$2,301,368,999.68.

Benefits are increased periodically based on investment earnings in excess of the 5% assumed earnings rate. For FY '91, investment earnings for the year were \$195,105,838.96. These earnings were sufficient to provide a lifetime benefit increase of 4.295% for eligible retirees, effective January 1, 1992. Over the last five years, benefit increases have equaled 5.7% on an annualized basis.

#### 9. Change in Classification

For 1991 interest paid to the Minnesota Post Retirement Investment Fund for reserves transferred after the effective date of retirement is classified as an expense. For 1990 this interest was treated as a transfer of interest earned on the funds. The 1990 reference data is restated to reflect this change. During the 1991 fiscal year \$714,476.61 of interest expense was incurred for current and prior years, TRA earned during the current or prior fiscal years approximately \$768,800.00 of income on the late transfers.

#### 10. Contingent Liability — Litigation

*Phyllis Kahn, et al. v. Kohlberg, Kravis, Roberts & Co., et al.*, United States District Court, Southern District of New York. Plaintiffs claim that defendant Kohlberg, Kravis, Roberts & Co. ("KKR") has, among other things, violated the federal Investment Advisors Act by charging excessive fees to its clients, including the State of Minnesota. Plaintiffs allege that their succeeding in the lawsuit would not result in any outlay of funds by the State. However, defendant KKR alleges that if plaintiff prevails, and the agreement between the State Board of Investment and KKR is rescinded, there will be a negative impact on the Retirement Funds. TRA's portion would be about \$84 million. The case was dismissed on statute of limitation grounds but the time for appeal has not yet run out.

#### 11. College Supplemental Retirement Fund Membership

The College Supplemental Retirement Fund was established in 1967 to cover unclassified employees of the State University Board and the Community College Board who have completed their second year of full-time service. Most members of the fund contribute 5 percent of their wages between \$6,000 and \$26,000 to a maximum annual contribution of \$1,000. The employer matches the members' contributions equally. When members withdraw from the fund prior to becoming eligible for benefits, they receive a refund in the amount of the market value of the investments purchased with their contributions. An amount equal to the market value of the employer's matching contributions for withdrawing members reverts to the fund and is used to pay administrative expenses. Effective July 1, 1991 the fund was transferred to the State University Board and the Community College Board.



## 12. Participation in the Minnesota Supplemental Retirement Fund

Members in the College Supplemental Retirement Fund have funds invested in one of six available options. These are: an Income Account, a Growth Account, a Common Stock Index Account, a Bond Market Account, a Money Market Account and a Guaranteed Return Account. Funds are invested in the Income Account unless a member elects one of the other options. Members may elect twice annually to transfer funds from one option to another. The market value of these accounts is computed monthly by the State Board of Investment. The cost value and market value of shares in the College Supplemental Retirement Fund as of June 30, 1991, based on July 1, 1991 share values, are as follows:

Account	Total Cost	Shares Owned	Share Value	Market Value
Income	\$29,440,201.13	2,136,509.1025	\$36.99	\$79,021,793.21
Growth	11,324,293.62	1,362,673.6461	24.18	32,922,882.39
Common Stock Index	360,080.82	45,916.3132	17.23	790,961.12
Bond Market	919,476.24	170,937.1886	15.30	2,614,629.22
Money Market	2,977,590.68	9,228,935.6600	1.00	9,228,935.66
Guaranteed Return	1,609,026.18	5,112,671.3400	1.00	5,112,671.34

## ANALYSIS OF FUNDING PROGRESS (Dollars in Thousands)

Year Ended June 30	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) — (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)
1986	\$3,000,863	\$4,054,734	74.0%	\$1,053,871	\$1,406,797	74.9%
1987	3,524,684	4,464,496	78.9%	939,812	1,503,546	62.5%
1988	3,905,264	4,849,460	80.5%	944,196	1,594,391	59.2%
1989	4,467,274	5,549,423	80.5%	1,082,149	1,749,856	61.8%
1990	5,045,508	6,029,037	83.7%	983,529	1,785,459	55.1%
1991	5,513,281	6,536,973	84.3%	1,023,692	1,874,365	54.6%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of TRF's funding status on an ongoing basis. Analysis of this percentage (column 3) over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement fund. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll (column 6) approximately adjusts for the effects of inflation and aids analysis of TRF's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the retirement fund.

\*At cost (see Note 7).

**TEN YEAR SUMMARY OF REVENUE  
BY SOURCE**

<u>Year Ended June 30</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>Net Investment Income</u>	<u>Other</u>	<u>Total</u>
1982	\$54,738,770	\$ 91,079,638	\$157,944,494	\$2,698,452	\$306,461,354
1983	70,486,064	69,462,210	200,795,674	500,557	341,244,505
1984	60,259,615	102,643,810	183,621,802	461,908	346,987,135
1985	64,224,898	125,067,070	232,724,757	580,674	422,597,399
1986	68,203,337	134,298,853	368,917,920	596,378	572,016,488
1987	72,867,303	142,069,970	445,013,195	807,038	660,757,506
1988	75,488,713	148,607,095	314,711,337	600,954	539,408,099
1989	81,728,962	160,288,707	490,671,524	915,744	733,604,937
1990	84,542,414	166,098,804	520,610,905	926,288	772,178,411
1991	89,313,081	159,439,219	430,877,172	1,964,986	681,594,458

**TEN YEAR SUMMARY OF EXPENDITURES  
BY TYPE**

<u>Year Ended June 30</u>	<u>Retirement Benefits</u>	<u>Survivor Benefits</u>	<u>Disability Benefits</u>	<u>Refunds</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1982	\$ 44,545,530	\$ 910,500	\$1,254,222	\$ 8,496,531	\$1,318,953	\$1,677,199	\$ 58,202,935
1983	52,984,178	1,027,066	1,478,222	9,742,259	1,466,044	1,718,120	68,415,889
1984	63,158,815	1,285,531	1,638,989	18,956,482	1,918,330	2,936,033	89,894,180
1985	78,843,390	1,414,162	1,709,737	9,774,883	1,900,528	2,452,049	96,094,749
1986	98,349,930	1,667,494	1,830,285	7,408,533	1,968,114	2,680,416	113,904,772
1987	121,444,548	1,894,172	1,813,239	6,856,989	2,073,334	2,853,548	136,935,830
1988	144,210,986	2,079,182	1,953,743	5,627,523	2,183,506	2,773,766	158,828,706
1989	156,417,938	2,267,668	2,164,380	5,347,598	2,493,783	2,903,073	171,594,440
1990	174,693,669	2,641,650	2,456,735	6,445,983	2,631,691	5,074,347	193,944,075
1991	194,589,338	2,921,349	2,904,585	5,554,181	2,790,089	5,061,999	213,821,541

**COMPARATIVE ADMINISTRATIVE EXPENSES**  
**For the Years Ended June 30, 1991 and 1990**

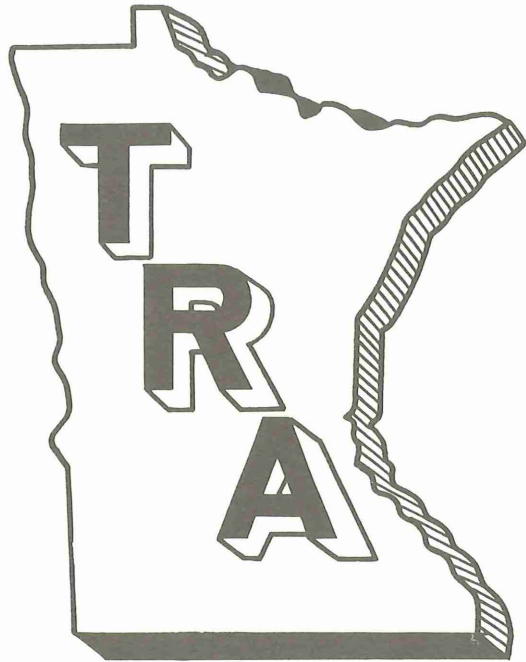
	<b>1991</b>	<b>1990</b>
Salaries .....	\$1,552,110.21	\$1,522,831.98
Employer Contributions to State Employees Retirement .....	1,277.37	2,504.17
Employer Contributions to Teachers Retirement Association .....	123,565.15	128,040.57
Employer Contributions to Social Security .....	114,366.86	108,937.99
Insurance Contributions .....	130,284.37	111,454.38
Actuarial Services .....	136,809.60	115,470.52
Audit Fees .....	40,396.00	32,386.00
Department Head Expenses .....	1,067.19	1,185.85
Depreciation of Office Furniture and Equipment .....	75,697.18	66,391.81
Dues and Subscriptions .....	2,534.75	1,374.97
Duplicating and Printing Expense .....	105,855.23	129,963.24
Grants and Subsidies .....	12,680.50	4,731.50
Lease of Office and Storage Space .....	158,858.64	151,378.64
Legal Fees .....	6,732.60	14,324.20
Medical Services .....	20,531.00	19,835.60
Postage .....	194,657.31	154,464.03
Repairs and Maintenance .....	36,555.83	18,640.78
Stationery and Office Supplies .....	34,539.36	43,478.82
Tabulating .....	104,769.56	57,779.63
Telephone .....	28,623.54	27,581.89
Travel — Director and Staff .....	17,108.80	17,641.87
Travel — Trustees .....	9,392.78	12,202.23
Workers' Compensation .....	846.00	250.93
Miscellaneous Administrative Expenses .....	2,111.00	3,507.98
State Indirect Costs .....	50,768.00	27,097.00
Sub-totals .....	<u>\$2,962,138.83</u>	<u>\$2,773,456.58</u>
Less Reimbursements from Supplemental Retirement Fund and Various State Agencies for Administrative Services Provided .....	<u>172,049.53</u>	<u>141,765.83</u>
Total Net Administrative Expenses .....	<u><u>\$2,790,089.30</u></u>	<u><u>\$2,631,690.75</u></u>

Administrative expenses, disability benefits, and survivors' benefits are paid from the fund, specifically the turnover gain (employer contribution retained on refunds) within the fund.



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*Investments Section*



## INVESTMENT SUMMARY

The investment portfolio for the active members of the Teachers Retirement Fund has a market value of approximately \$3.52 billion. In addition, TRA's share of the assets of the Minnesota Post Retirement Investment Fund from which retiree benefits are paid is approximately \$2.46 billion. The assets of the Teachers Retirement Association are invested under the direction and authority of the State Board of Investment (SBI). The State Board of Investment is comprised of Governor Arne H. Carlson, State Auditor Mark B. Dayton, State Treasurer Michael A. McGrath, Secretary of State Joan Anderson Growe, and Attorney General Hubert H. Humphrey III. Mr. Howard Bicker serves as Executive Director of the Board.

An Investment Advisory Council consisting of 17 members serves as advisor to the State Board of Investment and includes ten members who are experienced in general investment matters and appointed by the State Board. The other members are the Commissioner of Finance; the Executive Director of the Minnesota State Retirement System; the Executive Director of the Public Employees Retirement Association; the Executive Director of the Teachers Retirement Association; a retiree currently receiving benefits from the Post Retirement Investment Fund; and two public employees who are active members of the funds whose assets are invested by the State Board. The retiree and the public employees are appointed by the Governor for four year terms. The members of the council are as follows:

John E. Bohan	Vice President, Pension Investments, Grand Metropolitan-Pillsbury
James R. Eckmann	Assistant Treasurer, Dayton Hudson Corporation
Elton Erdahl	Executive Director, Teachers Retirement Association
John Gunyou	Commissioner, Minnesota Department of Finance
Kenneth F. Gudorf	Board Appointee, KFG Ventures
Laurie Fiori Hacking	Executive Director, Public Employees Retirement Association
David B. Jeffery	Vice President and Resident Manager, Shearson Lehman
Keith Johnson	Retiree Representative
Peter J. Kiedrowski	Executive Vice President, Norwest Bank
Han Chin Liu	Active Employee Representative
Malcolm W. McDonald**	Director and Corporate Secretary, Space Center, Inc.
Doug Mewhorter	Acting Executive Director, Minnesota State Retirement System
Gary R. Norstrem	City Treasurer, City of St. Paul
Barbara Schnoor	Active Employee Representative
Michael L. Troutman	Sr. Manager, Investment Programs, Board of Pensions ELCA
Deborah Veverka	Manager, Pension Investments, Honeywell, Inc.
Jan Yeomans*	Director, Benefit Funds and Financial Markets, 3M Co.

\*Chair

\*\*Vice-Chair

Richards & Tierney, Inc. of Chicago are consultants to the State Board of Investment. All investments made by the State Board of Investment (SBI) are governed by the prudent person rule and other standards codified in Minnesota Statutes Chapter 11A.

### **Statewide Retirement Funds**

The pension contributions of most active TRA members are invested through the Statewide Retirement Funds. The SBI has selected a long term asset allocation plan for the Statewide Funds that strives to keep 60% in common stock, 24% in bonds, 10% in real estate, 2.5% in venture capital, 2.5% in resource funds and 1% in cash. An asset mix change has been approved to add 10% international stocks and reduce the bond allocation to 14%. On June 30, 1991 the actual asset mix of Statewide Funds was 62.1% common stock, 25.0% bonds, 6.0% real estate, 3.9% venture capital, 1.5% resource funds and 1.5% cash. All assets of the Statewide Retirement Funds are managed by outside money management firms selected and retained by the SBI. More information on the individual stock and bond managers is shown below.

The Statewide Retirement Funds produced a total rate of return for fiscal year 1991 of 6.7%. Over the last five years the Statewide Funds have generated a cumulative return of 59.1%, excluding alternative assets. It is important to note that "total return" includes not only interest and dividend earnings plus realized gains and losses on investments, but also unrealized gains and losses on investments still held in the portfolio. If unrealized gains and losses are not considered, the Statewide Funds generated 7.5% earnings for fiscal year 1991.

### **Post Retirement Investment Fund**

The pension assets of retired TRA members are invested through the Post Retirement Investment Fund (Post Fund). The large majority of the Post Fund is invested in a dedicated bond portfolio that generates sufficient cash from principal and interest payments to finance current monthly annuities. Assets not needed for the dedicated bond portfolio are invested in common stock. On June 30, 1991, the Post Fund had an asset mix of 8.7% common stock, 84.7% bonds and 6.6% cash. Nearly all assets of the Post Fund are managed by SBI staff.

In fiscal year 1991 the Post Fund generated realized earnings sufficient to provide a 4.295% benefit increase to eligible retirees beginning January 1, 1992. Over the last five years benefit increases generated by the Post Retirement Fund have equaled 5.7% on an annualized basis.

### **Total Portfolio Investment Income**

The total investment portfolio of the Teachers Retirement Fund on June 30, 1991 was valued at \$5.98 billion. These assets were invested in two separate portfolios: \$3.52 billion in the Basic Retirement Funds and \$2.46 billion in the Post Retirement Investment Fund.

Total combined investment income for the year was \$520.6 million. The interest rate attributable to each fund was calculated as follows:

- |                        |      |
|------------------------|------|
| • Statewide Funds      | 7.5% |
| • Post Retirement Fund | 9.3% |



### Stock and Bond Money Managers Retained by the SBI

The stock manager performance for FY 1991 was as follows:

	<b>Manager Portfolio Return</b>
Alliance Capital	3.0%
Forstmann Leff	10.7
Franklin Portfolio	3.9
Geo Capital	10.2
IDS Advisory	-0.4
Investment Advisers	0.6
Lieber & Company	5.5
Rosenburg Institutional	1.3
Waddell & Reed	-1.5
Wilshire Associates (index fund)	6.4
<b>Statewide Funds' Common Stock Segment</b>	<b>4.8%</b>
<b>Stock Segment Performance Standards</b>	
Wilshire 5000	7.0%
TUCS Median Managed Equity Portfolio	6.6
<b>Inflation</b>	<b>4.7%</b>

The annualized return for the stock portfolio for the last 5 years averaged 9.6%.

A summary of bond manager performance for FY 1991 was as follows:

	<b>Portfolio Return</b>
Investment Advisers	10.2%
Lehman Management	10.2
Fidelity Management (enhanced index)	11.5
Lincoln Capital (enhanced index)	10.8
Miller, Anderson & Sherrerd	10.7
Western Asset	11.2
<b>Statewide Funds' Bond Segment</b>	<b>11.0%</b>
<b>Bond Segment Performance Standards</b>	
Salomon Broad Investment Grade Bond Index	10.8%
TUCS Median Managed Bond Portfolio	10.6
<b>Inflation</b>	<b>4.7%</b>

The annualized return for the bond portfolio for the last 5 years averaged 9.3%.

### College Supplemental Retirement Fund

The assets of the College Supplemental Retirement Fund may be invested at the option of the member in any of six different investment accounts in the Minnesota Supplemental Investment Fund.

	<u>Asset Mix</u>	<u>FY '91 Return</u>
Income Share Account	60% stock 35% bonds 5% cash	8.7%
Growth Share Account	95% stock 5% cash	1.5%
Common Stock Index Account	100% stock	6.5%
Bond Market Account	100% bonds	10.7%
Money Market Account	100% cash equivalents	7.7%
Guaranteed Return Account	Guaranteed investment contract	
	3-year (11/1/89-10/31/92)	8.4%
	3-year (11/1/90-10/31/93)	8.875%

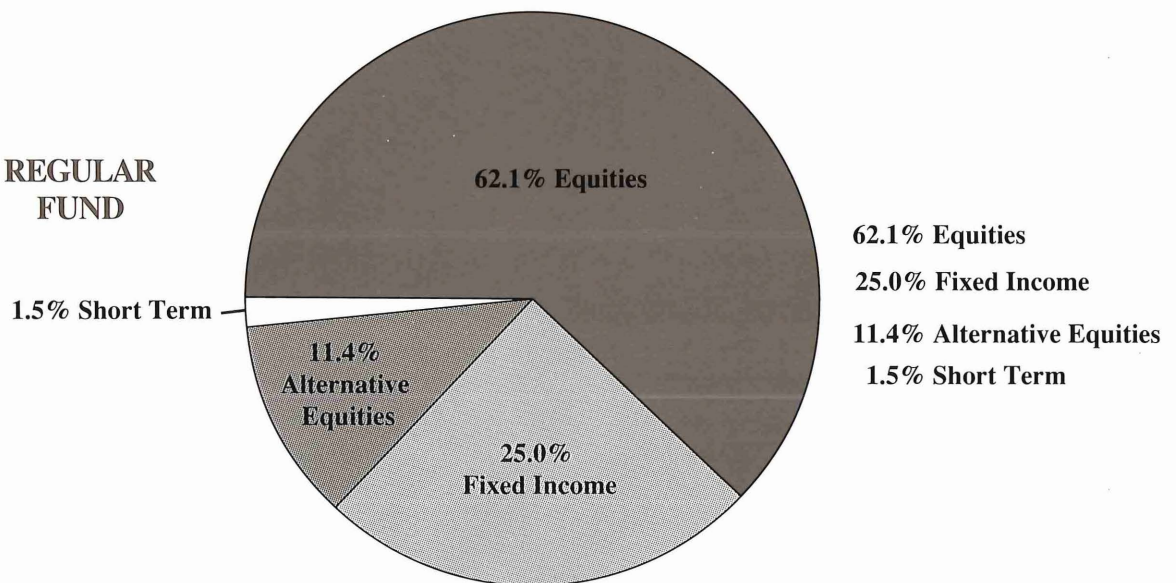
The Minnesota Supplemental Investment Fund is managed by the SBI. Nearly all assets in the Supplemental Fund are managed by outside money management firms retained by the SBI.

### Additional Information

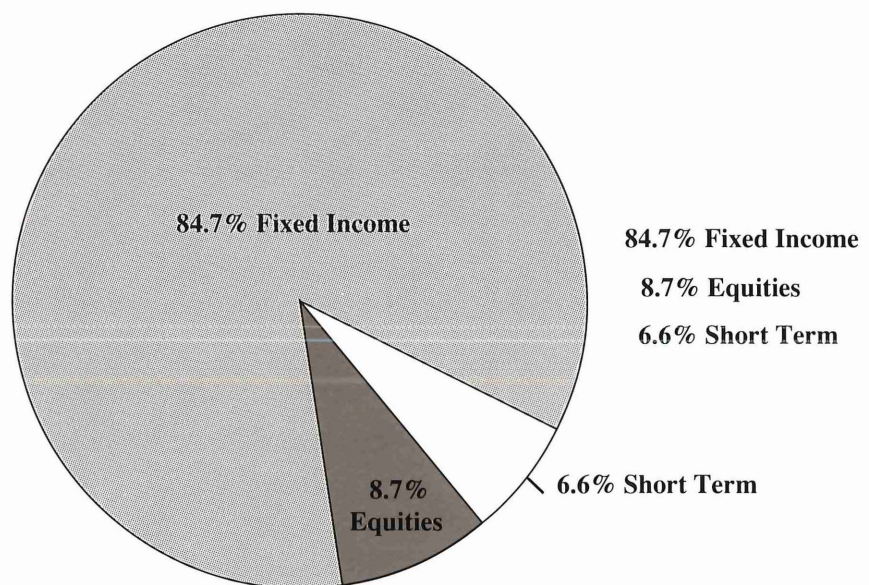
A listing of the individual investments of the Statewide Retirement Funds and the Post Retirement Investment Fund or the College Supplemental Retirement Fund is available, upon request, from the Teachers Retirement Association.

**PORTFOLIO DISTRIBUTION  
TEACHERS RETIREMENT FUND  
June 30, 1991**

**REGULAR  
FUND**



**POST  
RETIREMENT  
INVESTMENT  
FUND**





**COMPARATIVE STATEMENT OF EARNINGS\***  
**For the Years Ended June 30, 1991 and 1990**

**UNAUDITED**

	<u>1991</u>	<u>1990</u>
Investment Earnings:		
Interest on Cash Equivalent Investments .....	\$ 6,286,245.75	\$ 6,539,330.55
Managed Pooled Accounts .....	207,858,789.08	286,311,124.64
Net Gain on Sales of Pools .....	21,380,295.66	68,767,556.16
Earnings from Investments .....	<u>\$235,525,330.49</u>	<u>\$361,618,011.35</u>
Miscellaneous Interest Income .....	278,801.28	20,390.50
Total Earnings and Interest Income .....	<u>\$235,804,131.77</u>	<u>\$361,638,401.85</u>
Less Investment Management Fees .....	4,347,522.54	5,074,347.32
Total Net Investment Income .....	<u>\$231,456,609.23</u>	<u>\$356,564,054.53</u>
Less Transfers to MPRIF .....	714,476.61	188,238.06
Undistributed Excess Earnings .....	2,493,249.15	3,133,350.52
Total Income Available for Distribution .....	<u><u>\$233,235,381.77</u></u>	<u><u>\$359,509,166.99</u></u>
Distribution:		
Teachers' Deposits .....	\$137,948,605.10	\$208,806,450.58
Employer Contributions .....	94,230,665.16	148,198,655.71
Excess Earnings Reserve .....	1,056,111.51	2,504,060.70
Total Distribution .....	<u><u>\$233,235,381.77</u></u>	<u><u>\$359,509,166.99</u></u>

\*Regular TRA Fund, does not include earnings of TRA's participation in the Minnesota Post Retirement Investment Fund (MPRIF).

Interest rate 7.5% for 1991, 13.25% for 1990.

**SUMMARY OF INVESTMENTS\***  
**As of June 30, 1991**

	<u>Book Value</u>	<u>Subtotals</u>	<u>Total Book Value</u>	<u>Percent</u>
Fixed Income Investments:				
External Fixed Income Pools .....	\$ 872,827,048.49			
Total Fixed Income Pools .....		\$ 872,827,048.49		
Total Fixed Income Investments .....			\$ 872,827,048.49	27.2%
Equity Investments:				
External Indexed Equity Pool .....	\$1,169,657,900.44			
External Active Managed Equity Pools .....	776,352,383.56			
Total External Equity Pool .....		\$1,946,010,284.00		
Internal Venture Capital Pool .....	\$ 123,309,123.70			
Internal Real Estate Fund Pool .....	190,100,380.05			
Internal Resource Fund Pool .....	46,591,161.71			
Total Internal Equity Pool .....		360,000,665.46		
Total Equity Investments .....			2,306,010,949.46	71.8%
Short Term Investment:				
Short Term Cash Equivalents .....	\$ 31,816,403.77			
Cash Equivalents .....		\$ 31,816,403.77		
Total Short Term Investments .....			31,816,403.77	1.0%
Total Investment Owned .....			<u>\$3,210,654,401.72</u>	<u>100.0%</u>

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

Fixed Income Investments are shown above at cost value. The market value of these funds as of June 30, 1991 is \$871,903,131.76.

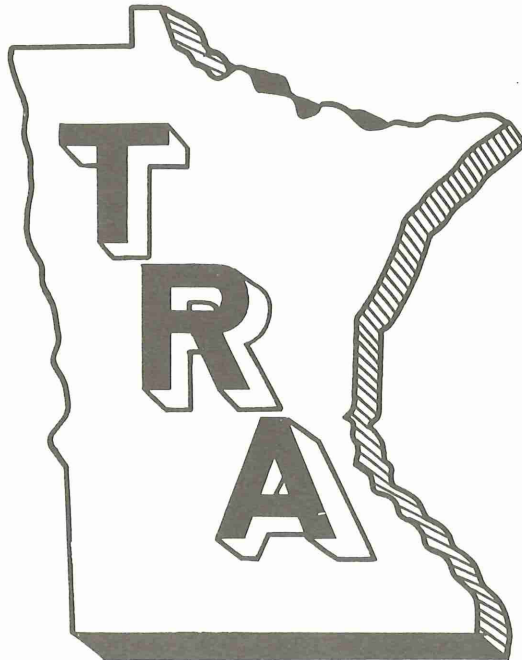
Equity Investments are also shown above at cost value. The market values of these investments are as follows: External Indexed Equity Pool \$1,331,708,699.71; External Active Managed Equity Pools \$836,456,166.80; Internal Venture Capital Pool \$183,012,786.00; Internal Real Estate Fund Pool \$209,203,653.64; and Internal Resource Fund Pool \$51,482,463.13.

**General Information Regarding Investment of Funds:**

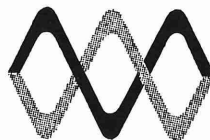
Investments for the State Teachers Retirement Association are made by the State Investment Board and External Managers as prescribed by law, and are made only in such securities as are duly authorized legal investments in accordance with Minnesota Statutes, Section 352.061. For the Regular TRA Fund, the State Treasurer acts as custodian of securities invested by the State Board of Investment and State Street Bank and Trust of Boston acts as custodian of securities invested by the External Managers. The First Bank of St. Paul acts as custodian of securities invested by the State Board of Investment for the Post Retirement Investment Fund. Examination and verification of securities held by the custodians is made periodically by the State Legislative Audit Commission.

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*Actuarial Section*







**MILLIMAN & ROBERTSON, INC.**

Actuaries and Consultants

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Brookfield, Wisconsin 53005  
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Kenneth E. Leinbach, F.S.A.  
Mark E. Litow, F.S.A.  
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Steven J. Sherman, F.S.A.  
John B. Snyder, F.S.A.  
Lee H. Straate, F.S.A.  
Peter G. Wick, A.C.A.S.  
Roger A. Yard, A.C.A.S.

December 20, 1991

Legislative Commission on  
Pensions and Retirement  
55 State Office Building  
St. Paul, Minnesota 55155

RE: Teachers Retirement Association Fund


Commission Members:

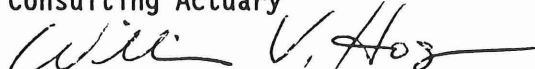
Pursuant to the terms of our Actuarial Services Contract, we have performed an actuarial valuation of the Fund as of July 1, 1991.

The results of our calculations are set forth in the following report, as are the actuarial assumptions upon which our calculations have been made. We have relied on the basic employee data and asset figures as submitted by the Teachers Retirement Association.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work, adopted by the Commission on September 20, 1989.

Respectfully submitted,

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

  
William V. Hogan, F.S.A., M.A.A.A.  
Actuary

TKC/WVH/bh

## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

1. **Mortality:** Active participants, retirants, and disabilitants — 1971 Group Annuity Mortality Table set back eight years for both males and females.
2. **Retirement Age:** Age 62, or if over age 62, one year from valuation date. 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.

3. **Separation:** Select and ultimate rates were based on plan experience as of June 30, 1989. 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:

	<u>Age</u>	<u>Separation Rate</u>
First year	— Less than 35	.3000
	35-44	.2500
	45-60	.3000
Second year	— Less than 35	.1500
	35-44	.1250
	45-60	.1500
Third year	— Less than 35	.1000
	35-44	.0800
	45-60	.1000

4. **Disability:** Graduated rates illustrated in table of sample values below.

Annual Separation Rate Per 10,000 Employees  
(Sample Values)

<u>Age</u>	<u>Death</u>		<u>Withdrawal</u>		<u>Disability</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20	4	4	600	600	4	4
30	5	5	565	565	6	6
40	9	9	210	210	8	8
50	20	20	70	70	17	17
60	65	65	0	0	63	63

5. **Expenses:** Prior year expenses expressed as percentage of prior year payroll (0.37% of payroll).
6. **Asset Valuation:** Cost value plus one-third of unrealized gains and losses.
7. **Investment Return:** Pre-retirement — 8½% per annum compounded annually.  
Post-retirement — 5% per annum compounded annually.
8. **Salary Increases:** 6½% per year.
9. **Active Member Payroll Growth:** 6½% per year.
10. **Actuarial Cost Method:** Entry Age Normal cost method with normal cost expressed as level percentage of future earnings. Actuarial gains and losses are recognized in the unfunded actuarial accrued liability which is amortized by the level percent of payroll method.

**VALUATION REPORT HIGHLIGHTS**  
(Dollars in Thousands)

	<u>July 1, 1990</u> <u>Valuation</u>	<u>July 1, 1991</u> <u>Valuation</u>
<b>A. Contributions (Table 11)</b>		
1. Statutory Contributions — Chapter 354		
% of Payroll .....	12.80%	12.76%
2. Required Contributions — Chapter 356		
% of Payroll .....	13.11%	13.04%
3. Sufficiency (Deficiency) (A.1-A.2) .....	-0.31%	-0.28%
<b>B. Funding Ratios</b>		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1) .....	\$5,131,999	\$5,614,924
b. Current Benefit Obligations (Table 3) .....	\$6,029,037	\$6,536,973
c. Funding Ratio (a/b) .....	85.12%	85.89%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1) .....	\$5,131,999	\$5,614,924
b. Actuarial Accrued Liability (Table 4) .....	\$6,611,074	\$7,213,720
c. Funding Ratio (a/b) .....	77.63%	77.84%
3. Projected Benefit Funding Ratio (Table 3)		
a. Current and Expected Future Assets .....	\$8,416,752	\$9,070,387
b. Current and Expected Future Benefit Obligations .....	\$8,549,154	\$9,195,099
c. Funding Ratio (a/b) .....	98.45%	98.64%
<b>C. Plan Participants</b>		
1. Active Members		
a. Number .....	64,324	65,093
b. Projected Annual Earnings .....	\$1,931,669	\$2,044,754
c. Average Annual Earnings (Actual \$) .....	\$30,030	\$31,413
d. Average Age .....	42.8	42.7
e. Average Service .....	12.3	12.1
2. Others		
a. Service Retirements .....	16,133	16,851
b. Disability Retirements .....	257	280
c. Survivors .....	929	955
d. Deferred Retirements .....	1,955	3,134
e. Terminated Other Non-vested .....	15,356	15,151
f. Total .....	34,630	36,371



**ACTUARY'S COMMENTARY****Purpose**

The purpose of this valuation is to determine the financial status of the Fund. 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 which have been earned by service to the valuation date. This year's ratio is 85.89%. The corresponding ratio for the prior year was 85.12%.
- 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 1991 the ratio is 77.84%, which is an increase from the 1990 value of 77.63%.
- The Projected Benefit Funding Ratio is a measure of the adequacy or deficiency in the contribution level. This year's ratio of 98.64% shows that the current statutory contributions are inadequate.

**Asset Information (Table 1)**

Minnesota Statutes require that the asset value used for actuarial purposes recognize only a third of the unrealized gains and losses. This 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 calculation of the Actuarial Value of Assets is shown in Table 1 on lines F1 to F6. It combines the cost value of the Assets Available for Benefits and one-third of the difference between the market value and cost value of those assets.

The term "Actuarial Value of Assets" is used to indicate that the value was determined for use in this actuarial valuation. Since Minnesota Statutes refer 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 (i.e., MPRIF). After the MPRIF liability has been calculated for each participating Plan, the State Board of Investments (i.e., 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 2)

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 in accordance with Statement No. 5 of the Governmental Accounting Standards Board (GASB). Those requirements are:

- 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

The Current Benefit Obligation amounts in Table 2 are required to be disclosed by Statement No. 5 of the Governmental Accounting Standards Board (GASB). However, Statement No. 5 uses the terms “Actuarial Present Value of Credited Projected Benefits” and “Pension Benefit Obligation” rather than “Current Benefit Obligation.”

The July 1, 1991 Pension Benefit Obligation reported in Table 2 is reformatted for GASB reporting purposes in the following table:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$2,516,106,260
Current Employees	
Accumulated employee contributions	
including allocated investment income	1,664,304,194
Employer-financed vested	2,344,186,008
Employer-financed nonvested	12,376,732
Total Pension Benefit Obligation	<u>\$6,536,973,194</u>
Net Assets Available for Benefits at Cost	\$5,513,281,374
Total Benefit Obligation less Assets	\$1,023,691,820
Funded Ratio	84.34%

## Actuarial Cost Method (Table 3)

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 3) to the actuarial balance sheet (Table 2) 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 the corresponding liabilities, on the basis of service. The method used in Table 3 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 2 and line A6, column 1, of Table 3).

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.

The payments will increase 6.5% each year because that is the assumed rate of increase in payroll. Although the payment schedule will be adequate to amortize the existing unfunded, the lower payments in the earlier years will not be sufficient to cover the interest on the unfunded liability. After a few years, the annual payment will cover the interest and also repay a portion of the unfunded.

#### **Sources of Actuarial Gains and Losses (Table 4)**

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 expectation. For a detailed analysis of the major components, refer to Table 4.

#### **Contribution Sufficiency (Table 5)**

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 5 shows the Plan has a contribution deficiency since the Statutory Contribution Rate is 12.76% compared to the Required Contribution Rate of 13.04%.

#### **Changes in Actuarial Assumptions**

The actuarial assumptions are the same as those used in the prior valuation.

#### **Changes in Plan Provisions**

There were no changes in plan provisions since the prior valuation which impacted funding costs.



**ACCOUNTING BALANCE SHEET**  
**(Dollars in Thousands)**

**July 1, 1991**

	<u><b>Market Value</b></u>	<u><b>Cost Value</b></u>
<b>A. Assets</b>		
1. Cash, Equivalents, Short-Term Securities .....	\$ 32,862	\$ 32,862
2. Investments		
a. Fixed Income .....	871,903	872,827
b. Equity .....	2,611,864	2,306,011
c. Real Estate .....	0	0
3. Equity in Minnesota Post-Retirement Investment Fund (MPRIF) ....	2,301,369	2,301,369
4. Other .....	30,140	30,140
<b>B. Total Assets</b> .....	<u><b>\$5,848,138</b></u>	<u><b>\$5,543,209</b></u>
<b>C. Amounts Currently Payable</b> .....	\$ 29,928	\$ 29,928
<b>D. Assets Available for Benefits</b>		
1. Member Reserves .....	\$ 838,160	\$ 838,160
2. Employer Reserves .....	2,678,681	2,373,752
3. MPRIF Reserves .....	2,301,369	2,301,369
4. Non-MPRIF Reserves .....	0	0
5. Total Assets Available for Benefits .....	<u><b>\$5,818,210</b></u>	<u><b>\$5,513,281</b></u>
<b>E. Total Amounts Currently Payable and Assets Available for Benefits</b> .....	<u><b>\$5,848,138</b></u>	<u><b>\$5,543,209</b></u>
<hr/>		
<b>F. Determination of Actuarial Value of Assets</b>		
1. Cost Value of Assets Available for Benefits (D5) .....		\$5,513,281
2. Market Value (D5) .....	\$5,818,210	
3. Cost Value (D5) .....	<u>5,513,281</u>	
4. Market Over Cost (F2-F3) .....	\$ 304,929	
5. 1/3 of Market Over Cost (F4)/3 .....		<u>101,643</u>
6. Actuarial Value of Assets (F1+F5) (Same as "Current Assets") .....		<u><u><b>\$5,614,924</b></u></u>

ACTUARIAL BALANCE SHEET  
(Dollars in Thousands)

July 1, 1991

A. Current Assets (Table 1, F6) ..... \$5,614,924

B. Expected Future Assets

1. Present Value of Expected Future Statutory Supplemental Contributions ..... 1,474,084  
2. Present Value of Future Normal Costs ..... 1,981,379  
3. Total Expected Future Assets ..... 3,455,463

C. Total Current and Expected Future Assets ..... \$9,070,387

	<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>
D. Current Benefit Obligations			
1. Benefit Recipients			
a. Retirement Annuities .....		\$2,244,814	\$2,244,814
b. Disability Benefits .....		41,370	41,370
c. Surviving Spouse and Child Benefits .....		84,667	84,667
2. Deferred Retirements with Future Augmentation .....		113,093	113,093
3. Former Members without Vested Rights .....		32,162	32,162
4. Active Members			
a. Retirement Annuities .....	\$ 10,194	3,656,380	3,666,574
b. Disability Benefits .....	153,366	0	153,366
c. Survivor's Benefits .....	65,630	0	65,630
d. Deferred Retirements .....	955	111,609	112,564
e. Refund Liability Due to Death or Withdrawal .....	0	22,733	22,733
5. Total Current Benefit Obligations .....	<u>\$230,145</u>	<u>\$6,306,828</u>	<u>\$6,536,973</u>

E. Expected Future Benefit Obligations ..... \$2,658,126

F. Total Current and Expected Future  
Benefit Obligations ..... \$9,195,099

G. Current Unfunded Actuarial Liability (D5-A) ..... \$ 922,049

H. Current and Future Unfunded Actuarial  
Liability (F-C) ..... \$ 124,712

Table 3

**DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)  
AND SUPPLEMENTAL CONTRIBUTION RATE  
(Dollars in Thousands)**

July 1, 1991

	<b>Actuarial Present Value of Projected Benefits</b>	<b>Actuarial Present Value of Future Normal Costs</b>	<b>Actuarial Accrued Liability</b>
	<u>(1)</u>	<u>(2)</u>	<u>(3)=(1)-(2)</u>
<b>A. Determination of Actuarial Accrued Liability (AAL)</b>			
1. Active Members			
a. Retirement Annuities .....	\$6,104,494	\$1,629,738	\$4,474,756
b. Disability Benefits .....	253,464	100,303	153,161
c. Survivor's Benefits .....	107,154	33,803	73,351
d. Deferred Retirements .....	171,669	110,711	60,958
e. Refunds Due to Death or Withdrawal .....	42,212	106,824	(64,612)
f. Total .....	<u>\$6,678,993</u>	<u>\$1,981,379</u>	<u>\$4,697,614</u>
2. Deferred Retirements with Future Augmentation .....	\$ 113,093		\$ 113,093
3. Former Members without Vested Rights .....	32,162		32,162
4. Annuitants in MPRIF .....	2,301,369		2,301,369
5. Recipients not in MPRIF .....	69,482		69,482
6. Total .....	<u>\$9,195,099</u>	<u>\$1,981,379</u>	<u>\$7,213,720</u>
<b>B. Determination of Unfunded Actuarial Accrued Liability (UAAL)</b>			
1. AAL (A6) .....			\$7,213,720
2. Current Assets (Table 1, F6) .....			<u>5,614,924</u>
3. UAAL (B1-B2) .....			<u>\$1,598,796</u>
<b>C. Determination of Supplemental Contribution Rate</b>			
1. Present Value of Future Payrolls through the Amortization Date of July 1, 2020 .....			\$44,266,801
2. Supplemental Contribution Rate (B3/C1) .....			3.61%



**CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)**  
**(Dollars in Thousands)**

**Year Ending June 30, 1991**

<b>A. UAAL at Beginning of Year</b> .....	\$1,479,075
<b>B. Change Due to Interest Requirements and Current Rate of Funding</b>	
1. Normal Cost and Expenses .....	\$ 186,513
2. Contribution .....	(248,752)
3. Interest on A, B1, and B2 .....	123,076
4. Total (B1+B2+B3) .....	<u>\$ 60,837</u>
<b>C. Expected UAAL at End of Year (A+B4)</b> .....	\$1,539,912
<b>D. Increase (Decrease) Due to Actuarial Losses (Gains) Because of Experience Deviations from Expected</b>	
1. Salary Increases .....	\$ (30,399)
2. Investment Return .....	11,305
3. MPRIF Mortality .....	1,048
4. Mortality of Other Benefit Recipients .....	(4,979)
5. Other Items .....	81,909
6. Total .....	<u>\$ 58,884</u>
<b>E. UAAL at End of Year Before Plan Amendments and Changes in Actuarial Assumptions (C+D5)</b> .....	\$1,598,796
<b>F. Change in Actuarial Accrued Liability Due to Plan Amendments</b> .....	\$ 0
<b>G. Change in Actuarial Accrued Liability Due to Changes in Actuarial Assumptions</b> .....	<u>\$ 0</u>
<b>H. UAAL at End of Year (E+F+G)</b> .....	<u><u>\$1,598,796</u></u>

**DETERMINATION OF CONTRIBUTION SUFFICIENCY**  
**(Dollars in Thousands)**

**July 1, 1991**

	<u>% of</u> <u>Payroll</u>	<u>\$</u> <u>Amount</u>
<b>A. Statutory Contributions — Chapter 354</b>		
1. Employee Contributions .....	4.56%	\$ 93,231
2. Employer Contributions .....	8.20%	167,660
3. Total .....	<u>12.76%</u>	<u>\$260,891</u>
<b>B. Required Contributions — Chapter 356</b>		
1. Normal Cost		
a. Retirement Benefits .....	7.48%	\$152,882
b. Disability Benefits .....	0.45%	9,290
c. Survivors .....	0.16%	3,333
d. Deferred Retirement Benefits .....	0.49%	10,112
e. Refunds Due to Death or Withdrawal .....	0.47%	9,539
f. Total .....	<u>9.06%</u>	<u>\$185,156</u>
2. Supplemental Contribution Amortization by July 1, 2020 of UAAL	3.61%	\$ 73,816
3. Allowance for Expenses .....	0.37%	\$ 7,566
4. Total .....	<u>13.04%</u>	<u>\$266,538</u>
<b>C. Contribution Sufficiency (Deficiency) (A3-B4) .....</b>	-0.28%	\$ (5,647)

Note: Projected Annual Payroll for Fiscal Year Beginning on July 1, 1991 is \$2,044,754

**SUMMARY OF ACTUARIAL AND UNFUNDED ACTUARIAL LIABILITIES**  
(Dollars in Thousands)

<u>Valuation as of June 30</u>	<u>Aggregate Actuarial Liabilities</u>	<u>Valuation Assets</u>	<u>Assets as a % of Actuarial Liabilities</u>	<u>Unfunded Accrued Liabilities (UAL)</u>	<u>Annual Active Member Payroll</u>	<u>UAL as a % of Annual Active Member Payroll</u>
1982	\$3,108,086	\$1,710,751	55.0%	\$1,397,335	\$1,129,420	123.7%
1983	3,472,264	1,983,579	57.1	1,488,685	1,146,640	129.8
1984	3,716,432	2,216,248	59.6	1,500,185	1,232,357	121.7
1985	4,166,116	2,585,778	62.1	1,580,338	1,310,748	120.6
1986	4,681,573	3,104,264	66.3	1,577,309	1,406,797	112.1
1987	5,172,415	3,638,835	70.4	1,533,580	1,503,546	102.0
1988	5,586,441	3,978,898	71.2	1,607,543	1,594,391	100.8
1989	6,249,413	4,567,997	73.1	1,681,416	1,723,122	97.6
1990	6,611,074	5,131,999	77.6	1,479,075	1,785,459	82.8
1991	7,213,720	5,614,924	77.8	1,598,796	1,874,365	85.3

**SOLVENCY TEST**  
(Dollars in Thousands)

Valuation as of June 30	Aggregate Accrued Liabilities for:			Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Reported Assets		
	(1) Member Contri- butions	(2) Retirees and Beneficiaries	(3) Members (Employer Financed Portion)		(1)	(2)	(3)
1982	\$367,654	\$ 559,186	\$2,181,246	\$1,710,751	100%	100%	35.9%
1983	415,525	673,364	2,383,375	1,983,579	100%	100%	37.5%
1984	441,349	819,210	2,455,873	2,216,248	100%	100%	38.9%
1985	475,439	1,060,246	2,630,431	2,585,778*	100%	100%	39.9%
1986	515,553	1,275,542	2,890,478	3,104,264*	100%	100%	45.4%
1987	558,562	1,534,798	3,079,055	3,638,835*	100%	100%	50.2%
1988	616,436	1,682,034	3,287,971	3,978,898*	100%	100%	51.1%
1989	733,650	1,880,080	3,635,683	4,567,997*	100%	100%	53.8%
1990	787,514	2,093,209	3,730,351	5,131,999*	100%	100%	60.4%
1991	838,160	2,370,851	4,004,709	5,614,924*	100%	100%	60.1%

\*Includes 1/3 of value of investments over cost.



### SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Year Ended June 30</u>	<u>Active Members</u>	<u>Annual Payroll</u>	<u>Annual Average</u>	<u>% Increase In Average Pay</u>
1982	63,573	\$1,129,420,339	\$17,766	11.3%
1983	57,831	1,146,640,563	19,827	11.6
1984	58,190	1,232,356,505	21,178	6.8
1985	58,854	1,310,747,913	22,271	5.2
1986	60,149	1,406,795,764	23,389	5.0
1987	61,283	1,503,701,316	24,537	4.9
1988	63,326	1,594,391,290	25,178	2.6
1989	64,796	1,723,121,553	26,593	5.6
1990	64,324	1,785,459,190	27,757	4.4
1991	65,093	1,874,364,682	28,795	3.7

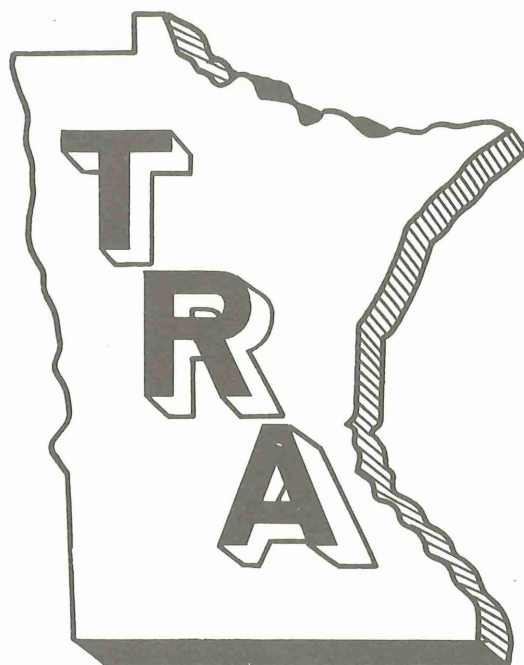
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### SCHEDULE OF RETIRANTS AND BENEFICIARIES

<u>Year Ended June 30</u>	<u>Added During Year</u>	<u>Removed During Year</u>	<u>Number End of Year</u>	<u>Annual Allowances</u>	<u>% Increase in Annual Allowances</u>	<u>Average Annual Allowances</u>
1982	911	312	11,118	\$ 48,387,451	16.3	\$ 4,352
1983	1,070	326	11,862	57,207,585	18.2	4,823
1984	1,123	318	12,667	67,629,085	18.2	5,339
1985	1,393	427	13,633	81,967,289	21.2	6,012
1986	1,356	429	14,560	101,847,710	24.3	6,995
1987	1,354	455	15,459	125,151,959	22.9	8,096
1988	889	456	15,892	148,243,910	18.5	9,328
1989	994	501	16,385	160,849,985	8.5	9,817
1990	1,262	511	17,136	179,792,053	11.8	10,492
1991	1,499	541	18,094	200,415,271	11.5	11,076

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*Statistical Section*



## SUMMARY OF CHANGES IN MEMBERSHIP 1990-91

### ACTIVE AND INACTIVE MEMBERS

	Active		Inactive	
	Basic	Coordinated	Basic	Coordinated
Total June 30, 1990 .....	881	63,433	197	17,296
Additions .....	—	6,985	28	3,948
Deletions				
Service Retirement .....	(197)	(925)	(38)	(134)
Disability .....	—	(60)	—	(4)
Death .....	(2)	(55)	—	(23)
Refunds .....	(1)	(1,064)	(2)	(1,004)
Writeoffs .....	—	—	(1)	(674)
Terminated (No Refund) .....	—	(3,937)	—	—
Returned to Active .....	—	—	—	(1,316)
<b>Total June 30, 1991 .....</b>	<b>681</b>	<b>64,377</b>	<b>184</b>	<b>18,089</b>

	Basic System	Coordinated System	Total
Active .....	681	64,377	65,058
Inactive .....	184	18,089	18,273
<b>Total .....</b>	<b>865</b>	<b>82,466</b>	<b>83,331</b>

### ANNUITANTS — REGULAR FUND

	Basic System			Coordinated System		
	Men	Women	Total	Men	Women	Total
Total Annuityants June 30, 1990 .....	1,767	3,324	5,091	4,103	6,765	10,868
Members Retired During Year .....	144	86	230	558	511	1,069
Adjustments .....	(1)	1	—	—	—	—
Annuities Terminated by Law .....	(1)	—	(1)	—	—	—
Annuities Cancelled .....	—	—	—	—	(1)	(1)
Annuityants Deceased During Year .....	(42)	(105)	(147)	(92)	(174)	(266)
<b>Total Annuityants June 30, 1991 .....</b>	<b>1,867</b>	<b>3,306</b>	<b>5,173</b>	<b>4,569</b>	<b>7,101</b>	<b>11,670</b>
Annuityants Not Receiving Warrants June 30, 1991 ....	(1)	—	(1)	(4)	(3)	(7)
<b>Total Active Annuityants June 30, 1991 .....</b>	<b>1,866</b>	<b>3,306</b>	<b>5,172</b>	<b>4,565</b>	<b>7,098</b>	<b>11,663</b>



## SUMMARY OF CHANGES IN MEMBERSHIP 1990-91 (Continued)

## BENEFICIARIES OF MEMBERS DECEASED PRIOR TO RETIREMENT

	Joint & Survivor Annuities			Basic Survivor Benefits			
	Men*	Women*	Total	Men	Women	Children	Total
Total June 30, 1990 .....	173	45	218	5	80	3	88
Added During Year .....	15	6	21	—	—	—	—
Terminated During Year .....	(2)	(1)	(3)	—	(4)	—	(4)
<b>Total June 30, 1991 .....</b>	<b>186</b>	<b>50</b>	<b>236</b>	<b>5</b>	<b>76</b>	<b>3</b>	<b>84</b>

## DISABILITANTS

	Basic System			Coordinated System		
	Men	Women	Total	Men	Women	Total
Total June 30, 1990 .....	19	12	31	106	120	226
Added During Year .....	—	3	3	32	33	65
Resumed Benefits .....	—	—	—	—	—	—
Died During Year .....	(1)	—	(1)	(9)	(8)	(17)
Transferred to Retirement Status .....	—	(1)	(1)	(7)	(6)	(13)
Resumed Employment .....	—	—	—	(5)	(6)	(11)
<b>Total June 30, 1991 .....</b>	<b>18</b>	<b>14</b>	<b>32</b>	<b>117</b>	<b>133</b>	<b>250</b>
Disabilitants Not Receiving Warrants June 30, 1991 ....	—	—	—	(2)	—	(2)
<b>Total Active Disabilitants June 30, 1991 .....</b>	<b>18</b>	<b>14</b>	<b>32</b>	<b>115</b>	<b>133</b>	<b>248</b>

## BENEFICIARIES OF RETIRED MEMBERS

	Basic System			Coordinated System		
	Men*	Women*	Total	Men*	Women*	Total
Total June 30, 1990 .....	108	70	178	313	111	424
Added During Year .....	23	8	31	56	24	80
Annuities Terminated By Law .....	(6)	(16)	(22)	(30)	(16)	(46)
Deaths .....	(2)	(1)	(3)	(3)	—	(3)
<b>Total June 30, 1991 .....</b>	<b>123</b>	<b>61</b>	<b>184</b>	<b>336</b>	<b>119</b>	<b>455</b>

## SUPPLEMENTAL ANNUITANTS

	Supplemental Retirement Annuities		
	Men	Women	Total
Active Annuitants June 30, 1990 .....	98	74	172
Members Retired During Year .....	1	1	2
Resumed Drawing .....	—	—	—
Members Re-employed or Terminated by Law .....	(2)	(2)	(4)
Annuitants Deceased During Year .....	(1)	(3)	(4)
<b>Total Annuitants June 30, 1991 .....</b>	<b>96</b>	<b>70</b>	<b>166</b>
Annuitants Not Receiving Warrants June 30, 1991 .....	—	—	—
<b>Total Active Annuitants June 30, 1991 .....</b>	<b>96</b>	<b>70</b>	<b>166</b>

\*Sex of Member.

**DISTRIBUTION OF ACTIVE MEMBERS**  
As of June 30, 1991

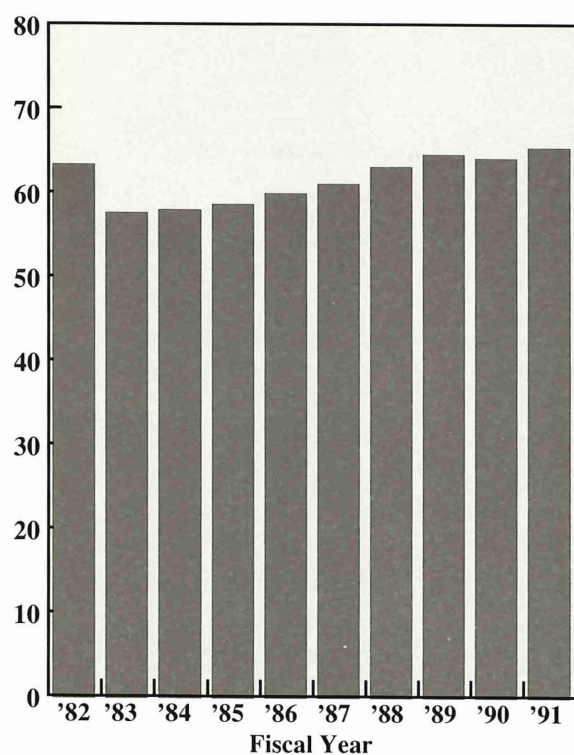
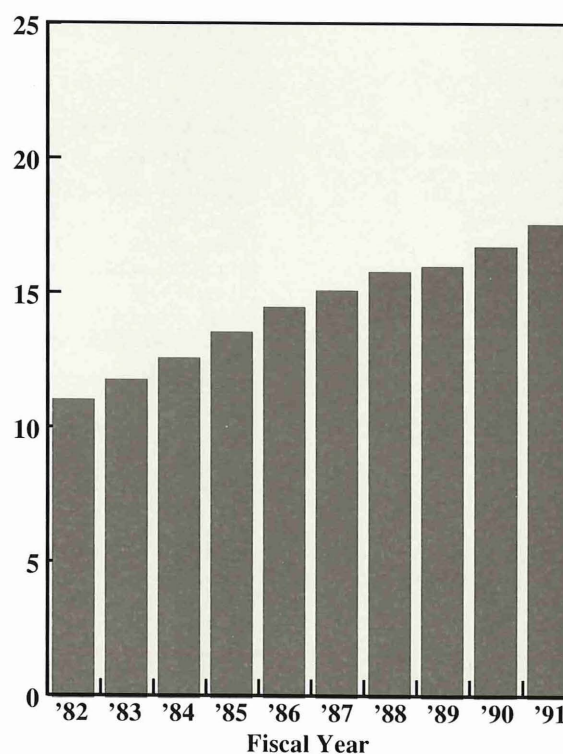
<u>Age</u>	<u>Years of Service</u>								<u>Total</u>
	<u>&lt;1</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
<25	450	1,106	1						1,557
25-29	1,183	4,150	760	1					6,094
30-34	757	2,662	2,430	713					6,562
35-39	737	2,672	1,662	2,904	1,074				9,049
40-44	831	2,957	1,789	2,058	4,218	1,957			13,810
45-49	488	1,777	1,220	1,214	1,678	3,889	1,151		11,417
50-54	234	899	704	770	1,013	1,973	2,262	674	8,529
55-59	115	453	299	356	588	1,032	1,225	1,568	5,636
60-64	56	223	101	135	235	429	396	499	2,074
65-69	28	58	20	18	20	57	41	51	293
70+	5	21	3	1	5	1	1		37
Total	4,884	16,978	8,989	8,170	8,831	9,338	5,076	2,792	65,058

**AVERAGE ANNUAL EARNINGS OF ACTIVE MEMBERS**  
for Fiscal Year Ended June 30, 1991

<u>Age</u>	<u>Years of Service</u>								<u>All</u>
	<u>&lt;1</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
<25	19,642	5,514	30,510						9,613
25-29	16,637	15,181	26,074	19,480					16,823
30-34	15,435	15,209	26,550	30,030					21,045
35-39	14,420	14,207	27,681	31,584	36,089				24,873
40-44	13,027	14,114	28,777	33,415	37,369	39,670			29,549
45-49	12,176	13,562	28,030	34,624	38,924	41,488	42,263		33,422
50-54	9,528	12,268	26,627	32,796	39,172	42,671	43,036	43,874	36,118
55-59	7,960	9,942	21,466	32,163	37,732	42,285	43,318	44,854	37,705
60-64	6,469	6,458	19,539	28,702	38,650	40,745	42,914	45,100	35,541
65-69	3,883	4,150	17,576	31,105	34,598	44,976	47,074	45,870	29,986
70+	11,302	3,384	7,738	12,883	45,330	42,281	41,558		12,815
All	14,593	13,586	27,095	32,448	37,772	41,432	42,952	44,680	28,803

## TEN YEAR SUMMARY OF MEMBERSHIP

Year Ended June 30	Active Members	Inactive Members	Benefit Recipients
1982	63,573	14,411	11,118
1983	57,831	16,842	11,862
1984	58,190	16,167	12,667
1985	58,854	15,601	13,633
1986	60,149	14,967	14,560
1987	61,283	15,032	15,181
1988	63,326	15,188	15,880
1989	64,796	16,092	16,080
1990	64,324	17,311	16,812
1991	65,058	18,273	17,754

ACTIVE MEMBERS  
in ThousandsBENEFITS RECIPIENTS  
in Thousands



## SCHEDULE OF PARTICIPATING EMPLOYERS

**INDEPENDENT  
SCHOOL DISTRICTS**

Ada #521	Cannon Falls #252	Fertile-Beltrami #599	Karlstad #353
Adrian #511	Carlton #93	Finlayson #570	Kasson-Mantorville #204
Aitkin #1	Cass Lake #115	Fisher #600	Kelliher #36
Albany #745	Centennial #12	Floodwood #698	Kennedy #354
Albert Lea #241	Ceylon #451	Foley #51	Kensington #209
Alden #242	Chandler-Lake Wilson #918	Forest Lake #831	Kenyon #254
Alexandria #206	Chaska #112	Fosston #601	Kerkhoven-Murdock-Sunburg #775
Alvarado #436	Chatfield #227	Franklin #650	Kiester #222
Amboy-Good Thunder #79	Chisholm #695	Frazee #23	Kimball #739
Annandale #876	Chokio-Alberta #771	Freeborn #244	La Crescent #300
Anoka-Hennepin #11	Clara City #126	Fridley #14	Lake Benton #404
Argyle #437	Claremont #201	Fulda #505	Lake City #813
Arlington #731	Clarkfield #892	Garden City #78	Lake Crystal #70
Ashby #261	Clearbrook #161	Gary #523	Lake of the Woods #390
Askov #566	Cleveland #391	Gaylord #732	Lake Park #24
Atwater #341	Climax #592	Gibbon #733	Lake Superior #381
Audubon #21	Clinton-Graceville #55	Gilbert #699	Lakefield #325
Aurora #691	Cloquet #94	Glencoe #422	Lakeville #194
Austin #492	Cold Spring #750	Glenville #245	Lamberton #633
Babbitt #692	Coleraine #316	Glenwood #612	Lancaster #356
Badger #676	Columbia Heights #13	Glyndon #145	Lanesboro #229
Bagley #162	Comfrey #81	Gonvick #158	Laporte #306
Balaton #411	Cook County #166	Goodhue #253	Le Center #392
Barnesville #146	Cosmos #461	Goodridge #561	Le Roy #499
Barnum #91	Cottonwood #412	Granada-Huntley #460	Lester Prairie #424
Barrett #262	Cromwell #95	Grand Meadow #495	Le Sueur #393
Battle Lake #542	Crookston #593	Grand Rapids #318	Lewiston #857
Beardsley #57	Crosby #182	Granite Falls #894	Lindstrom #141
Becker #726	Cyrus #611	Greenbush #678	Litchfield #465
Belgrade-Elrosa #736	Danube #648	Grey Eagle #791	Little Falls #482
Belle Plaine #716	Dassel-Cokato #466	Grove City #464	Littlefork-Big Falls #362
Bellingham #371	Dawson #378	Grygla #447	Long Prairie #792
Belview #631	Deer Creek #543	Hallock #351	Luverne #670
Bemidji #31	Deer River #317	Halstad #524	Lyle #497
Benson #777	Delano #879	Hancock #768	Lynd #415
Bertha-Hewitt #786	Delavan #218	Harmony #228	Mabel-Canton #238
Big Lake #727	Detroit Lakes #22	Hastings #200	Madelia #837
Bird Island #646	Dilworth #147	Hawley #150	Magnolia #669
Biwabik #693	Dodge Center #202	Hayfield #203	Mahnomen #432
Blackduck #32	Dover-Eyota #533	Hector #651	Mahtomedi #832
Blooming Prairie #756	Duluth #709	Henderson #734	Mankato #77
Bloomington #271	Eagle Bend #790	Hendricks #402	Maple Lake #881
Blue Earth #240	East Chain #453	Hendrum #525	Mapleton #72
Borup #522	East Grand Forks #595	Henning #545	Marshall #413
Braham #314	Echo #893	Herman-Norcross #264	Maynard #127
Brainerd #181	Eden Prairie #272	Hermantown #700	Mazeppa #809
Brandon #207	Eden Valley #463	Heron Lake-Okabena #330	McGregor #4
Breckenridge #846	Edgerton #581	Hibbing #701	McIntosh #603
Brewster #513	Edina #273	Hill City #2	Medford #763
Bricelyn #217	Elbow Lake #263	Hills-Beaver Creek #671	Melrose #740
Brooklyn Center #286	Elgin-Millville #806	Hinckley #573	Menahga #821
Brooten #737	Elk River #728	Hoffman #265	Mentor #604
Browerville #787	Ellendale #762	Holdingford #738	Middle River #440
Browns Valley #801	Ellsworth #514	Hopkins #270	Milaca #912
Brownton #421	Elmore #219	Houston #294	Milroy #635
Buffalo #877	Ely #696	Howard Lake #880	Minneota #414
Buffalo Lake #647	Emmons #243	Humboldt #352	Minnesota Lake #223
Burnsville #191	Erskine #597	Hutchinson #423	Minnetonka #276
Butterfield #836	Esko #99	International Falls #361	Montevideo #129
Byron #531	Evansville #208	Inver Grove #199	Montgomery #394
Caledonia #299	Eveleth #697	Isle #473	Monticello #882
Cambridge-Isanti #911	Fairfax #649	Ivanhoe #403	Moorhead #152
Campbell-Tintah #852	Fairmont #454	Jackson #324	Moose Lake #97
Canby #891	Faribault #656	Janesville #830	Mora #332
	Farmington #192	Jasper #582	Morgan #636
	Fergus Falls #544	Jordan #717	Morris #769

Morristown #657  
 Morton #652  
 Motley #483  
 Mounds View #621  
 Mountain Iron-Buhl #712  
 Mountain Lake #173  
 Nashauk-Keewatin #319  
 Nett Lake #707  
 Nevis #308  
 New London-Spicer #345  
 New Prague #721  
 New Richland #827  
 New Ulm #88  
 New York Mills #553  
 Newfolden #441  
 Nicollet #507  
 North Branch #138  
 North Central Tech. College #6047  
 North St. Paul-Maplewood #622  
 Northfield #659  
 Norwood #108  
 Ogilvie #333  
 Oklee #627  
 Olivia #653  
 Onamia #480  
 Orono #278  
 Ortonville #62  
 Osakis #213  
 Oslo #442  
 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 #3333  
 Pine River #117  
 Pipestone #583  
 Plainview #810  
 Plummer #628  
 Preston-Fountain #233  
 Princeton #477  
 Prinsburg #815  
 Prior Lake #719  
 Proctor #704  
 Randolph #195  
 Raymond #346  
 Red Lake #38  
 Red Lake Falls #630  
 Red Wing #256  
 Redwood Falls #637  
 Remer #118  
 Renville #654  
 Richfield #280  
 Robbinsdale #281  
 Rochester #535  
 Rockford #883  
 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  
 Sacred Heart #655  
 St. Anthony-New Brighton #282  
 St. Charles #858  
 St. Clair #75  
 St. Cloud #742  
 St. Francis #15  
 St. James #840  
 St. Louis County #710  
 St. Louis Park #283  
 St. Michael-Albertville #885  
 St. Peter #508  
 Sanborn #638  
 Sandstone #576  
 Sartell #748  
 Sauk Centre #743  
 Sauk Rapids #47  
 Sebek #820  
 Shakopee #720  
 Sherburn #456  
 Silver Lake #425  
 Sioux Valley #328  
 Slayton #504  
 Sleepy Eye #84  
 So. Koochiching #363  
 So. St. Paul #6  
 So. Washington County #833  
 Southland #500  
 Southwestern Tech. Institute #9002  
 Spring Grove #297  
 Spring Lake Park #16  
 Spring Valley #237  
 Springfield #85  
 Staples #793  
 Starbuck #614  
 Stephen #443  
 Stewart #426  
 Stewartville #534  
 Stillwater #834  
 Storden-Jeffers #178  
 Strandquist #444  
 Swanville #486  
 Taylors Falls #140  
 Thief River Falls #564  
 Tower-Soudan #708  
 Tracy #417  
 Trimont #457  
 Truman #458  
 Twin Valley #526  
 Tyler #409  
 Ulen-Hitterdal #914  
 Underwood #550  
 Upsala #487  
 Verdi #408  
 Verndale #818  
 Villard #615  
 Virginia #706  
 Wabasha #811  
 Wabasso #640  
 Waconia #110  
 Wadena #819  
 Waldorf-Pemberton #913  
 Walker-Hackensack-Akeley #113  
 Walnut Grove #641

Wanamingo #258  
 Warren #446  
 Warroad #690  
 Waseca #829  
 Watertown-Mayer #111  
 Waterville #395  
 Waubun #435  
 Wayzata #284  
 Welcome #459  
 Wells #224  
 West Concord #205  
 West St. Paul #197  
 Westbrook #175  
 Westonka #277  
 Wheaton #803  
 White Bear Lake #624  
 Willmar #347  
 Willow River #577  
 Windom #177  
 Winnebago #225  
 Winona #861  
 Winsted #427  
 Winthrop #735  
 Wood Lake #896  
 Worthington #518  
 Wrenshall #100  
 Wykoff #236  
 Zumbrota #260

#### JOINT POWERS UNITS

Bemidji Regional Interdist. Council #96-1  
 Benton-Stearns Spec. Education Coop. #96-19  
 Border Region Ed. Dist. #94-9462  
 Carver-Scott Cooperative Center #94-55  
 Central Minnesota ERDC #94-0  
 Central Minnesota ECSU #96-25  
 Dakota County Technical #917  
 Data Processing (TIES) #95-0  
 Educational Cooperative Unit #5 #96-16  
 Fergus Falls Area Special Ed. Coop. #96-7  
 Hiawatha Valley #94-9459  
 Highland Vocational Coop. Center #94-52  
 Interdist. Spec. Ed. Coop. St. Peter #96-3  
 (MN Valley)  
 Joint Powers Dist. 6011 #94-9458  
 Lake Agassiz Special Education Coop. #96-21  
 Leaf River Valley #94-57  
 Meeker-Wright Special Ed. Coop. #96-9  
 Metro Education Cooperative Unit #96-11  
 Metro II Educ. Service Center #95-952  
 Midstate Educ. Dist. #94-9413  
 Midwest Special Ed. Interdist. Coop. #96-23  
 Mower Educational Service Coop. #96-18  
 (Cedar River)  
 MN Educational Computing Corporation #95-1  
 MN River Valley Special Ed. Coop. #96-24  
 MN Valley Cooperative Center #94-08  
 N. Country Vocational Coop. Center #94-56  
 NE Metro Intermediate #916  
 Northeast Minnesota ECSU #96-13  
 Northeast Voc. Ed. Center #94-49  
 Northwest Migrant Region #98-3  
 Northwest MN Ed. Coop. Unit #96-22  
 Northwest Reg. Interdist. Council #382, #96-17  
 Pine to Prairie Coop. Center #94-21  
 Red Lake Falls Spec. Ed. Coop. #96-4  
 Red River Valley High School Coop. #94-05

Region 1 ESV #98-5  
 River Bend Special Cooperative #96-12  
 Runestone Area Educ. Dist. #94-9401  
 SW & W. Central Ed. Coop. Serv. Unit #94-4  
 Sibley Co. Vocational Center #94-09  
 South Central ECSU #96-10  
 South Central Ed. Dist. #94-9464  
 Southeast MN Educational Coop. Unit #96-15  
 Southeast MN Spec. Ed. Coop. #96-26  
 Valleya Lakes Ed. Dist. #94-9463  
 Wasioja Ed. Dist. #94-9461  
 Wasioja Spec. Ed. Coop. #96-27  
 West Central Ed. Dist. #94-9460  
 West Central Migrant Project #98-2  
 West Central Special Education Coop. #96-8  
 Woodland-Freshwater Coop. Center #94-32  
 Wright Vocational Center #94-14

#### STATE AGENCIES, COLLEGES, UNIVERSITIES

Akita Japan State University #90-908  
 Anoka State Hospital #91-15  
 Anoka-Ramsey Community College #93-15  
 Arrowhead Community College #93-21  
 Austin Community College #93-1  
 Bemidji State University #90-1  
 Brainerd Community College #93-2  
 Brainerd Regional Human Serv. Center #91-1  
 Cambridge Community College Center #93-20  
 Cambridge Human Services Center #91-2  
 Community College Board #93-0  
 Education Dept. #88-37  
 Faribault Regional Center #91-5  
 Faribault Residential Schools #37001  
 Fergus Falls Community College #93-6  
 Fergus Falls Reg. Treatment Center #91-13  
 Fond du Lac Extn. Center #93-22  
 Hibbing Community College #93-7  
 Higher Education Board #88-6000

Inver Hills Community College #93-18  
 Itasca Community College #93-3  
 Lakewood Community College #93-16  
 Mankato State University #90-2  
 Mesabi Community College #93-9  
 Metropolitan State University #90-7  
 Minneapolis Community College #93-14  
 Moorhead State University #90-3  
 Moose Lake Regional Treatment Center #91-11  
 MN Correctional Facility, Red Wing #92-1  
 MN Correctional Facility, Sauk Center #92-2  
 MN School and Resources Ctr. of the Arts #88-25000  
 N. Hennepin Community College #93-12  
 Normandale Community College #93-17  
 Northland Community College #93-13  
 Rainy River Community College #93-5  
 Rochester Community College #93-8  
 Southwest State University #90-6  
 St. Cloud State University #90-4  
 St. Peter Regional Treatment Center #91-10  
 State Board of Vocational Education #88-36  
 State University Board #90-0  
 Teachers Retirement Association #88-69  
 Thistledeew Camp #92-14  
 Vermillion Community College #93-4  
 Vocational Rehabilitation Dept. #88-210  
 Willmar Community College #93-10  
 Willmar State Hospital #91-14  
 Willow River Camp #92-12  
 Winona State University #90-5  
 Worthington Community College #93-11

#### PROFESSIONAL ORGANIZATIONS

Assoc. of School Administrators #97-2  
 Elementary School Principals Assn. #97-1  
 MN Education Association #97-4  
 MN Federation of Teachers #97-5  
 Osseo Federation of Teachers #97-9  
 Robbinsdale Federation of Teachers #97-6