



Teachers Retirement Association

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Minneapolis Teachers Retirement Fund Association Consolidation and TRA Benefit Restructuring Bill

- Total consolidation of Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA), effective July 1, 2006.
- TRA full funding target date is extended from 2020 to 2037 (30 year amortization).
- All existing statutory special/supplemental contributions to MTRFA will continue and will be paid to TRA;
 - Direct state aid totaling \$16,829,000 annually (1993, 1996, and 1997 legislation).
 - Mandatory local contribution - \$2,250,000 each from the City of Minneapolis and Special School District #1 (1993 and 1996 legislation).
 - Special School District #1 employer supplemental contributions of 3.64 percent for all members (1992 legislation).
- Employer and employee contributions are increased by 0.5 percent. The employer increase is deferred to the next biennium (July 1, 2007). However, this increase is required to keep TRA fully funded and not create a deficiency.
- A 0.2 percent increase in the formula multiplier (1.7 percent to 1.9 percent) for TRA Coordinated members is only for prospective teaching service (after July 1, 2006).
- The impact on Minnesota taxpayers and teachers is lessened by taking legislative action this year.

Exhibit 1

TRA after merger with MTRFA - Projected for 2006 and 2007
 With 0.2% multiplier Increase for service after 7/1/2005 (TRA active members and MTRFA Coordinated active members only)
 MTRFA MVA and 100% of MTRFA Annuitant PVB in MPRIF - 30 year amortization period
 Determination of Contribution Sufficiency
 July 1, 2005 Valuation - SEGAL

	TRA - Segal 7/1/2005 Val	TRA - Segal 7/1/2005 Val 0.2% increase	MTRFA Coordinated 0.2% Increase, under TRA Provisions/Assumptions	MTRFA Basic MTRFA Provisions TRA Assumptions	Total MTRFA Combined	TRA - Segal 7/1/2005 Val Post Merger w/ Inc	TRA - Segal 7/1/2005 Impact	TRA - Segal 7/1/2006 Projection Post Merger	TRA - Segal 7/1/2007 Projection Post Merger
1. Present Value of Benefits:									
Benefit Recipients	10,590,493,947	10,590,493,947	56,637,093	1,325,181,761	1,381,818,854	11,972,312,801	1,381,818,854		
Former Members	318,117,821	318,117,821	22,554,867	19,295,602	40,850,469	358,968,290	40,850,469		
Active Members	9,526,711,639	9,914,478,436	501,454,114	140,402,214	641,856,328	10,556,334,764	1,029,623,125		
TOTAL	20,435,323,407	20,823,090,204	580,646,074	1,483,879,577	2,064,525,651	22,887,615,855	2,452,292,448		
2. Present Value of Future Normal Costs	2,413,913,346	2,740,746,797	188,080,581	8,597,616	196,678,197	2,937,424,994	523,511,648		
3. Actuarial Accrued Liability (1. - 2.)	18,021,410,061	18,082,343,407	392,565,493	1,475,281,961	1,867,847,454	19,950,190,861	1,928,780,800	20,716,808,170	21,502,130,505
4. Assets									
MPRIF - smoothed	10,438,051,358	10,438,051,358				11,819,870,212	1,381,818,854	11,551,638,638	11,196,961,353
non-MPRIF AVA	7,314,865,955	7,314,865,955				6,656,617,423	(658,248,532)	7,505,866,184	8,694,075,322
TOTAL AVA	17,752,917,313	17,752,917,313				18,476,487,635	723,570,322	19,057,504,822	19,891,036,675
5. Unfunded Actuarial Accrued Liability	268,492,748	329,426,094				1,473,703,225	1,205,210,478	1,659,303,348	1,611,093,830
6. Required Contributions - Chapter 356									
Normal Cost	8.02%	9.24%	9.79%	15.11%	10.21%	9.30%	1.28%	9.30%	9.30%
Supplemental (UAL Amort)	0.69%	0.52%				2.19%	1.50%	2.35%	2.17%
Expenses	0.34%	0.34%				0.34%	0.00%	0.34%	0.34%
TOTAL	9.05%	10.10%				11.83%	2.78%	11.99%	11.81%
7. Statutory Contributions - Chapter 354A									
Employee	5.00%	5.50%	5.50%	8.50%	5.74%	5.52%	0.52%	5.52%	5.52%
Employer	5.00%	5.50%	8.64%	12.64%	8.96%	5.72%	0.72%	5.72%	5.72%
Special (Legislations)	0.00%	0.00%				0.56%	0.56%	0.56%	0.56%
TOTAL	10.00%	11.00%				11.80%	1.80%	11.80%	11.80%
Sufficiency/(Deficiency)	0.95%	0.90%				-0.03%	-0.98%	-0.19%	-0.01%
Projected annual payroll	3,389,066,754	3,389,066,754	213,592,670	18,369,596	231,962,266	3,621,029,020		3,802,080,471	3,992,184,495

Notes:

a. Segal has calculated the Statutory Special Contribution for TRA After Merger using the Legislation amounts from the MTRFA 7/1/2005 valuation as shown below. The contribution rate is determined as the total amount below, divided by the projected annual payroll, resulting in 0.56% of payroll.

Statutory Special/Supplemental Contribution from MTRFA 7/1/2005 Val:

i. 1993 Legislation	\$	5,000,000
ii. 1996 Legislation		2,000,000
iii. 1997 Legislation		13,314,000
TOTAL	\$	20,314,000

b. The assets transferred from MTRFA to TRA are equal to the MTRFA MVA, and 100% of the total MTRFA Benefit Recipient (Annuitant) Present Value of Benefits (PVB) is allocated to the MPRIF.

c. The amortization of the Unfunded Actuarial Accrued Liability is over 30 years as of July 1, 2005 for Post Merger results.

d. TRA active members and MTRFA Coordinated active members receive a 0.2% multiplier increase for service after July 1, 2005.

e. MTRFA Employee and Employer Contribution Rates under MTRFA provisions, with the exception of MTRFA Employer rates increased by 0.50%. TRA Employee and Employer Contribution Rates are 5.50%.

Exhibit 2

TRA after merger with MTRFA - Projected for 2006 and 2007

With 0.3% multiplier Increase for service after 7/1/2005 (TRA active members and MTRFA Coordinated active members only)

MTRFA MVA and 100% of MTRFA Annuitant PVB in MPRIF - 30 year amortization period

Determination of Contribution Sufficiency

July 1, 2005 Valuation - SEGAL

	TRA - Segal 7/1/2005 Val	TRA - Segal 7/1/2005 Val 0.3% increase	MTRFA Coordinated 0.3% Increase, under TRA Provisions/Assumptions	MTRFA Basic MTRFA Provisions TRA Assumptions	Total MTRFA Combined	TRA - Segal 7/1/2005 Val Post Merger w/ Inc	TRA - Segal 7/1/2005 Impact	TRA - Segal 7/1/2006 Projection Post Merger	TRA - Segal 7/1/2007 Projection Post Merger
1. Present Value of Benefits:									
Benefit Recipients	10,590,493,947	10,590,493,947	56,637,093	1,325,181,761	1,381,818,854	11,972,312,801	1,381,818,854		
Former Members	318,117,821	318,117,821	22,554,867	18,295,602	40,850,469	358,968,290	40,850,469		
Active Members	9,526,711,639	10,108,758,283	514,307,796	140,402,214	654,710,010	10,763,468,293	1,236,756,654		
TOTAL	20,435,323,407	21,017,370,051	593,499,756	1,483,879,577	2,077,379,333	23,094,749,384	2,659,425,977		
2. Present Value of Future Normal Costs	2,413,913,346	2,879,410,483	197,726,441	8,597,616	206,324,057	3,085,734,540	671,821,194		
3. Actuarial Accrued Liability (1. - 2.)	18,021,410,061	18,137,959,568	395,773,315	1,475,281,961	1,871,055,276	20,009,014,844	1,987,604,783	20,799,097,629	21,610,803,277
4. Assets									
MPRIF - smoothed	10,438,051,358	10,438,051,358				11,819,870,212	1,381,818,854	11,551,638,638	11,196,961,353
non-MPRIF AVA	7,314,865,955	7,314,865,955				6,656,617,423	(658,248,532)	7,505,866,184	8,694,075,322
TOTAL AVA	17,752,917,313	17,752,917,313				18,476,487,635	723,570,322	19,057,504,822	19,891,036,675
5. Unfunded Actuarial Accrued Liability	268,492,748	385,042,255				1,532,527,209	1,264,034,461	1,741,592,807	1,719,766,602
6. Required Contributions - Chapter 356									
Normal Cost	8.02%	9.71%	10.29%	15.11%	10.68%	9.77%	1.75%	9.77%	9.77%
Supplemental (UAL Amort)	0.69%	0.61%				2.28%	1.59%	2.47%	2.32%
Expenses	0.34%	0.34%				0.34%	0.00%	0.34%	0.34%
TOTAL	9.05%	10.66%				12.39%	3.34%	12.58%	12.43%
7. Statutory Contributions - Chapter 354A									
Employee	5.00%	5.50%	5.50%	8.50%	5.74%	5.52%	0.52%	5.52%	5.52%
Employer	5.00%	5.50%	8.64%	12.64%	8.96%	5.72%	0.72%	5.72%	5.72%
Special (Legislations)	0.00%	0.00%				0.56%	0.56%	0.56%	0.56%
TOTAL	10.00%	11.00%				11.80%	1.80%	11.80%	11.80%
Sufficiency/(Deficiency)	0.95%	0.34%				-0.59%	-1.54%	-0.78%	-0.63%
Projected annual payroll	3,389,066,754	3,389,066,754	213,592,670	18,369,596	231,962,266	3,621,029,020		3,802,080,471	3,992,184,495

Notes:

a. Segal has calculated the Statutory Special Contribution for TRA After Merger using the Legislation amounts from the MTRFA 7/1/2005 valuation as shown below. The contribution rate is determined as the total amount below, divided by the projected annual payroll, resulting in 0.56% of payroll.

Statutory Special/Supplemental Contribution from MTRFA 7/1/2005 Val:

i. 1993 Legislation	\$	5,000,000
ii. 1996 Legislation		2,000,000
iii. 1997 Legislation		13,314,000
TOTAL	\$	20,314,000

b. The assets transferred from MTRFA to TRA are equal to the MTRFA MVA, and 100% of the total MTRFA Benefit Recipient (Annuitant) Present Value of Benefits (PVB) is allocated to the MPRIF.

c. The amortization of the Unfunded Actuarial Accrued Liability is over 30 years as of July 1, 2005 for Post Merger results.

d. TRA active members and MTRFA Coordinated active members receive a 0.3% multiplier increase for service after July 1, 2005.

e. MTRFA Employee and Employer Contribution Rates under MTRFA provisions, with the exception of MTRFA Employer rates increased by 0.50%. TRA Employee and Employer Contribution Rates are 5.50%.

Exhibit 3

TRA after merger with MTRFA

With 0.3% multiplier Increase for service after 7/1/2004 (TRA active members and MTRFA Coordinated active members only)

MTRFA MVA and 100% of MTRFA Annuitant PVB in MPRIF - 30 year amortization period

Determination of Contribution Sufficiency

July 1, 2004 Valuation - SEGAL

	TRA - Segal 7/1/2004 Val	TRA - Segal 7/1/2004 Val 0.3% increase	MTRFA Coordinated 0.3% Increase, under TRA Provisions/Assumptions	MTRFA Basic MTRFA Provisions TRA Assumptions	Total MTRFA Combined	TRA - Segal 7/1/2004 Val Post Merger w/ Inc	TRA - Segal 7/1/2004 Impact
1. Present Value of Benefits:							
Benefit Recipients	\$ 10,248,982,176	\$ 10,248,982,176	\$ 47,512,673	\$ 1,289,435,042	\$ 1,336,947,715	\$ 11,585,929,891	\$ 1,336,947,715
Former Members	459,060,463	459,060,463	20,698,977	19,221,801	39,920,778	498,981,241	39,920,778
Active Members	9,094,849,060	9,651,572,136	517,873,676	177,680,517	695,554,193	10,347,126,329	1,252,277,269
TOTAL	\$ 19,802,891,699	\$ 20,359,614,775	\$ 586,085,326	\$ 1,486,337,360	\$ 2,072,422,686	\$ 22,432,037,461	\$ 2,629,145,762
2. Present Value of Future Normal Costs	\$ 2,284,107,999	\$ 2,739,813,702	\$ 217,728,630	\$ 11,687,096	\$ 229,415,726	\$ 2,969,229,428	\$ 685,121,429
3. Actuarial Accrued Liability (1. - 2.)	\$ 17,518,783,700	\$ 17,619,801,073	\$ 368,356,696	\$ 1,474,650,264	\$ 1,843,006,960	\$ 19,462,808,033	\$ 1,944,024,333
4. Assets							
MPRIF - smoothed	\$ 10,092,954,741	\$ 10,092,954,741				\$ 11,429,902,456	\$ 1,336,947,715
non-MPRIF AVA	7,426,954,609	7,426,954,609				6,833,584,984	(593,369,625)
TOTAL AVA	\$ 17,519,909,350	\$ 17,519,909,350				\$ 18,263,487,440	\$ 743,578,090
5. Unfunded Actuarial Accrued Liability	\$ (1,125,650)	\$ 99,891,723				\$ 1,199,320,593	\$ 1,200,446,243
6. Required Contributions - Chapter 356							
Normal Cost	8.07%	9.82%	10.33%	15.08%	10.77%	9.89%	1.82%
Supplemental (UAL Amort)	0.00%	0.17%				1.87%	1.87%
Expenses	0.39%	0.39%				0.39%	0.00%
TOTAL	8.46%	10.38%				12.15%	3.69%
7. Statutory Contributions - Chapter 354A							
Employee	5.00%	5.50%	5.50%	8.50%	5.78%	5.52%	0.52%
Employer	5.00%	5.50%	8.64%	12.64%	9.02%	5.75%	0.75%
Special (Legislations)	0.00%	0.00%				0.62%	0.62%
TOTAL	10.00%	11.00%				11.89%	1.89%
Sufficiency/(Deficiency)	1.54%	0.62%				-0.26%	-1.80%
Projected annual payroll	\$ 3,206,759,440	\$ 3,206,759,440	\$ 225,606,119	\$ 23,507,957	\$ 249,114,076	\$ 3,455,873,516	

Notes:

a. Segal has calculated the Statutory Special Contribution for TRA After Merger using the Legislation amounts from the MTRFA 7/1/2004 valuation as shown below. The contribution rate is determined as the total amount below, divided by the projected annual payroll, resulting in 0.62% of payroll

Statutory Special/Supplemental Contribution from MTRFA 7/1/2004 Val:

i. 1993 Legislation	\$ 5,000,000
ii. 1996 Legislation	3,015,000
iii. 1997 Legislation	13,314,000
TOTAL	\$ 21,329,000

b. The assets transferred from MTRFA to TRA are equal to MTRFA MVA as of 7/1/2004 (\$763,089,276). Also, 100% of the total MTRFA Benefit Recipient (Annuitant) Present Value of Benefits (PVB) is allocated to TRA MPRIF.

c. The amortization of the Unfunded Actuarial Accrued Liability is over 30 years.

d. TRA active members and MTRFA Coordinated active members receive a 0.3% multiplier increase for service after July 1, 2004.

e. MTRFA Employee and Employer Contribution Rates under MTRFA provisions, with the exception of MTRFA Employer rates increased by 0.50%. TRA Employee and Employer Contribution Rates are 5.50%.