

TEACHERS RETIREMENT ASSOCIATION FUND

**Actuarial Experience Study for the period
July 1, 2000 through June 30, 2004**

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February 2, 2006

Mr. Gary Austin
Teachers Retirement Association Fund
60 Empire Drive, Suite 400
St. Paul, Minnesota 55103-1855

Dear Mr. Austin:

We are pleased to submit this report on the actuarial experience of the Teachers Retirement Association Fund for the period July 1, 2000 through June 30, 2004. This investigation is the basis for our recommendation of the assumptions and methods to be used for the July 1, 2006 actuarial valuation. In addition, we recommend a broader, more comprehensive study on the economic assumptions.

All current actuarial assumptions and methods were reviewed as part of this study. Some of our recommendations reflect changes to the assumptions and methods used in the July 1, 2004 actuarial valuation while other current assumptions and methods remain adequate.

Our analysis was conducted in accordance with generally accepted actuarial principles as prescribed by the Actuarial Standards Board (ASB) and the American Academy of Actuaries. Additionally, the development of all assumptions contained herein are in accordance with the ASB Actuarial Standard of Practice (ASOP) No. 27 (*Selection of Economic Assumptions for Measuring Pension Obligations*) and ASOP No. 35 (*Selection of Demographic and Other Non-Economic Assumptions for Measuring Pension Obligations*).

This study has found two areas of concern which require further discussions and analysis under a broader study. One of our findings was on the method of amortizing the Unfunded Accrued Liability. We believe that the method currently employed may create unstable contribution rates. A separate study should review all available methods and select an amortization method that best matches the long term nature of the stable benefit promise with a long term stable contribution rate.

Secondly, the economic assumptions reviewed here (investment return, inflation, salary increases and payroll growth) have been reviewed in an aggregate context, as is the prescribed method for experience studies. However, the structure of the fund may be exposing the Fund to risks that need to be more fully assessed with the cooperative efforts of PERA, SBI and all related parties. There are demographic risks that may be emerging in light of the "split" of the fund between retirees and actives, as well as other possible economic risks more fully explained later in this report.

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