2004

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2004

Teachers Retirement Association

A Pension Trust Fund of the State of Minnesota

Comprehensive Annual Financial Report

Teachers Retirement Association of Minnesota

A Pension Trust Fund of the State of Minnesota

Retirement Systems of Minnesota

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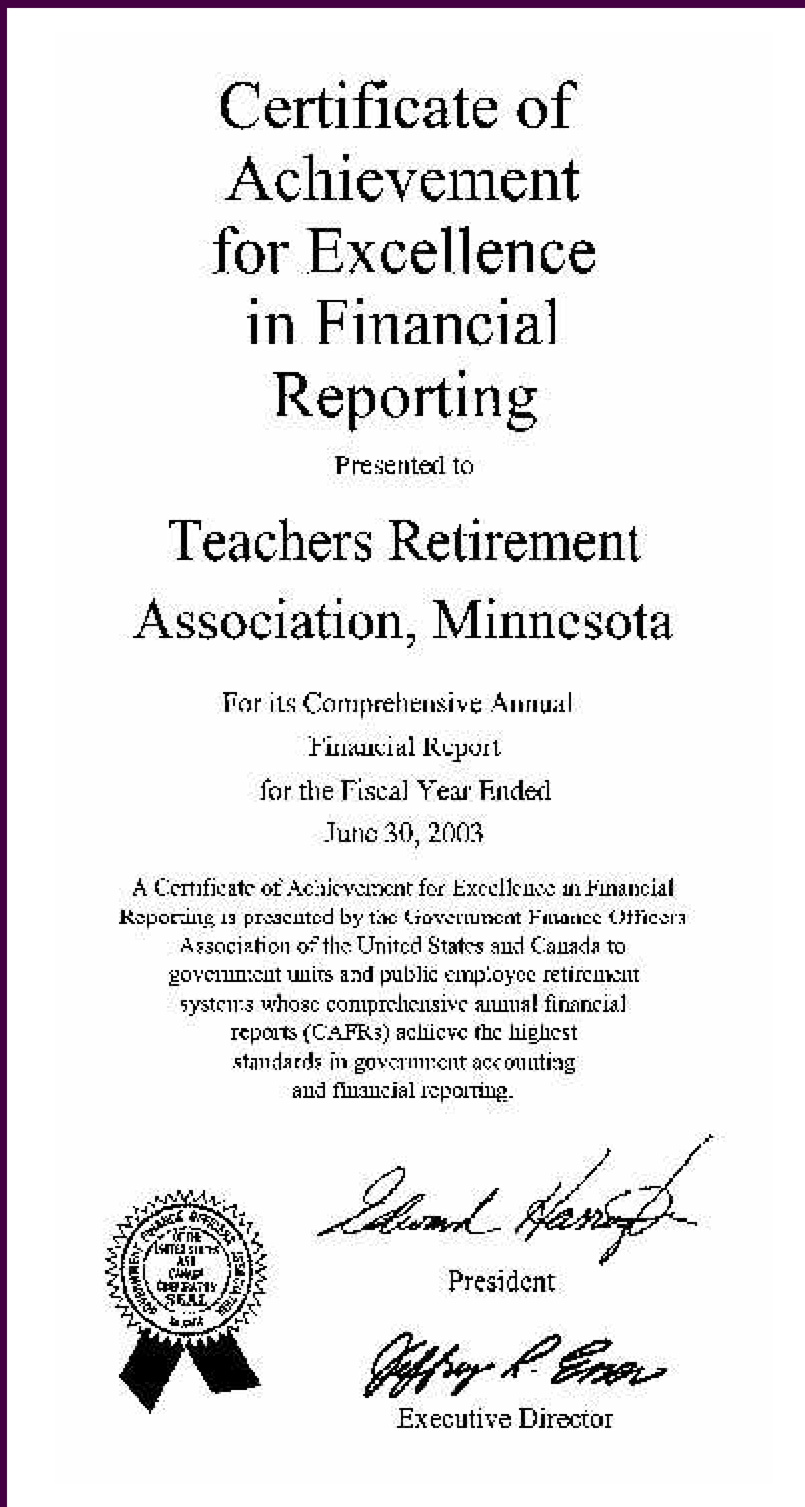
Gary Austin

Executive Director

Report Prepared by the Administrative Division

Contents

TRA



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers Retirement Association, Minnesota

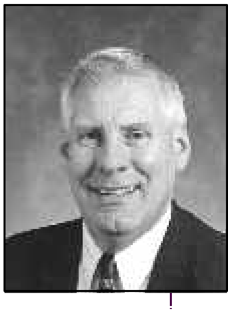
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003

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

President

Executive Director

Letter of Transmittal



Gary Austin
Executive Director

Teachers Retirement Association
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December 31, 2004

Members of the Board of Trustees
Teachers Retirement Association
60 Empire Drive, Suite 400
Saint Paul, MN 55103

Dear Trustee:

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of the Teachers Retirement Association (TRA) for the fiscal year ended June 30, 2004, our 73rd year of service. This report includes the following five sections:

- **Introduction** describes our organizational structure and nature of operations,
- **Financial** contains the general-purpose financial statements, notes to the financial statements, actuarial disclosures and the opinion of our independent auditor,
- **Investments** highlights our asset management and investment performance,
- **Actuarial** contains the certification and results of the actuarial valuation performed by The Segal Group as of July 1, 2004, and
- **Statistical** summarizes TRA plan benefits and illustrates both current and historical data of interest.

Plan Overview

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

As of June 30, 2004, TRA had 538 reporting employer units, 72,008 active members and a total of 37,649 retirees, survivors, beneficiaries and disabilitants who were receiving monthly benefits.

Financial Information

TRA follows the provisions of statements promulgated by the Governmental Accounting Standards Board (GASB) including GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. TRA's Comprehensive Annual Financial Report also complies with Minnesota Statutes, Section 356.20. Transactions are reported on the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is made.

A system of internal controls is in place to help monitor and safeguard assets, ensure transactions are carried out in accordance with Minnesota statutes, and promote efficient operations. The Minnesota Office of the Legislative Auditor annually conducts a financial and legal compliance audit of the Association. Management believes that the accompanying statements, schedules, and tables are fairly presented. We are solely responsible for the content of this report, including its financial statements, which should be helpful in understanding information about the pension fund and comparing our operating results with those of other teacher retirement systems.

Readers are encouraged to refer to the Management Discussion and Analysis on pages 14-17 for an overview of additions to and deductions from the TRA Fund for the fiscal year.

Actuarial Funding

The actuary jointly retained by the seven largest public pension plans in Minnesota is The Segal Company of Englewood, Colorado. The actuary determines the actuarial liabilities and reserves of the pension fund under the Entry Age Normal Cost Method. The actuarial value of assets is market-value based and uses a five-year smoothing mechanism to reduce volatility. The TRA total net assets on an actuarial basis increased to $17.5 billion from the previous year's total of $17.4 billion. The total required reserves necessary to fund current and future retirees of the fund also increased from $16.9 billion to $17.5 billion. The comparison of net assets to required reserves shows that the funding ratio for fiscal year 2004 was 100.01 percent, a moderate decrease from the comparable 103.13 percent for fiscal year 2003. Recognition of deferred investment losses from the 2001-2003 period was responsible for most of the decrease. This funding ratio results in the eighth consecutive year in which the TRA fund is considered fully funded from an actuarial standpoint. The TRA funding sufficiency, as measured by a percentage of covered payroll, declined during the year from 1.63 percent to 1.54 percent.

Investment Strategies

All TRA assets are invested under the authority and direction of the State Board of Investment (SBI). TRA invested assets have two main components: the Active Fund (assets of TRA active and inactive members) and the assets for TRA retirees and benefits recipients invested into the Minnesota Post Retirement Investment Fund (MPRIF). The MPRIF (Post Fund) consists of the assets of not only TRA benefit recipients, but also the benefit recipients of the other two major statewide public pension associations: the Minnesota State Retirement System and the Public Employees Retirement Association. The SBI has developed strategic asset allocation and other investment policies to represent the long-term funding needs of our members and benefit recipients. The SBI, along with its Investment Advisory Council (IAC), continually reviews its policies to ensure sufficient assets are available to finance promised benefits. The executive directors of the three statewide retirement systems sit on the IAC and represent their members in its role to advise the SBI on investment-related matters.

Investment Environment

After three years of lackluster performance, the U.S. and international stock markets provided strong returns during fiscal year 2004. The U.S. stock market increased 20.5 percent, as measured by the Russell 3000. The market improvement was a result of the U.S. economic recovery, strong consumer confidence and improving unemployment data. This strong performance was somewhat muted by concerns about terrorism, the war in Iraq, the presidential election, record high oil prices, and a 25 basis point increase in the federal funds rate.

International stock markets were very strong during the year. The Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States (ACWI Ex U.S.), which represents the developed and emerging international markets outside the U.S., returned 32.1 percent for the fiscal year.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, returned 0.3 percent for the fiscal year. The economic recovery and higher commodity pricing raised fears of inflation, which resulted in higher inflation rates. Mortgage securities and corporate bonds outpaced U.S. Treasury securities to allow the overall market to end in positive territory.

Investment Results

Within this investment environment, the retirement assets under the SBI's control produced the following results:

- The Basic Retirement Funds (including the TRA Active Fund) for active members increased 16.6 percent during fiscal year 2004. Over the latest ten year period, the fund has experienced an annualized return of 9.8 percent.
- The Minnesota Post Retirement Investment Fund (Post Fund) for retired members increased 16.3 percent for fiscal year 2004. Overall the Post Fund provided a ten year annualized return of 9.4 percent.
- The lifetime post-retirement benefit increase will be 2.50 percent for eligible retirees on January 1, 2005. The increase represents the maximum inflation component payable in the Post Fund's annual adjustment formula. The federal Consumer Price Index for inflation (CPI-W) for fiscal year 2004 was 3.17 percent. For the third straight year, no investment-based component will be paid. As of June 30, 2004, the liabilities of the Post Fund exceed its assets, leaving a deficit of about $4.1 billion. The deficit of the Post Fund must be fully recovered before any future investment-based adjustment is given. Benefit recipients should expect inflation-only annual benefit adjustments, capped at 2.5 percent, until the deficit is reversed.

Economic Conditions and Outlook

The performance of Minnesota's economy mirrored that of U.S. national economy during fiscal year 2004. While the state's unemployment rate continued to be well below the national average, the state's performance on other economic measures was mixed. During fiscal year 2004, unemployment in Minnesota averaged 4.8 percent, which is a full percentage point below the U.S. average of 5.8 percent. However, payroll employment grew by 1.1 percent in Minnesota, slightly slower than the 1.2 percent growth observed in national payroll employment. Minnesota's manufacturing sector showed some renewed strength with the state's manufacturing firms adding 7,400 jobs during fiscal 2004. Nationally, 121,000 manufacturing jobs were lost during the same time period. At the end of fiscal 2004, Minnesota manufacturing employment was 10.6 percent below that observed at the start of the 2001 recession. Nationally, manufacturing employment was 15.4 percent below pre-recession levels.

Income growth in Minnesota also tracked the U.S. average, growing at an annual rate of 4.5 percent in fiscal 2004, less than 0.1 percentage point below the national average. In calendar 2003, Minnesota's personal income grew by 3.3 percent and personal income per capita by 2.6 percent. Those growth rates were slightly greater than the U.S. average. Personal income per capita was $34,309 in calendar 2003, more than 8 percent above the national average. Minnesota now ranks eighth among states in per capital personal income.

Growth rates for the Minnesota economy during fiscal year 2005 are expected to be below those recorded last year as higher interest rates and energy price increases reduce U.S. real Gross Domestic Product (GDP) growth to a more sustainable rate of 3.6 percent in fiscal 2005. Real GDP is now reported to have grown at an annual rate of 4.5 percent during the 2004 fiscal year. Growth at that rate is generally not believed sustainable for the long term. Minnesota payroll employment is projected to grow by 19,000 (0.7 percent) and total wage and salary disbursements by 4.5 percent. The state forecast calls for personal income growth of 4.6 percent in the 2005 fiscal year. Minnesota's manufacturing sector is projected to add about 6,000 jobs during fiscal 2005 even though manufacturing jobs are expected to continue to decline nationally.

Professional Services

We purchase actuarial services from the firm Mellon Human Resources and Investor Solutions of San Francisco, California. The annual actuarial valuation of the pension fund is prepared by The Segal Company, the actuary jointly retained by the seven largest public pension plans to prepare actuarial reports for all the statewide retirement plans for legislative review.

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

Financial Communication

An Annual Statement of Account for fiscal year 2004 was mailed to each active member in October 2004. This statement provides current and cumulative information related to salaries, contributions and service credit. Projected and deferred retirement benefit estimates are also provided for eligible members. In November 2004, inactive TRA members (those no longer employed as teachers) received their Annual Statement of Account balance with contribution and service data.

A plan summary with financial and actuarial data for the year ended June 30, 2004, will be distributed to each active and retired member as part of a 2004-2005 edition of the *TRIB*, our quarterly newsletter. The TRA web site contains the entire text of this Comprehensive Annual Financial Report for members to download. Printed copies are available upon request.

Customer Services

Although the number of new retirements has remained fairly steady over the past couple of years due to a weak economy and uncertainties about post-retiree health care, we believe the effect is temporary and expect the number of new retirees to increase dramatically over the next decade. During fiscal year 2004, TRA continued work on the business reengineering project called FROST (Functional Redesign of Strategic Technologies). The project's main goal is to be ready to meet the customer service needs of our "baby boom" generation rapidly approaching retirement. Together with our consulting partner, BearingPoint, we are designing and developing an integrated package of computer applications to improve the processing and servicing of member pension benefits. Our first emphasis was a redesign of employer reporting of member data and a concerted effort to audit and purify our existing member data. We implemented the new employer member payroll reporting functionality in the summer of 2002. In November 2004, TRA implemented Phase 3 of the FROST Project, which concentrated on administrative processes such as retirement estimates, benefit applications, and all aspects of the benefit payments process. The final phase of the project, scheduled for completion in 2005, will include the implementation of new systems to enhance the various customer service improvements to the telephone service center and TRA interactive web site.

While the future holds exciting promise of new and enhanced features, we continue to provide quality counseling and benefit payment services to our members. Retirement counseling services take place in both our main Saint Paul office and at 15 temporary locations throughout the state. In partnership with the Minnesota State Retirement System, we established a new satellite office in Detroit Lakes in October 2004. Along with the two existing satellite offices in Saint Cloud and Mankato, TRA has ongoing pre-retirement counseling available within 100 miles of the homes of the vast majority of TRA's membership. These satellite locations are staffed on a permanent basis by a TRA pre-retirement benefit counselor who provides both individual and group counseling sessions to our members.

The TRA Customer Service Information Center received over 55,000 calls last year, and an estimated 95 percent of them were addressed without a callback or transfer. The TRIB is mailed to all active and retired members. Our web site offers the ability to self-calculate future retirement benefits, and is also updated regularly with the latest news of TRA events and other benefit provision changes. The implementation of enhanced internet functionality during fiscal year 2005 promises many opportunities to inform and educate our members on the value of their TRA benefit program.

Legislation and Other Initiatives

The 2004 Minnesota Legislature passed an Omnibus Pension Bill during the final days of session this past May. Most of the items in the bill affecting TRA members were of a “housekeeping” administrative nature; unfortunately, the bill did not contain authority to extend the purchase of prior service provision that was first established by the 1999 Legislature. During the five years of the program, over 1,000 members purchased service credit related to military service, sabbatical leaves, parental leaves and out-of-state teaching time.

The 2004 Legislature continued to evaluate the ongoing funding concerns of the Minneapolis and St. Paul Teacher Retirement Fund Associations and possible consolidation of these plans with TRA. We expect to continue our participation with the 2005 Legislature in efforts to improve the funding status of these local teacher pension plans.

National Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers Retirement Association for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the sixth consecutive year that the Association has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

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

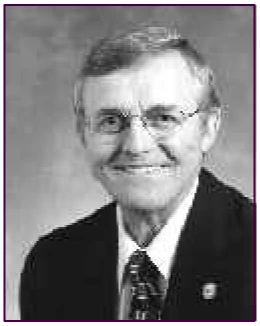
Respectfully submitted,

Gary Austin	John Wicklund
Executive Director	Assistant Executive Director Administration

Board of Trustees

As of December 1, 2004

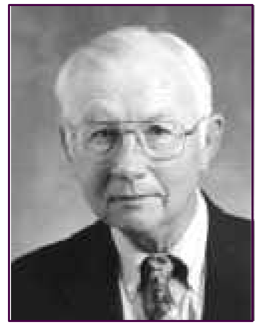
President



Curtis D. Hutchens
Elected Member
St. Cloud, MN

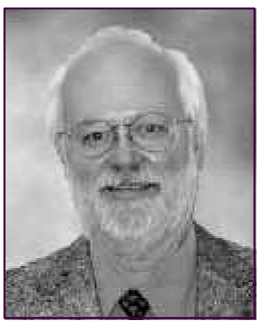
Vice President

Martha Lee (Marti) Zins
Elected Member
Hopkins, MN

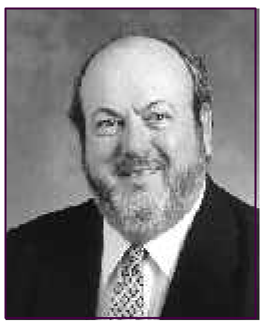


Vernell R. Jackels
Retiree Representative
Winona, MN

Sandy Schaefer
Elected Member
Fairfax, MN



Richard Gendreau
Elected Member
Bemidji, MN

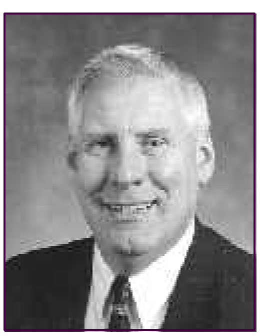


Bob Lowe
Minnesota School Boards
Association
Representative

Barry Sullivan
Representing
Alice Seagren
Commissioner of
Education

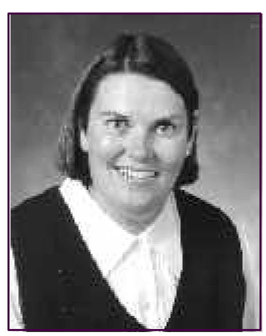
Lee Mehrkens
Representing
Peggy Ingison
Commissioner
of Finance

Administrative Staff

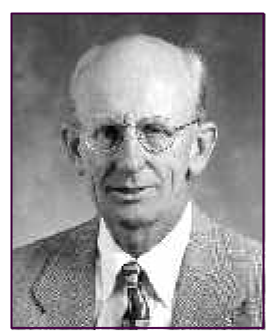


Gary Austin
Executive Director

John Wicklund
Assistant Director
of
Administration



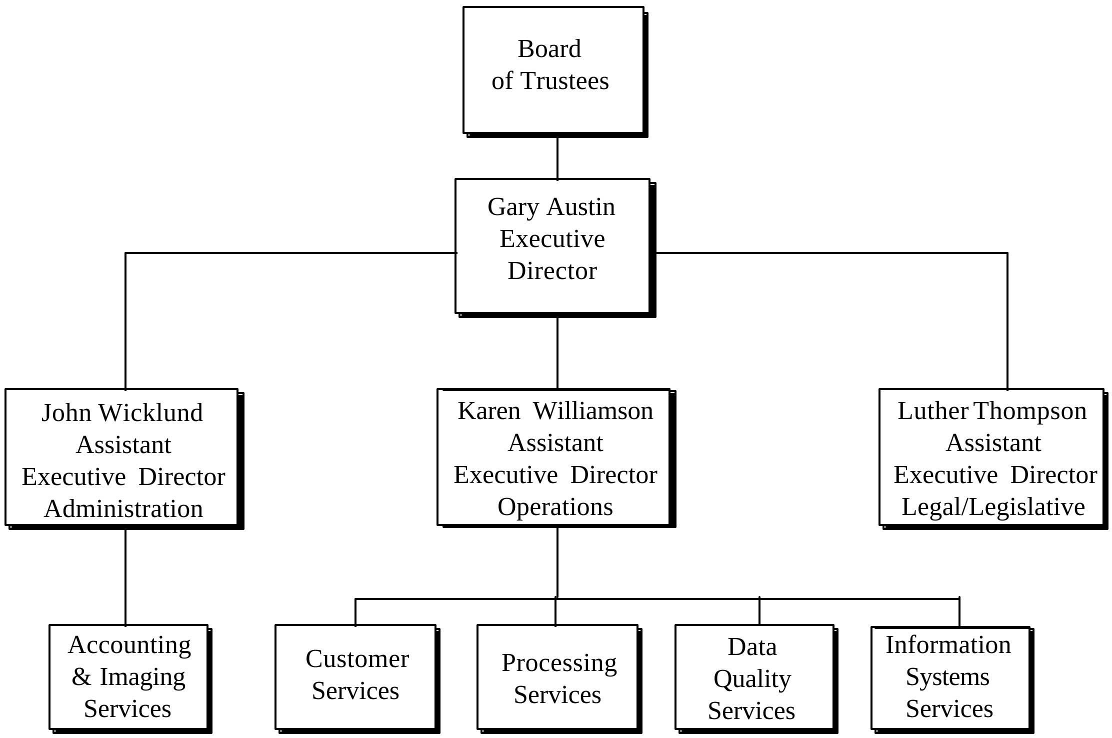
Karen Williamson
Assistant Director
of
Operations



Luther Thompson
Assistant Director
Legal and
Legislative Services

Administrative Organization

As of December 2004



Consulting Services

Actuary

Mellon Human Resources and Investor Solutions
San Francisco, California

The Segal Company
Englewood, Colorado

Auditor

Office of the Legislative Auditor
Saint Paul, Minnesota

Legal Counsel

Office of the Attorney General
Saint Paul, Minnesota

Medical Advisor

Minnesota Department of Health
Minneapolis, Minnesota

Mission Statement

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

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

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

Our Values

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

Teachers Retirement Association of Minnesota

Financial

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Auditor's Report

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

Independent Auditor's Report

Members of the Board of Trustees
Teachers Retirement Association of Minnesota
and
Mr. Gary Austin, Executive Director
Teachers Retirement Association of Minnesota

We have audited the accompanying basic financial statements of the Teachers Retirement Association of Minnesota (TRA) as of and for the year ended June 30, 2004, as listed in the Table of Contents. These financial statements are the responsibility of TRA's management. Our responsibility is to express an opinion on these financial statements based on our audit

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRA as of June 30, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2004, on our consideration of TRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, are not a required part of TRA's basic financial statements, but

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

Members of the Board of Trustees
Mr. Gary Austin, Executive Director
Teachers Retirement Association of Minnesota
Page 2

are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TRA's basic financial statements. The Supporting Schedules in the Financial Section and the Introduction, Investments, Actuarial, and Statistical Sections, listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supporting Schedules in the Financial Section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introduction, Investments Actuarial, and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 10, 2004

Management Discussion and Analysis

June 30, 2004

This discussion and analysis of the Teachers Retirement Association (TRA) of Minnesota provides an overview of TRA financial activities for the fiscal year ended June 30, 2004. We encourage you to consider the information presented here in conjunction with the transmittal letter beginning on page 3 and the additional information presented in the financial statements and required supplementary information.

Financial Highlights

- TRA assets are accounted for with two legally separate retirement funds. The TRA Active Fund consists of moneys held in trust for TRA active, inactive and members in deferral status. Retirees of TRA participate in the Minnesota Post Retirement Investment Fund (MPRIF) administered by the Minnesota State Board of Investment (SBI.) The fair value of the TRA Active Fund at June 30, 2004, was about $ 6.9 billion. TRA's assets in MPRIF were $ 8.2 billion, for a combined total of approximately $15.1 billion.

- The Net Assets Held in Trust for Pension Benefits increased in value by about $1.5 billion (11 percent) during fiscal year 2004 for a total of about $15.1 billion. The Association generated revenues of about $2.52 billion during the fiscal year. However, plan benefits and other expenses totaled about $1.03 billion during the fiscal year.

- Investment returns for the TRA Active Fund and the Minnesota Post Retirement Investment Fund for the 2004 fiscal year were 16.6 percent and 16.3 percent, respectively generating net investment income of about $2.2 billion.

- Contributions paid by members and employers during fiscal year 2004 totaled about $310 million.

- Pension benefits paid to retirees and beneficiaries increased about $28 million from the previous year bringing total benefits paid to slightly more than $1 billion for fiscal year 2004. This is the first time in TRA history that total benefits paid annually have topped $1 billion.

- Refunds of member contributions plus interest during fiscal year 2004 were $6.8 million, a slight increase from the fiscal year 2003 total of $6.7 million.

- Administrative expenses of the fund during fiscal year 2004 were $12.2 million, a 7.5 percent decrease from the fiscal year 2003 total of $13.2 million.

Actuarial Highlights

The Association's funding objective is to meet long-term benefit obligations through the accumulation of contributions and investment income. This funding is structured so that the burden of paying retirement costs is shared equitably by present and future generations of members and taxpayers. As of June 30, 2004, the accrued liability funding ratio for TRA was 100.01 percent, a decrease from the comparable funding ratio of 103.1 percent as of June 30, 2003. The funded ratio decrease for fiscal year 2004 is primarily due to recognition of investment losses deferred from the 2001-2003 period in the five year smoothing of investment returns.

TRA first became fully funded from an actuarial standpoint for fiscal year 1997. TRA has remained fully funded for the past eight fiscal years despite several investment losses during fiscal years 2001 and 2002. Key actuarial funding ratios can be seen on page 55.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial report of TRA. The financial report consists of:

- the basic financial statements, comprised of the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets;

- the notes to the basic financial statements; and

- required and other supplementary information.

The Statement of Plan Net Assets (page 18) presents information on the assets and liabilities of TRA, with the difference between the two reported as net assets. The net assets of the Association reflect the resources available to pay benefits to members when due. Over time, increases and decreases in net assets measure whether the Association's financial position is improving or deteriorating.

The Statement of Changes in Plan Net Assets (page 19) presents information detailing the changes in net assets that occurred during the current fiscal year. All changes in net assets are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a school district, even though not yet paid by fiscal year end, will be reflected as revenue. Earned benefits or refunds accruals will be reflected as an expense, even though they may not have been paid to the member until after fiscal year end.

The notes to the financial statements (pages 20-28) provide additional information that is essential to a full understanding of the data provided in the financial statements.

The report also contains required supplementary information in addition to the basic financial statements themselves. The Schedule of Funding Progress (page 29) includes historical trend information about the TRA plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due. The Schedule of Employer Contributions (page 29) present historical trend information about the annual required contributions of employers and the actual contributions made by employers. Notes to the Required Supplemental Schedules may be found on page 30.

Other supporting schedules are also presented. The Schedule of TRA Administrative Expenses (page 31) presents the overall cost of administering the Association. The Schedule of Changes in Plan Net Assets, separated by reserve accounts, is presented on pages 32-33. The Schedule of Professional Consultant Expenses (page 34) further details this category of administrative expense. The Schedule of Investment Management Expenses (page 34) provides summary information of professional investment money management expenses, includes TRA's share of the investment management fees of the Minnesota Post Retirement Investment Fund (MPRIF). These expenses are shown as a reduction of investment income on the Statement of Changes in Plan Net Assets.

Financial Analysis of the TRA Fund

Plan Assets

Total plan assets of the TRA Fund as of June 30, 2004, were $16.8 billion and were mostly comprised of cash, investments and contributions due from employers. Total plan net assets increased $2.1 billion (14.3 percent) from the June 30, 2003, total of $14.7 billion. The primary reason for the increase was substantial improvement in investment performance during fiscal year 2004 and a higher value of assets through the securities lending program administered by the State Board of Investment.

Plan Liabilities

Total liabilities as of June 30, 2004, were $1.72 billion, an increase of 55 percent from the June 30, 2003, liability amount of $1.11 billion. The primary reason for the increase was a substantially higher value of liabilities within the securities lending program. In both years, the liability amounts were mostly comprised of obligations under security lending arrangements and long-term bonds payable for the building co-owned by the Association.

Net Assets

Association assets exceeded liabilities on June 30, 2004, by $15.1 billion. The amount is higher than the June 30, 2003, amount of $13.6 billion, primarily due to strong investment performance during fiscal year 2004. As a mature public pension plan, TRA relies heavily on investment earnings to help pay benefits and expenses since annual employee and employer contributions are currently less than one-third of the amount needed to fund current cash outflows. As result of its annual expenses, the TRA Fund requires strong investment performance each year to maintain an equilibrium or experience an increase in its level of net assets.

Revenues: Additions to Plan Net Assets

Total additions to the TRA Fund during fiscal year 2004 were $2.5 billion, a four-fold increase from the $0.6 billion in fiscal year 2003. Extremely strong investment returns were mostly responsible for this dramatic turnaround.

Plan Net Assets

Dollar Amounts in Thousands

	2004	2003	Change
Cash and Investments	$ 16,800,405	$ 14,675,024	$ 2,125,381
Receivables	6,738	26,220	(19,482)
Other	11,974	12,463	(489)
Total Assets	16,819,117	14,713,707	2,105,410
Total Liabilities	1,723,313	1,112,101	611,212
Plan Net Assets	$ 15,095,804	$ 13,601,606	$ 1,494,198

Changes in Plan Net Assets

Dollar Amounts in Thousands

	2004	2003	Change
Additions			
Member Contributions	$ 159,140	$ 155,577	$ 3,563
Employer Contributions	151,029	149,481	1,548
Net Investment Gain (Loss)	2,204,787	293,085	1,911,702
Other	7,266	4,417	2,849
Total Additions	$ 2,522,222	$ 602,560	$ 1,919,662
Deductions			
Monthly Benefits	$ 1,008,411	$ 976,977	$ 31,434
Refunds of Contributions	6,862	6,656	206
Administrative Expenses	12,179	13,158	(979)
Other	573	1,924	(1,351)
Total Deductions	$ 1,028,025	$ 998,715	$ 29,310
Change in Plan Net Assets	$ 1,494,197	$ (396,155)	$ 1,890,352

Total retirement contributions for fiscal year 2004 increased about $5.1 million from the previous fiscal year for a combined fiscal year 2004 total of about $310.1 million. Retirement contributions are calculated at 5 percent employee and 5 percent employer for Coordinated members. Members may also pay contributions to reinstate previously withdrawn service credit or purchase various types of elective service.

A positive net investment return of $2.2 billion was achieved for fiscal year 2004. This amount was a substantial improvement over fiscal year 2003 when a net investment gain of $293.1 million occurred. Investment returns for the TRA Active Fund and the Minnesota Post Retirement Investment Fund were 16.6 percent and 16.3 percent, respectively, for fiscal year 2004. During fiscal year 2003, the comparable investment returns were 1.9 percent (Active Fund) and 2.8 percent (Post Fund).

Expenses - Deductions From Plan Net Assets

The primary expenses of TRA include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the system. Benefits expenses have slowed from recent years and increased by about $31.4 million due to a lower number of new retirements and a cost-of-living adjustment of 2.103 percent on January 1, 2004 for most TRA benefit recipients. Refunds of $6.9 million increased by about $206 thousand during fiscal year 2004 from the fiscal year 2003 total of $6.7 million. Administrative expenses declined 7.4 percent during the fiscal year - from $13.2 million in fiscal year 2003 to about $12.2 million for fiscal year 2004. Overall, fund expenses rose $29 million during fiscal year 2004 and now exceed $1 billion annually.

Summary

Due to the long-term nature of defined benefit plans, one must review the financial performance of TRA over a period of years and not an isolated point in time. Although the TRA Fund has not met its 8.5 percent earnings assumption for three of the past four fiscal years, the accrued liability funding ratio remains over 100 percent as of June 30, 2004. The Board of Trustees will continue to strive to maintain the fully funded financial position of the Association through the State Board of Investment's prudent investment program and long-term strategic planning for Association operations.

Request for Information

The financial report is designed to provide the Board of Trustees, members and other users of the financial report with a general overview of the Association's finances and to demonstrate its accountability with the money it holds in trust. If you have any questions about this report or require additional financial information, please contact the Teachers Retirement Association, 60 Empire Drive, Suite 400, Saint Paul, Minnesota 55103.

Teachers Retirement Fund
Statement of Plan Net Assets

As of June 30, 2004

Assets		
Cash and short-term investments		
Cash	$	3,677,981
Building Account Cash		46,393
Short-term investments		208,591,289
Total Cash and Short-term Investments	$	212,315,663
Receivables		
Employer Contributions	$	6,465,634
Investment Income		239,181
Bond Interest		33,420
Total Receivables	$	6,738,235
Investments (at fair value)		
Equity in the Post Fund	$	8,218,301,690
Fixed Income Pool		1,438,133,775
Alternative Investments Pool		895,285,360
Indexed Equity Pool		1,075,031,910
Domestic Equity Pool		2,222,746,221
Global Equity Pool		1,045,215,535
Total Investments	$	14,894,714,491
Securities Lending Collateral	$	1,693,375,125
Building		
Land		171,166
Building and Equipment		11,824,395
Reserve for Building Depreciation		(885,777)
Deferred Bond Charge		145,857
Reserve for Deferred Bond Charge Amortization		(15,088)
Total Building	$	11,240,553
Capital Assets (net of accumulated depreciation)	$	732,987
Total Assets	$	16,819,117,054
Liabilities		
Due to the Post Fund	$	11,403,911
Accounts Payable		5,341,208
Accrued Compensated Absences		533,532
Accrued Expenses - Building		41,002
Bonds Interest Payable		53,133
Securities Lending Collateral		1,693,375,125
Retainage Payable		1,505,492
Bonds Payable		11,060,000
Total Liabilities	$	1,723,313,403
Net Assets Held in Trust for Pension Benefits	$	15,095,803,651

(A Schedule of Funding Progress for the plan is presented on page 29.)
The accompanying notes are an integral part of this statement.

Teachers Retirement Fund
Statement of Changes in Plan Net Assets

For the Fiscal Year Ended June 30, 2004

Additions		
Contributions		
Employee	$	159,139,548
Employer		151,028,911
Earnings Limitation Savings Account (ELSA)		3,365,997
Total Contributions	$	313,534,456
Investment Income		
Net Appreciation in Fair Value	$	811,099,531
Interest		74,255,507
Dividends		561,775,797
MN Post-Retirement Fund: Distributed Income		773,145,895
Less Investment Expenses		(20,450,572)
Net Investment Income	$	2,199,826,158
From Securities Lending Activities		
Securities Lending Income	$	17,920,892
Securities Lending Expenses:		
Borrower Rebates		(11,456,996)
Management Fees		(1,502,559)
Total Securities Lending Expenses		(12,959,555)
Net Income from Securities Lending		4,961,337
Total Net Investment Income	$	2,204,787,495
Other Income	$	3,900,007
Total Additions (subtractions)	$	2,522,221,958
Deductions		
Retirement Benefits Paid	$	1,005,044,474
Earnings Limitation Savings Account (ELSA)		3,365,997
Refunds of Contributions to Members		6,861,708
Administrative Expenses		12,179,212
Interest Paid to the Post Fund		573,379
Total Deductions	$	1,028,024,770
Net Increase (decrease)	$	1,494,197,188
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	$	13,601,606,463
End of Year	$	15,095,803,651

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2004

I. Plan Description

A. Organization

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

B. Participating Members and Employers

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

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

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

C. Benefit Provisions

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

Two methods, or tiers, are used to compute benefits for Coordinated and Basic members who were first hired prior to July 1, 1989. Under Tier I, the annuity accrual rate for Basic members is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. For a

Figure 1

Employer Units

	June 30, 2004
Independent school districts	345
Joint powers units	37
Colleges and universities	39
State agencies	6
Charter schools	110
Professional organizations	1
Total Employer Units	538

Membership

	June 30, 2004
Retirees, disabilitants and beneficiaries receiving benefits	37,649
Terminated employees with deferred vested benefits	10,767
Total	48,416
Current employees	
Vested	55,704
Non-vested	16,304
Total	72,008

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

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

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

II. Significant Accounting Policies and Plan Asset Matters

A. Reporting Entity

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

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

B. Basis of Accounting

TRA financial statements for its defined benefit fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the year in which they are due pursuant to Minnesota Statute. Expenses including benefit payments and refunds are recorded when the liability is due and payable according to Minnesota Statute.

C. Investment Policies

1. Pursuant to Minnesota Statutes, Chapter 11A, the state's retirement fund assets are commingled in various pooled investment accounts, administered by the State Board of Investment (SBI). As of June 30, 2004, the TRA Fund's share of the Active Member Funds administered by SBI at fair value was approximately 36.7 percent ($6.9 billion - TRA, and $18.8 billion - total). The TRA share of the net assets of the Minnesota Post Retirement Investment Fund (Post Fund) at fair values totaled 44.6 percent ($8.2 billion - TRA and $18.4 billion - total). On page 22, *Figure 2* provides specific totals of TRA investments by category.

2. Minnesota Statutes, section 11A.24, broadly restricts retirement fund investments to obligations and stocks of United States and Canadian governments, their agencies and their registered corporations; short-term obligations of specified high quality; restricted participation as a limited partner in venture capital, real estate or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments.

Figure 2

TRA Investment Portfolio
June 30, 2004

Basic (Active) Fund	Cost	Fair
Pooled Accounts		
Fixed Income	$ 1,499,348,241	$ 1,438,133,775
Domestic Equity	2,367,696,274	2,222,746,221
Indexed Equity	1,017,360,301	1,075,031,910
Global Equity	1,004,219,407	1,045,215,535
Alternative Investments	878,620,671	895,285,360
Total	$ 6,767,244,894	$ 6,676,412,801
Short-Term Pooled Cash	208,591,289	208,591,289
Post Fund Account	10,092,954,741	8,218,301,690
Total Invested	$17,068,790,924	$15,103,305,780

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

4. Information about the primary government's (State of Minnesota) investments, including credit risk classification, can be obtained from the Department of Finance, 400 Centennial Office Building, 658 Cedar Street, Saint Paul, Minnesota 55155. Information on investment activity, investment management fees and a listing of specific investments owned by the pooled asset accounts can be obtained from SBI, Suite 355, 60 Empire Drive, Saint Paul, Minnesota 55103.

D. Method Used to Value Investments

Investments in the pooled accounts are reported at fair value. *Figure 2* provides a summary of the cost and fair values of the investments as of June 30, 2004, as reported on the Statement of Plan Net Assets. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued using the last reported trade price. The fair value of real estate investments is based on independent yearly appraisals. Investments that do not have an established market are reported at estimated fair value.

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

Net Investment Income is summarized on the Statement of Changes in Net Plan Assets. The summarized amounts show a net investment gain of $2,199,826,158 for fiscal year 2004. On page 23, *Figure 3* shows the various components of these composite amounts, including TRA's share of the Minnesota Post Retirement Investment Fund.

The cost of security transactions is included in the transaction price. Administrative expenses of SBI and investment management fees of the external money managers and the state's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts (see page 34). TRA's share of these expenses totaled are:

TRA Active Fund	$ 8,806,475
MN Post Retirement Fund	11,644,097
Total	$ 20,450,572

A detailed schedule of fees and commissions by brokerage firm, along with the number of shares traded, total commissions, and commissions per share may be obtained by writing:

Minnesota State Board of Investment
60 Empire Drive, Suite 355
St. Paul, MN 55103-3555

E. Securities Lending

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

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

Figure 3

Net Investment Income

Investment Income	**Fiscal Year 2004**
Net Appreciation in Fair Value: Investment Pools (Active Fund)	$ 490,178,953
Net Appreciation in Fair Value: Post Fund Participation	431,632,412
Net Loss on Sales of Investment Pools	(110,711,834)
Interest	74,255,507
Dividends	561,775,797
MN Post-Retirement Fund: Distributed Income	773,145,895
Less Investment Expenses	(20,450,572)
Net Investment Income	$ 2,199,826,158

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

During the fiscal year, SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and SBI's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which SBI could not determine. On June 30, 2004, SBI had no credit risk exposure to borrowers. TRA's portion of the cash collateral held and the fair value of securities on loan from SBI as of June 30, 2004, were $1,693,375,125 and $1,675,471,940 respectively. Cash collateral is reported on the Statement of Plan Net Assets as an asset. Liabilities resulting from these securities lending transactions are also reported on the Statement of Plan Net Assets.

F. Accrued Compensated Absences

Employees of TRA accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in collective bargaining agreements. Accumulated amounts for compensated absences are accrued when incurred. Such leave is liquidated in cash primarily at the time of termination of employment. We estimate that $28,705 is considered a short-term liability. The total, $533,532 is shown as a liability on the Statement of Plan Net Assets. The total decreased $65,072 during fiscal year 2004.

G. Capital Assets

Capital assets are capitalized at the time of acquisition at cost. Depreciation is computed on a straight-line method over the useful life of the related assets. The estimated useful lives by major category are: computer equipment (3 years), general office equipment (5 years) and modular office furniture (10 years).

Capital assets are presented on the June 30, 2004, Statement of Plan Net Assets. The year-end balance plus changes during the year are:

	June 30 2004	June 30 2003	Change
Cost Value	$3,437,720	$3,356,749	$ 80,971
Accumulated Depreciation	2,704,733	2,403,749	300,984
Net Fixed Asset Value	$ 732,987	$ 953,000	$(220,013)

H. Administrative Expenses and Budget

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

TRA administrative costs are not financed through any specific type of contribution or other income of the Fund. Administrative costs are budgeted in the annual determination of the necessary rate for total employee and employer contributions (page 66, line B3).

I. Retainage

In accordance with Minnesota Statutes, TRA retains 10 percent of professional/technical billings from vendors until successful completion of the contractual obligations. As of June 30, 2004, TRA has a long-term liability of $1,505,491 established to represent contractual payments reasonably expected to be paid upon successful completion of the contract. The schedule on page 35 details the retainage held.

On June 30, 2003, the long-term liability of retainage was $1,208,470. The fiscal year 2004 increase was $297,021. All retainage under these contracts is expected to be paid during fiscal year 2005.

J. Cash

Cash on deposit consists of year-end receipts not processed as of the investment cutoff on June 30. TRA cash funds are held in the state treasury where they are commingled with other state funds. Minnesota Statutes, section 9.031, requires that deposits be secured by depository insurance and collateral shall be in amounts sufficient to ensure that deposits do not exceed 90 percent of the sum of the insured amount and the market value of the collateral. Throughout fiscal year 2004, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all TRA deposits.

K. Accounts Receivable

Amounts classified as accounts receivable consist primarily of member and employer contributions received after the fiscal year end on salaries earned prior to June 30, 2004. Under Minnesota Statutes, section 354.52, subdivision 4, TRA employers must remit contributions at least monthly.

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

L. Improved Money Purchase (IMP)

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

Beginning with fiscal year 1999, significant numbers of retiring members discovered that their IMP benefit was higher than the High-Five Average Formula benefit. This phenomenon occurred as strong annual investment returns during the 1990s generated high interest rates compounding on large employee contribution balances accumulated after long teaching careers. The effect will become less pronounced in periods of low or negative investment performance.

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

As of June 30, 2004, approximately 750 active members are eligible for the IMP provision. Assuming IMP eligibility remains limited to the existing, closed group of members, TRA management believes the actuarial impact of the remaining IMP-eligible members will not adversely harm the overall financial integrity of the fund.

M. Earnings Limitation Savings Account (ELSA)

Teachers under age 65 who resume teaching service for a TRA-covered employer after retirement are subject to an annual earnings limitation based on the cost-of-living index used by Social Security. If a member earns more than the limitation, which changes each January 1, the annuity payable during the following calendar year will be offset one dollar for each two dollars earned in excess of the limitation. The calendar year 2003 limit was $11,640.

The 2000 Legislature modified the way in which the earning limits are handled. Previously, any pension benefits withheld due to excess earnings reverted back to the TRA Fund. Under the new law, the pension offset amounts are redirected to a separate savings account, called the Earnings Limitation Savings Account (ELSA), and later distributed to the retiree. At age 65 or one year after termination of teaching, whichever is later, the retiree receives a lump-sum payment of the total offset amount in their ELSA account. Six percent interest compounded annually accrues on ELSA accounts.

As of June 30, 2004, TRA had 884 retirees who had exceeded the earnings limitation since the program's inception and had an ELSA account established. The total dollar value of ELSA accounts totalled $6,672,563. The total dollar amount of pension benefits withheld due to excess earnings during fiscal year 2004 was $3,365,997. ELSA assets are invested in the TRA Active Fund until distribution. Distributions of ELSA accounts for 16 retirees occurred during fiscal year 2004 and totaled $56,555 and are included as a deduction in the Statement of Changes in Plan Net Assets as a component of Refund of Contributions to Members.

N. Participating Pension Plan

All 89 employees of the Teachers Retirement Association are covered by the defined benefit plan administered by TRA. All TRA employees participate in the Coordinated Plan. TRA employees are eligible for the plan provisions described in Note I, C.

Minnesota Statutes Section 354.42 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. As of June 30, 2004, Coordinated members are required to contribute 5.0 percent of their annual covered salary. Employer contribution rates matched the rates paid by the member of 5.0 percent for Coordinated members. Total covered payroll salaries for all TRA employees during fiscal year 2004 was approximately $4.3 million. Total covered payroll salaries for the entire membership of TRA for fiscal year 2004 was approximately $3.032 billion.

Employer pension contributions for TRA employees for the years ending June 30, 2004, 2003 and 2002 were $225,214, $224,845 and $212,095, respectively, equal to the required contributions for each year as set by state statute.

O. Ownership of Office Building

The 1999 Legislature enacted authorization permitting TRA, the Public Employees Retirement Association (PERA), and the Minnesota State Retirement System (MSRS) to purchase land and construct a 130,000 square foot office building to house the administrative offices of these three state entities. Ownership of the facility is prorated based on the amount of square footage each retirement system will occupy in the building. TRA's ownership share is 40 percent. The building is located on 4.3 acres of land at 60 Empire Drive in Saint Paul. The land was purchased in 1999 for $428,988, of which TRA's share is $171,166. TRA has occupied the 4th Floor of the building since September 2001.

In June 2000, the State of Minnesota, under the authority of the Commissioner of Finance, issued 30-year revenue bonds totaling $29 million to pay for the construction of the facility. Each owner (retirement system) is responsible for principal and interest payments based on its ownership percentage. These bonds are backed by the assets of the three retirement systems, excluding equity interest in the Minnesota Post-Retirement Investment Fund (MPRIF). At fiscal year end, TRA's share of the bonds payable is $11,060,000. The bond payable decreased by $190,000 during the year. Interest expected to be paid over the remaining term of the bonds is $10,755,376. In *Figure 4*, TRA's share of the long-term bond repayment schedule including interest is summarized.

Figure 4

Schedule of Building Debt Service Payments
June 30, 2004

Fiscal Year	Principal	Interest	Total Principal and Interest
2005	$ 200,000	$ 637,598	$ 837,598
2006	$ 210,000	$ 626,848	$ 836,848
2007	$ 220,000	$ 615,560	$ 835,560
2008	$ 230,000	$ 603,735	$ 833,735
2009	$ 240,000	$ 591,373	$ 831,373
2010	$ 250,000	$ 578,473	$ 828,473
2011	$ 270,000	$ 565,035	$ 835,035
2012	$ 280,000	$ 550,455	$ 830,455
2013	$ 300,000	$ 535,195	$ 835,195
2014	$ 310,000	$ 518,695	$ 828,695
2015	$ 330,000	$ 501,490	$ 831,490
2016	$ 350,000	$ 483,010	$ 833,010
2017	$ 370,000	$ 463,235	$ 833,235
2018	$ 390,000	$ 442,145	$ 832,145
2019	$ 420,000	$ 419,720	$ 839,720
2020	$ 440,000	$ 395,570	$ 835,570
2021	$ 470,000	$ 370,050	$ 840,050
2022	$ 500,000	$ 342,438	$ 842,438
2023	$ 530,000	$ 313,063	$ 843,063
2024	$ 560,000	$ 281,925	$ 841,925
2025	$ 600,000	$ 249,025	$ 849,025
2026	$ 630,000	$ 213,775	$ 843,775
2027	$ 670,000	$ 176,763	$ 846,763
2028	$ 720,000	$ 137,400	$ 857,400
2029	$ 760,000	$ 94,200	$ 854,200
2030	$ 810,000	$ 48,600	$ 858,600
	$ 11,060,000	$ 10,755,376	$ 21,815,376

TRA's share of bond issuance costs are shown on the Statement of Plan Net Assets as Deferred Bond Charges and will be amortized over the 30-year life of the bonds.

TRA is depreciating its share of the facility over 40 years. The following depreciation schedule (*Figure 5*) summarizes the asset valuation of the office building.

Figure 5

Office Building Depreciation Schedule
June 30, 2004

Historical Cost	$11,824,395
FY 2004 Depreciation Amount	(295,911)
Prior Year Accumulated Depreciation	(589,866)
Net Asset Value of Building	$10,938,618

III. Contributions Required and Made

Minnesota Statutes, Chapter 354 sets the rates (page 64) for employee and employer contributions. These rates, expressed as level percentages of annual covered payroll, are determined to accumulate sufficient assets for paying benefits. Level percentage of payroll contribution rates are calculated using the entry age normal actuarial funding method. TRA also uses the level percentage of payroll method to amortize any unfunded liability over a closed period ending June 30, 2020. Currently, no unfunded liability exists.

Contributions totaling $310,168,459 ($159,139,548 employee and $151,028,911 employer) were made in accordance with the actuarially determined contribution requirements. On page 66, contributions are projected as sufficient to meet the required normal costs.

The sufficiency as a percent of covered payroll is 1.54 percent. This translates into a contribution sufficiency of about $49.3 million projected for fiscal year 2005. The Minnesota Legislative Commission on Pensions and Retirement annually reviews the adequacy of TRA's statutory contributions.

Figure 6

January 1, 2005 Benefit Increase

Inflation-Based Benefit Increase	2.500%
Investment-Based Benefit Increase	0.000%
Total Benefit Increase	2.500%

IV. Reserve Accounts

A. Minnesota Post Retirement Investment Fund (Post Fund)

For all retiring members, the reserves required to pay the cost of retirement benefits are transferred from the TRA Fund to the Post Fund which is managed by SBI. Participation in the Post Fund is shown at the actuarially determined required reserves level (cost basis) in accordance with Minnesota Statutes, section 11A.18, subdivision 7. The cost basis represents the estimated present value of future benefit payments promised to all current TRA benefit recipients.

The cost basis also includes a 6 percent assumed income distribution and any mortality gains or losses as determined by an independent actuary hired by the state legislature. As of June 30, 2004, TRA's share of the net assets of the Post Fund is $10.09 billion at cost and $8.22 billion at fair value.

The Post Fund income available for distribution is determined using a post-retirement benefit increase formula based on total investment return rather than realized earnings.

This formula contains both an inflation adjustment and an investment component (pages 44-45). Annuitants and other individuals receiving benefits as of July 1, 2003, are eligible to receive the full January 1, 2005, benefit increase shown in *Figure 6*.

Benefit recipients whose effective date of retirement is after July 1, 2003, but before June 2, 2004, receive a prorated amount of the January 1, 2005 benefit increase.

B. Member Reserves

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

Amounts from ELSA Accounts (Note II, M) are considered as a member reserve since these funds are reserved to specific retirees participating in ELSA.

C. Benefit Reserves

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

Required Supplemental Schedules
Schedule of Employer Contributions (Unaudited)

Dollar Amounts in Thousands

Year Ended June 30	Actuarially Required Contrib. Rate (A)	Actual Covered Payroll (B)	Actual Employee Contributions (C)	Annual Required Contribution [(A) x (B)] - (C)	Actual Employer Contribution[1]	Percentage Contributed
1995	14.73%	2,204,693	143,536	181,215	179,672	99.15%
1996	14.30%	2,268,390	148,051	176,329	184,495	104.63%
1997	12.78%	2,359,011	154,161	147,321	191,670	130.10%
1998	9.55%[2]	2,422,957	124,096	107,296	151,323	141.03%
1999	8.39%[2]	2,625,254	132,040	88,219	130,526	147.96%
2000	8.36%[2]	2,704,575	138,696	87,406	134,419	153.79%
2001	7.92%[2][3]	2,812,000	145,075	77,635	139,799	180.07%
2002	7.85%[2]	2,873,771	152,331	73,260	142,222	194.13%
2003	7.57%[2][4]	2,952,887	155,517	67,957	149,481	219.96%
2004	8.37%	3,032,483	159,140	94,679	151,029	159.52%
2005	8.46%					

[1] Includes contributions from other sources (if applicable).
[2] Actuarially Received Contribution Rate calculated according to the parameters of GASB 25 using a 30-year amortization of the negative unfunded accrued liability.
[3] Actuarially Required Contribution Rate prior to change in Actuarial Assumptions and Asset Valuation Method is 7.31%.
[4] Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 8.11%

Schedule of Funding Progress (Unaudited)

Dollar Amounts in Thousands

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A / B)	Actual Covered Payroll (Previous FY) (C)	UAAL as Percentage of Covered Payroll (B - A) / (C)
07/01/95	8,348,124	9,717,623	1,369,499	85.91%	2,204,693	62.12%
07/01/96	9,541,221	10,366,168	824,947	92.04%	2,268,390	36.37%
07/01/97	11,103,759	10,963,637	(140,122)	101.28%	2,359,011	-5.94%
07/01/98	12,727,546	12,046,312	(681,234)	105.66%	2,422,957	-28.12%
07/01/99	14,011,247	13,259,569	(751,678)	105.67%	2,625,254	-28.63%
07/01/00	15,573,151	14,802,441	(770,710)	105.21%	2,704,575	-28.50%
07/01/01	16,834,024	15,903,984	(930,040)	105.85%	2,812,000	-33.07%
07/01/02	17,378,994	16,503,099	(875,895)	105.31%	2,873,771	-30.48%
07/01/03	17,384,179	16,856,379	(527,800)	103.13%	2,952,887	-17.87%
07/01/04	17,519,909	17,518,784	(1,125)	100.01%	3,032,483	-0.04%

Teachers Retirement Association
Notes to the Required Supplemental Schedules (Unaudited)
June 30, 2004

Valuation date	July 1, 2004
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll assuming payroll increases of 5.00% per annum
Remaining amortization period	30 years remaining as of July 1, 2004
Asset valuation method	Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).

Actuarial assumptions

Investment rate of return:	
Pre-retirement	8.50% per annum
Post-retirement	6.00% per annum
Projected salary increases	Select and ultimate rates by age, with ultimate rates of 5.00% - 6.00%

Plan membership

Pensioners and beneficiaries receiving benefits	37,649
Terminated vested members entitled to, but not yet receiving benefits	10,767
Other terminated non-vested members	18,223
Active members	72,008
Total	138,647

Administrative Expenses

For the Fiscal Year Ended June 30, 2004

Personal Services		
Salaries	$	4,294,108
Employer Contributions to Teachers Retirement Association		225,214
Employer Contributions to Social Security		321,053
Insurance Contributions		797,134
Subtotal	$	5,637,509
Professional Services		
Actuarial Services	$	145,949
Audit Fees		54,669
Computer Support Services		534,725
Legal Fees		46,349
Management Consultant Services		410,256
Medical Services		46,412
Systems Development (FROST)		2,481,213
Subtotal	$	3,719,573
Communication		
Duplicating and Printing Expense	$	85,527
Postage		264,452
Telephone		58,480
Subtotal	$	408,459
Office Building Maintenance		
Lease of Office and Storage Space	$	10,623
Building and Operating Expenses		481,585
Rental of Office Machines/Furnishings		31,739
Repairs and Maintenance		253,979
Building Depreciation		295,911
Deferred Bond Charge Amortization		5,030
Bond Interest Expense		646,959
Subtotal	$	1,725,826
Other Operating Expenses		
Department Head Expenses	$	1,499
Depreciation of Office Furniture and Equipment		300,984
Dues and Subscriptions		10,224
Employee Training		23,157
Insurance Expense		3,081
Miscellaneous Administrative Expenses		10,357
State Indirect Costs		134,367
Stationery and Office Supplies		139,788
Travel - Director and Staff		37,029
Travel - Trustees		22,207
Workers' Compensation		3,188
Board Substitute Teachers		1,964
Subtotal	$	687,845
Total Administrative Expenses	$	12,179,212

Teachers Retirement Fund
Schedule of Changes in Plan Net Assets
For Fiscal Year Ended June 30, 2004

	Member
Additions	
Contributions:	
Member Contributions	$ 158,317,992
Employer Contributions	0
Earnings Limitation Savings Account (ELSA)	3,365,997
Total Contributions	161,683,989
Investment Income:	
Net Appreciation in FMV	0
Interest	0
Dividends	0
Net Gain on Sales of Pools	0
Distributed Income from Post Fund	0
Investment Management Fees	0
Net Investment Income (Loss)	0
From Securities Lending Activities:	
Securities Lending Income	0
Securities Lending Borrower Rebates	0
Securities Lending Management Fees	0
Net Income from Securities Lending	0
Other Income	0
Total Additions (Subtractions)	$ 161,683,989
Deductions	
Benefits Paid	$ 0
Earnings Limitation Savings Account (ELSA)	0
Refunds of Member Contributions	6,692,413
Administrative Expenses	0
Interest Paid Post Fund	0
Total Expenses	$ 6,692,413
Net Increase (Decrease)	$ 154,991,576
Other Changes in Reserves	
Annuities Awarded	$ (85,883,703)
Other Transfers	2,838,747
Change in Assumptions	0
Mortality Loss (Gain)	0
Total Other Changes	$ (83,044,956)
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,561,048,403
End of Year	$ 1,632,995,023

The accompanying notes are an integral part of this statement.
Note: Reserve amounts rounded to nearest dollar.

Reserves for 2004

Post Fund	Benefit	Total June 30, 2004
$ 0	$ 821,556	$ 159,139,548
0	151,028,911	151,028,911
0	0	3,365,997
0	151,850,467	313,534,456
431,632,412	490,178,953	921,811,365
0	74,255,507	74,255,507
0	561,775,797	561,775,797
0	(110,711,834)	(110,711,834)
773,145,895	0	773,145,895
(11,644,097)	(8,806,475)	(20,450,572)
1,193,134,210	1,006,691,948	2,199,826,158
10,187,936	7,732,956	17,920,892
(6,549,788)	(4,907,208)	(11,456,996)
(841,484)	(661,075)	(1,502,559)
2,796,664	2,164,673	4,961,337
0	3,900,007	3,900,007
$ 1,195,930,874	$ 1,164,607,095	$ 2,522,221,958
$ 992,120,135	$ 12,924,339	$ 1,005,044,474
3,365,997	0	3,365,997
0	169,295	6,861,708
0	12,179,212	12,179,212
0	573,379	573,379
$ 995,486,132	$ 25,846,225	$ 1,028,024,770
$ 200,444,742	$ 1,138,760,870	$ 1,494,197,188
$ 596,486,708	$ (510,603,005)	$ 0
0	(2,838,747)	0
0	0	0
14,148,702	(14,148,702)	0
$ 610,635,410	$ (527,590,454)	$ 0
7,407,221,536	4,633,336,523	13,601,606,463
$ 8,218,301,689	$ 5,244,506,939	$ 15,095,803,651

Schedule of Investment Management Expenses

For the Fiscal Year Ended June 30, 2004

Investment Pool Managers		
Minnesota State Board of Investment: Internal Operations	$	326,364
Financial Control Systems		51,362
Pension Consulting		7,449
Richards & Tierney		54,937
Equity Pool Managers		7,044,991
Bond Pool Managers		1,321,372
MPRIF Managers (Post Fund)		11,644,097
Total Investment Expenses	$	20,450,572

Schedule of Professional Consultant Expenses

For the Fiscal Year Ended June 30, 2004

MIS Programmers/Analysts		
BearingPoint	$	2,481,213
Computer Horizons		261,193
IBM		1,313
Keystone		202,872
Syscom		39,355
Total MIS Programmers/Analysts Expenses	$	2,985,946
Management		
Maximus	$	410,256
Total Management Expenses	$	410,256
Actuarial		
Mellon Consultants	$	95,731
Milliman USA (LCPR)		37,808
Total Actuarial Expenses	$	133,539
Legal		
Attorney General	$	30,152
Groom Law Firm		12,957
Total Legal Expenses	$	43,109
Audit		
Berwin Group	$	10,840
Legislative Auditor		43,829
Pension Benefit Information		1,376
Total Audit Expenses	$	56,045
Medical		
Medical Evaluations	$	6,150
MN Department of Health		39,600
Total Medical Expenses	$	45,750
Total Consultant Expenses	$	3,674,645

Schedule of Retainage Payable

As of June 30, 2004

Vendor	Mellon Consultants	BearingPoint	Maximus	Total
Balance as of 07/01/03	$ 8,532	$ 1,110,784	$ 89,154	$ 1,208,470
Retained 07/01/03-06/30/04	6,563	221,621	33,825	262,009
Paid 07/01/03-06/30/04	—	—	—	—
Accrued 06/30/04	1,312	26,500	7,200	35,012
Balance as of 06/30/04	$16,407	$ 1,358,905	$130,179	$ 1,505,491

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Teachers Retirement Association of Minnesota

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Investments

Investments

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State Board of Investment Letter

MINNESOTA STATE BOARD OF INVESTMENT

Board Members:

Governor
Tim Pawlenty

State Auditor
Patricia Anderson

Secretary of State
Mary Kiffmeyer

Attorney General
Mike Hatch

Executive Director:

Howard J. Bicker

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An Equal Opportunity Employer

Investment Report: State Board of Investment

INVESTMENT AUTHORITY

The assets of the Teacher Retirement Association are invested along with the assets of the Public Employees Retirement Association and the Minnesota State Retirement System under the direction and authority of the State Board of Investment in accordance with Minnesota Statutes, Chapters 11A and 356A. The SBI includes Minnesota's governor, auditor, secretary of state and attorney general. The Legislature has established a 17 member Investment Advisory Council to advise the SBI and its staff on investment-related matters. TRA's executive director is a member of the Council.

INVESTMENT POLICY

Investment policy stipulates that the SBI will operate within standard investment practices of the prudent person. The SBI will exercise the judgment and care, under prevailing circumstances, which persons of prudence, discretion and intelligence exercise in the management of their own affairs. This work is not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived from this activity (Minnesota Statutes, section 11A.09). The SBI is authorized to own government obligations, corporate obligations, various short-term obligations, corporate stocks, venture capital interests, mutual funds, resource investments and real estate interests subject to specific boundaries (Minnesota Statutes, Section 11A.24). Particularly, pension fund assets are to be invested for the exclusive benefit of the fund members (Minnesota Statutes, Section 356.001, subd. 1).

INVESTMENT OBJECTIVES

Pension fund assets are managed and accounted for separately in the SBI's Basic Funds and the Post Retirement Investment Fund. The SBI reviews the performance of all the assets in each fund and as two funds combined.

TRA's pension contributions from employees and employers are invested in the SBI's Basic Funds. TRA does not own any underlying assets, but instead owns a share of the asset class pools of the Basic Funds. Since these assets normally accumulate in the Basic Funds for thirty or more years, SBI's objective is to take advantage of the long investment time horizon offered by public and private investments in order to meet its actuarial return target of 8.5 percent annually and ensure that sufficient funds are available to finance promised benefits at the time of retirement.

When a member retires, TRA transfers assets on behalf of the member to the Minnesota Post Retirement Investment Fund (MPRIF). The assets of the MPRIF, which include the eight plans that participate in the Basic Fund and the Legislative and Survivors' Retirement Fund, finance monthly annuity payments paid to retirees. Monies in the MPRIF are generally invested somewhat more conservatively, but still heavily in equities, to take advantage of the 15-year to 20-year time horizon associated with the length of time a typical retiree can be expected to draw benefits. The actuarial return target for the MPRIF is 6 percent.

COMBINED FUNDS

The combined funds, while not existing under statute, represent the assets of the active and retired public employees who participate in the defined benefit plans of TRA, PERA, and MSRS. The SBI looks at the combined funds for comparison purposes only, since most public pension plans do not separate the assets of their active employees and retirees. The long-term objectives of the combined funds are to:

- Provide returns that are 3 to 5 percentage points greater than inflation over the latest 20-year period;
- Outperform a composite market index weighted in a manner that reflects the actual asset mix of the combined funds over the latest 10-year period.

As of June 30, 2004, the combined funds returned 8.1 percentage points above the Consumer Price Index over the last 20 years and outperformed the Composite Index by 0.2 percentage points over the past ten years.

INVESTMENT PRESENTATION

Data reported in the investment section of this comprehensive annual financial report is presented in conformance with the presentation standards of the Association for Investment Management and Research. Investment returns were prepared using a time-weighted rate of return methodology in accordance with those standards.

Respectfully submitted,

Howard Bicker
Executive Director

Investment Summary

Prepared by TRA management with data obtained from the State Board of Investment's Fiscal Year 2004 Annual Report

The assets of the Minnesota Teachers Retirement Association (TRA) are invested under the direction and authority of the State Board of Investment (SBI). The investment portfolio for the active members of TRA has a fair value of approximately $6.9 billion. In addition, TRA's share of the assets of the Minnesota Post Retirement Investment Fund (Post Fund), from which retiree benefits are paid, is approximately $8.2 billion, at fair value.

The four-member SBI Board consists of Governor Tim Pawlenty (Chair), Secretary of State Mary Kiffmeyer, Attorney General Michael Hatch, and State Auditor, Patricia Anderson. Howard Bicker serves as SBI's Executive Director.

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

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

Investment Advisory Council

As of December 2004

Michael Troutman, Chair
Vice President, Investments
Board of Pensions Evangelical Lutheran Church in America

Malcolm W. McDonald, Retired Vice Chair
Director and Corporate Secretary
Space Center, Inc.

Frank Ahrens, II
Governor's Appointee
Active Employee Representative

Gary Austin
Executive Director
Teachers Retirement Association

David Bergstrom
Executive Director
MN State Retirement System

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

Kerry Brick
Pension Investment Officer
Cargill, Inc.

Douglas Gorence
Chief Investment Officer
U of M Foundation Investment Advisors

Kenneth F. Gudorf
Chief Executive Officer
Agio Capital Partners

Peggy Ingison
Commissioner
MN Department of Finance

Heather Johnston
Governor's Appointee Active Employee Representative

P. Jay Kiedrowski, Retired
Executive Vice President
Wells Fargo & Company

Hon. Kenneth Maas
Governor's Appointee
Retiree Representative

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

Gary R. Norstrem, Retired
Treasurer
City of Saint Paul

Daralyn Peifer
Chief Investment Officer
General Mills, Inc.

Mary Vanek
Executive Director
Public Employees Retirement Assn.

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

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

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

Basic Retirement Funds

Investment Objectives

The pension contributions of active TRA members are invested through the Basic Retirement Funds (Basic Funds) administered by SBI. SBI has one overriding responsibility with respect to its management of the Basic Funds: to ensure that sufficient funds are available to finance promised benefits at the time of retirement. All assets in the Basic Retirement Funds, including TRA, are managed externally by outside money management firms retained by contract.

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

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

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

Asset Allocation

The allocation of assets among stocks, bonds, and alternative investments can have a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. Consequently, SBI has focused considerable attention on the selection of an appropriate long-term asset allocation policy for the Basic Funds. It should be noted that the unfunded allocation to alternative investments in the Basic Funds is held in domestic stocks until it is needed for investment. As a result, the actual amount invested in domestic stocks was above its long-term target.

During Fiscal Year 2004, the Board provisionally revised its long term asset allocation targets for the Basic Funds. Upon the Post Retirement Fund achieving its alternative investment target, the Basic Funds' allocation target may increase from 15 percent to 20 percent by decreasing the fixed income target from 24 percent to 19 percent. Additionally, the Basic Funds will invest in yield-oriented investments as part of its allocation to alternative investments.

Basic Funds Asset Mix
June 30, 2004

	Actual Mix	Policy Mix
Domestic Stocks	48.0%	45.0%
International Stocks	15.3%	15.0%
Bonds	21.0%	24.0%
Alternative Assets	12.7%	15.0%
Unallocated Cash	3.0%	1.0%
Total	100.0%	100.0%

Total Return Vehicles

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

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

Diversification Vehicles

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

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

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

Rate of Return Results

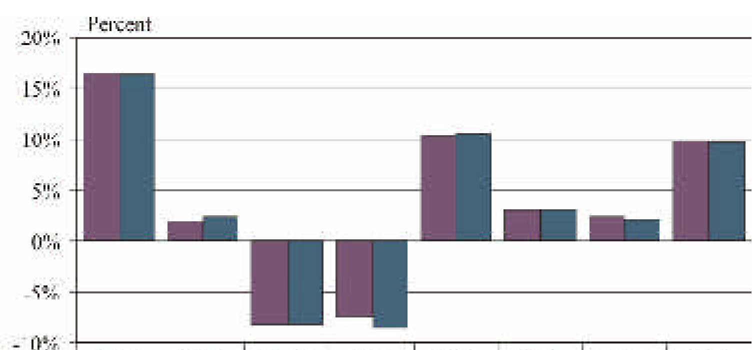
The Basic Funds produced a total rate of return for fiscal year 2004 of 16.6 percent. Over the last five years, the Basic Funds have generated an annualized return of 2.3 percent. The current fair value of the total Basic Funds is about $18.8 billion. TRA's share of the fund is approximately 36.7 percent or $6.9 billion.

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

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

For the ten-year period ending June 30, 2004, the Basic Funds out-performed the composite index by 0.2 percentage point annualized. The Fund exceeded the composite index by 0.2 percentage point over the last five years, and equalled the composite index over the most recent fiscal year. Actual returns relative to the total fund composite index over the last five years are shown in the graph on this page.

Basic Funds Performance vs. Composite Index



	2004	2003	2002	2001	2000	3 Yr.	5 Yr.	10 Yr.
Basic Fund	16.6%	1.9%	-8.2%	-7.4%	10.5%	3.0%	2.3%	9.8%
Composite Index	16.3%	2.4%	-8.1%	-8.4%	10.6%	3.0%	2.1%	9.6%

Post Retirement Fund

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

The assets of the Post Fund finance monthly annuity payments paid to retirees. On June 30, 2004, the Post Fund had a market value of about $18.4 billion. TRA retirees' portion of this value is approximately $8.2 billion or 44.6 percent. The Post Fund generated an investment return of 16.3 percent for fiscal year 2004.

All assets in the Post Retirement Fund are managed externally by outside money management firms retained by contract.

Investment Objectives

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

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

Asset Allocation

The current long-term asset allocation policy and actual asset mix of the Post Fund at the end of fiscal year 2003 is presented in the following table. The asset allocation policy is under constant review. During Fiscal Year 2004, the SBI revised its long term asset allocation targets for the Post Fund. The allocation target for alternative investments was increased from 5 percent to

Post Fund Asset Mix
June 30, 2004

	Actual Mix	**Policy Mix**
Domestic Stocks	51.4%	45.0%
International Stocks	15.5	15.0
Bonds	24.6	25.0
Alternative Assets	4.3	12.0
Unallocated Cash	4.2	3.0
Total	100.0%	100.0%

12 percent, while decreasing domestic equity from 50 percent to 45 percent and decreasing fixed income from 27 percent to 25 percent. Additionally, the Post Fund will invest in private equity, real estate, and resource investments as well as yield-oriented investments as part of its allocation to alternative investments.

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

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

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

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

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

Investment Management and Performance

In order to gain greater operating efficiency, the Post Fund shares with the Basic Funds the same domestic stock, bond and international stock managers. The Post Fund is expected to exceed the return of a composite of market indices over a ten-year period. The Post Fund's performance exceeded its composite market index by 0.3 percentage point for the most recent ten year period since July 1, 1994. The fund exceeded the composite index over the last five years by 0.2 percentage point, and exceeded the composite index by 0.6 percentage point for the 2004 fiscal year.

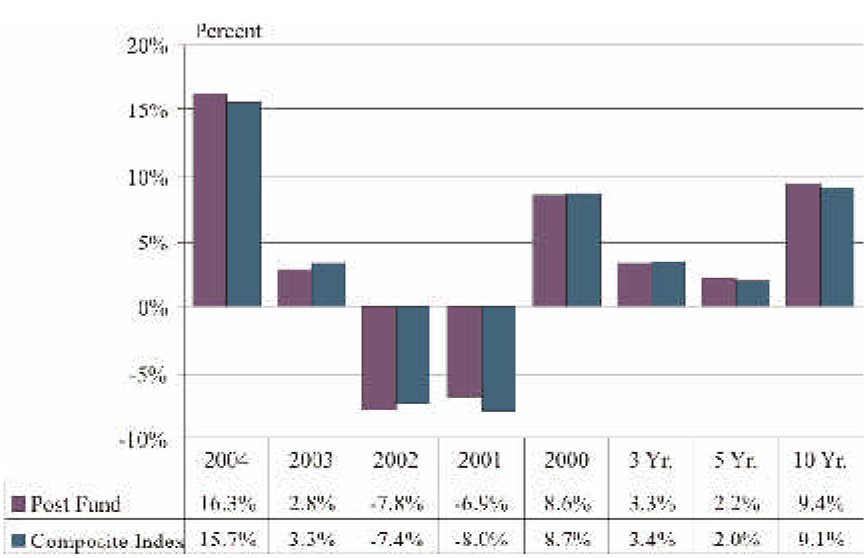
Actual returns relative to the total fund composite index over the last five years are shown in the graph below.

Benefit Increase Formula

The retirement benefit increase formula of the Post Fund is based on a combination of two components:

- ***Inflation Component.*** Each year, retirees receive an inflation-based adjustment equal to 100 percent of inflation, up to a maximum of 2.5 percent specified in statute. The inflation component is granted regardless of investment performance. The cap is necessary to maintain the actuarial soundness of the entire plan. It is the difference between the return assumption for the Basic funds (8.5 percent), and the return assumption for the Post Fund (6.0 percent).

Post Fund Performance vs. Composite Index



- ***Investment Component.*** Each year, retirees also receive an investment-based adjustment, *provided* net investment gains are above the amount needed to finance the Post Fund's 6 percent actuarial assumption and the inflation adjustment described previously. Investment gains and losses are spread over five years to smooth out the volatility of returns. In addition, all accumulated investment losses must be recovered before an investment-based adjustment is granted.

The Post Fund will provide a benefit increase of 2.50 percent for fiscal year 2004 payable January 1, 2005. As noted earlier, this increase is comprised of two components:

- *Inflation component* of 2.500 percent. The increase is the maximum allowable under Minnesota statute. The actual Consumer Price Index for wage earners (CPI-W) for the twelve months ending June 30, 2004, was 3.17 percent. (CPI-W is the same inflation index used to calculate increases in Social Security payments.)
- *Investment component* of 0.000 percent. Net investment returns over the five-year period (July 1, 1999 to June 30, 2004) were insufficient to cover the actuarial assumed rate of return and the inflation adjustment.

As of June 30, 2004, the Post Retirement Fund had total assets of about $18.4 billion at fair value. Total liabilities (present value of expected future benefit payments to current benefit recipients) were approximately $22.5 billion. The $4.1 billion deficit must be recovered in full before an investment-based component will be paid. Consequently, until strong positive investment gains occur over an extended period of time to absorb existing losses, a positive investment component should not be expected.

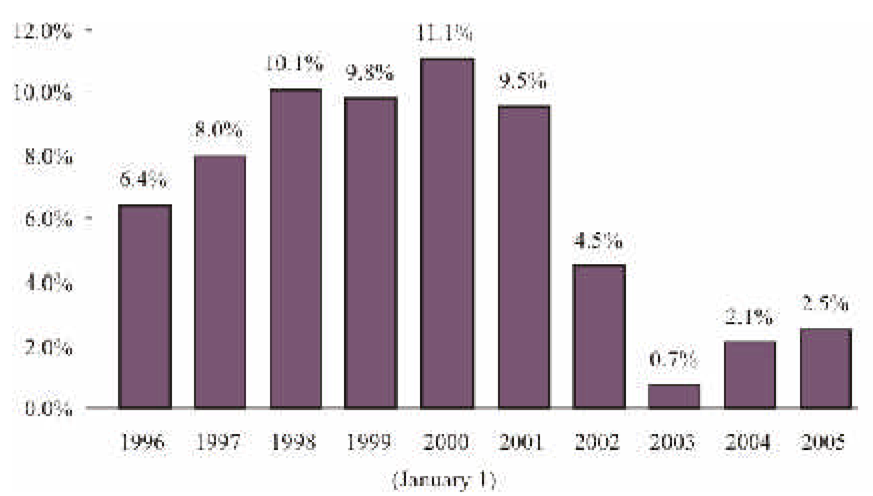
Benefit increases granted for the past ten years are shown in the graph below.

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

This investment management structure allows SBI to gain greater operating efficiency within asset classes and to keep money management costs as low as possible for all participants. Further information on investment activity, management fees and commissions paid, and a listing of specific investments owned by the pooled accounts can be obtained from the Minnesota State Board of Investment, Suite 355, 60 Empire Drive, Saint Paul, MN 55103.

Recent Post Retirement Benefit Increases

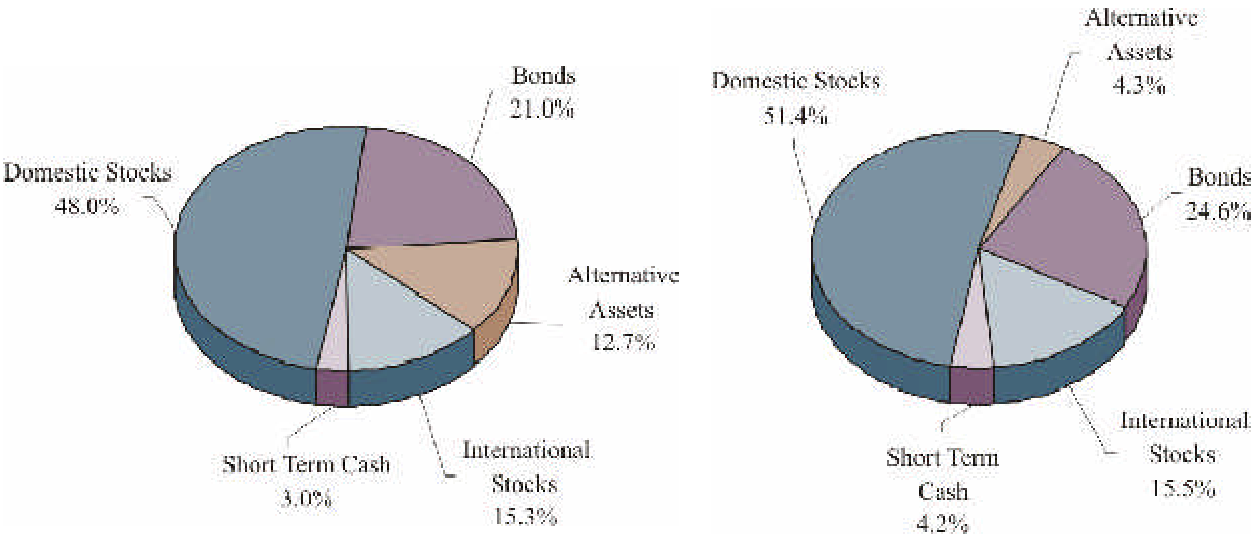
Rounded to the nearest tenth of one percent



Teachers Retirement Fund Portfolio Distribution

June 30, 2004

Basic Fund (Active Members) **Post Fund (Retirees)**



Teachers Retirement Fund Performance of Asset Pools (Net of Fees)

June 30, 2004

	Rates of Return (Annualized)			
	FY 2004	**3-Year**	**5-Year**	**10-Year**
Domestic Stock Pool	**20.3%**	**-0.3%**	**-1.9%**	**10.9%**
Wilshire 5000 - Investable* (*Reflects Wilshire 500 as reported prior to FY 2000, the Wilshire 500 Investable from 7/1/2000 thru 9/30/03; and the Russell 3000 since 10/1/2003.)	20.6%	0.2%	-1.7%	11.2%
Bond Pool	**1.5%**	**6.7%**	**7.3%**	**7.7%**
Lehman Aggregate	0.3%	6.4%	6.9%	7.4%
International Stock Pool	**30.9%**	**4.5%**	**0.8%**	**5.0%**
Composite Index	32.1%	4.5%	0.2%	3.7%
Alternative Assets (Real Estate, Private Equity, Resource Pool and Yield Oriented Pool)	**16.6%**	**5.1%**	**9.2%**	**13.3%**
Inflation (No Established Index for Alternative Assets)	3.3%	2.1%	2.7%	2.5%

All investment performance methodology is reported in compliance with the mandatory requirements of the Association for Investment Management and Research (AIMR).

Teachers Retirement Fund
List of Largest Assets Held

June 30, 2004

Composite Holdings of Top Ten Equities

By Fair Value

Security	% of Portfolio	$ Fair Value (Millions)
Citigroup Inc.	1.33%	$ 197.9
General Elec Co.	1.17%	174.7
Microsoft Corp	1.16%	172.0
Exxon Mobil Corp	1.10%	163.3
Pfizer Inc.	1.05%	156.1
Intel Corp	0.83%	123.7
Johnson & Johnson	0.78%	116.0
Cisco Sys Inc.	0.75%	111.3
Bank Amer Corp	0.72%	107.2
American Intl Group Inc.	0.64%	95.1

Composite Holdings of Top Ten Bond Holdings

By Fair Value

Security	Coupon	$ Fair Value (Millions)	% of Portfolio
UNITED STATES TREAS BDS	2.500%	$56.6	0.38%
FNMA TBA JUL 30 SINGLE FAM	6.500%	54.7	0.37%
FNMA TBA JUL 30 SINGLE FAM	5.500%	50.6	0.34%
GNMA I TBA JUL 30 SINGLE FAM	6.000%	49.3	0.33%
FNMA TBA JUL 15 SINGLE FAM	5.000%	48.2	0.32%
FHLMC TBA JUL 30 GOLD SINGLE	6.500%	47.6	0.32%
FNMA TBA JUL 15 SINGLE FAM	5.500%	35.0	0.24%
UNITED STATES TREAS BDS	6.000%	30.7	0.21%
UNITED STATES TREAS BDS	8.125%	30.0	0.20%
UNITED STATES TREAS BDS	3.875%	27.6	0.19%

TRA's assets are commingled in various pooled investment accounts administered by the State Board of Investment (SBI). TRA does not own specific values of the underlying assets. The percentages and fair value shown are those attributable to the TRA Fund based on TRA's participation in the SBI's Basic Funds and Minnesota Post Retirement Investment Fund. Information on investment activity, a listing of specific investments owned by the pooled accounts and a schedule of fees and commissions can be obtained from SBI.

Summary of Investments*

As of June 30, 2004

	Book			Fair		
	Book Value	**Total Book Value**	**% of Total**	**Fair Value**	**Total Fair Value**	**% of Total**
Fixed Income Investments						
Fixed Income Pool	$ 1,499,348,241			$ 1,438,133,775		
Total Fixed Income Investments		$ 1,499,348,241	21.50%		$ 1,438,133,775	20.89%
Equity Investments						
External Indexed Equity Pool	$ 1,017,360,301			$ 1,075,031,910		
Global Equity Pool	1,004,219,407			1,045,215,535		
External Domestic Equity Pool	2,367,696,274			2,222,746,221		
Total Equity Investments		$ 4,389,275,9822	62.92%		$ 4,342,993,666	63.08%
Alternative Investments						
Alternative Investment Pool	$ 878,620,671			$ 895,285,360		
Total Alternative Investments		$ 878,620,671	12.59%		$ 895,285,360	13.00%
Short Term Investment						
Short Term Cash Equivalents	$ 208,591,289			$ 208,591,289		
Total Short Term Investment		$ 208,591,289	2.99%		$ 208,591,289	3.03%
Total Investments		$ 6,975,836,183	100.00%		$ 6,885,004,090	100.00%

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

General Information Regarding Investment of Funds

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

Teachers Retirement Association of Minnesota

Actuarial

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Actuary's Letter

SEGAL

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December 10, 2004

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Board of Trustees
Teachers Retirement Association Fund
60 Empire Drive
Suite 400
St. Paul, MN 55103-1855

Members of the Board:

We have completed the annual valuation of the Teachers Retirement Association Fund (TRA) as of July 1, 2004. The purpose of this valuation is to determine the financial status of the Plan. 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.

The financing objective of the Fund is to establish contribution rates that remain approximately level (as a percent of payroll) from generation to generation. The objective also includes meeting the required deadlines for full funding. The current funding level (the ratio of actuarial assets to the actuarial accrued liability) is 100.01%.

The valuation uses the Entry Age Normal Cost method, with normal cost expressed as a level percentage of earnings. The required contribution under Chapter 356 consists of the normal cost, a supplemental contribution which will amortize the unfunded accrued liability as a level percent of pay amount and an allowance for administrative expenses.

The results of the valuation indicate that the TRA is already at the level of full funding. The contribution sufficiency is 1.54% of payroll, which is a result of the statutory contribution of 10.00% of payroll being less than the actuarial required contribution of 8.46% of payroll.

The actuarial valuation was based upon applicable statutory provisions and Standards for Actuarial Work in effect on July 1, 2004. Primary actuarial assumptions include a pre-retirement interest rate of 8.50%, a post-retirement interest rate of 6.00% (the 8.50% interest less 2.50% COLA), and other assumptions regarding mortality, disability, retirement, salary increases, and withdrawal, which are consistent with the latest experience analysis. Actual plan costs will vary to the extent that actual plan experience varies from these assumptions.

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

Board of Trustees
Teachers Retirement Association Fund
December 10, 2004
Page 2

disclosures presented in the financial section of the TRA comprehensive annual financial report, set by GASB Statement No. 25.

These assumptions meet the parameters set by the Government Accounting Standards Board Statement Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

Supporting schedules and trend data schedules shown in the Actuarial Section of this financial report were prepared by The Segal Company.

The Schedule of Funding Progress shown in the Financial Section of this financial report was prepared by The Segal Company. Segal determined the amount of Annual Required Contributions shown in the Schedule of Contributions From Employers and State of Minnesota in the Financial Section of this financial report.

Although we have reviewed the data for reasonableness and consistency, we have relied on the basic employee data and asset figures. This employee and asset information form the basis for our valuation and to the extent that actual data differs from that submitted for purposes of the valuation, results may vary from those shown in the report.

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

Respectfully submitted,

Leslie L. Thompson

Leslie L. Thompson, FSA, MAAA, EA
Senior Vice President and Actuary

/cvm

159292/05776.001

Summary of Actuarial Assumptions and Methods

(Assumptions adopted by the Legislative Commission on Pensions and Retirement on February 22, 2002)

Mortality Rates

Healthy Pre-Retirement:	Male:	1983 Group Annuity Mortality Table for males set back 12 years
	Female:	1983 Group Annuity Mortality Table for females set back 10 years
Healthy Post-Retirement:	Male:	1983 Group Annuity Mortality Table for males set back 6 years
	Female:	1983 Group Annuity Mortality Table for females set back 3 years
Disabled:	Male:	1965 Railroad Retirement Board (RRB) rates through age 54. For ages 55 to 64, graded rates between 1965 RRB rates and the Healthy Post-Retirement mortality table. For ages 65 and later, the Healthy Post-Retirement mortality table.
	Female:	1965 Railroad Retirement Board (RRB) rates through age 54. For ages 55 to 64, graded rates between 1965 RRB rates and the Healthy Post-Retirement mortality table. For ages 65 and later, the Healthy Post-Retirement mortality table.

Summary of Rates: Shown below for selected ages:

	Rate (%)								
	Pre-Retirement Mortality		Withdrawal		Disability		Retirement		
Age	Male	Female	Male	Female	Male	Female	Rule of 90 Eligible	Other	Salary Increases
20	0.03	0.01	3.70	4.50	0.00	0.00	0.00	0.00	6.00%
25	0.03	0.01	3.20	4.50	0.00	0.00	0.00	0.00	6.00
30	0.04	0.02	2.70	4.50	0.00	0.00	0.00	0.00	6.00
35	0.04	0.03	2.50	3.90	0.01	0.01	0.00	0.00	6.00
40	0.05	0.03	2.35	2.75	0.03	0.03	0.00	0.00	5.70
45	0.07	0.05	2.10	2.10	0.05	0.05	0.00	0.00	5.20
50	0.10	0.07	1.85	1.85	0.11	0.10	0.00	0.00	5.00
55	0.17	0.10	0.00	0.00	0.22	0.16	50.00	9.00	5.00
60	0.31	0.16	0.00	0.00	0.33	0.25	50.00	50.00	5.30
65	0.52	0.25	0.00	0.00	0.00	0.00	50.00	50.00	5.70
70	0.77	0.42	0.00	0.00	0.00	0.00	35.00	35.00	5.70
71	0.84	0.47	0.00	0.00	0.00	0.00	100.00	100.00	5.70

Withdrawal Rates: Select and ultimate rates were based on recent plan experience as of June 30, 2000. Ultimate rates after the third year are shown in the rate table. Select rates are as follows:

	First Year	Second Year	Third Year
Male:	45.00%	12.00%	6.00%
Female:	40.00%	10.00%	8.00%

Salary Increases: Reported salary for prior fiscal year, with new hires annualized, increased according to the ultimate table shown in the rate table to current fiscal year and annually for each future year. During a ten-year select period, 0.30 x (10-T) where T is completed years of service is added to the ultimate rate.

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

Percent Married: 85% of male members and 65% of female members are assumed to be married. Assume members have no children.

Age of Spouse: Females three years younger than males.

Net Investment Return:

Pre-Retirement: 8.50% per annum

Post-Retirement: 6.00% per annum

Administrative Expenses: Prior year administrative expenses expressed as percentage of prior year payroll.

Allowance for Combined Service Annuity: Liabilities for active members are increased by 1.40% and liabilities for former members are increased by 4.00% to account for the effect of some Participants having eligibility for a Combined Service Annuity.

Return of Contributions: All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.

Interest on Member Contributions: Members and former members who are eligible for the money purchase annuity are assumed to receive interest credits equal to the Pre-Retirement interest rate. All other members and former members receive the interest crediting rate as specified in statutes.

Special Consideration:	Married members assumed to elect subsidized joint and survivor form of annuity as follows: Males: 15% elect 50% J&S option 25% elect 75% J&S option 55% elect 100% J&S option Females: 20% elect 50% J&S option 10% elect 75% J&S option 30% elect 100% J&S option
Benefit Increases After Retirement:	Payment of earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumptions.
Asset Valuation Method:	Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during the fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).
Actuarial Cost Method:	Entry Age Normal Cost Method. Entry age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level percentage of payroll, with Normal Cost determined as if the current benefit accrual rate had always been in effect.
Payment on the Unfunded Actuarial Accrued Liability:	A level percentage of payroll each year to the statutory amortization date assuming payroll increases of 5.00% per annum. If there is a negative Unfunded Actuarial Accrued Liability, the surplus amount shall be amortized over 30 years as a level percentage of payroll.
Changes in Actuarial Assumptions and Cost Methods:	There have been no changes made to the actuarial assumptions and cost methods since the prior valuation.

Valuation Report Highlights

Summary of Key Valuation Results

	July 1, 2004 Valuation	July 1, 2003 Valuation
Contributions (% of payroll) for plan year beginning July 1:		
Statutory — Chapter 354	10.00%	10.00%
Required — Chapter 356	8.46%	8.37%
Sufficiency/(Deficiency)	1.54%	1.63%
Funding elements for plan year beginning July 1:		
Normal cost	$ 258,898,450	$ 279,583,000
Market value of assets	16,984,605,405	15,907,892,000
Actuarial value of assets (AVA)	17,519,909,350	17,384,179,000
Actuarial accrued liability (AAL)	17,518,783,700	16,856,379,000
Unfunded/(Overfunded) actuarial accrued liability	(1,125,650)	(527,800,000)
Funded ratios:		
Accrued Benefit Funded Ratio	104.77%	107.95%
Current assets (AVA)	$17,519,909,350	$ 17,384,179,000
Current benefit obligations	16,721,495,421	16,103,696,000
Projected Benefit Funded Ratio	104.64%	104.97%
Current and expected future assets	20,721,263,103	20,214,690,000
Current and expected future benefit obligations (Present Value of Benefits)	$19,802,891,699	$ 19,258,017,000
GASB 25/27 for plan year beginning July 1:		
Annual required employee contributions	$ 94,679,310	$ 67,957,000
Accrued Liability Funded Ratio (AVA/AAL)	100.01%	103.13%
Covered actual payroll	$ 3,032,483,365	$ 2,952,887,000
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	37,649	36,199
Number of vested terminated members	10,767	9,304
Number of other non-vested terminated members	18,223	19,256
Number of active members	72,008	71,916
Total projected payroll	$ 3,206,759,440	$ 3,163,007,000
Average annual payroll (projected dollars)	$ 44,533	$ 43,983

Actuary's Commentary

Purpose

This report has been prepared by The Segal Company to present a valuation of the Teachers Retirement Association Fund as of July 1, 2004. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- Section 356.215 of the Minnesota Statutes;
- The benefit provisions of the Retirement Fund, as administered by the Legislative Commission on Pensions and Retirement;
- The characteristics of covered active members, inactive vested members, pensioners and beneficiaries as of July 1, 2004, provided by the Fund;
- The assets of the Fund as of June 30, 2004, provided by the Fund;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The actuarial accrued liability funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2004 is 100.01% compared to 103.13% as of July 1, 2003 (page 55). This ratio is a measure of funding status, and its history is a measure of funding progress, and is the ratio required to be reported under GASB 25.
- As indicated on page 61, the total unrecognized investment loss as of June 30, 2004, is $549,452,647. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. Earnings in excess of 8.50% will help temper possible increases in future contribution requirements.
- The statutory contribution rate under Chapter 354 is equal to 10.00% of payroll compared to the required contribution rate under Chapter 356 of 8.46% of payroll. Therefore the contribution sufficiency is 1.54% of payroll as of July 1, 2004 (page 66).
- There were no changes in plan provisions, actuarial assumptions or actuarial cost methods since the prior valuation. This is the first year that The Segal Company prepared the actuarial valuation of the Fund.

TRA Plan Census

For Years Ended June 30, 2004 and 2003

Category	2004	2003	Change From Prior Year
Active members in valuation:			
Number	72,008	71,916	0.1%
Average age	43.2	43.0	N/A
Average service	11.7	11.6	N/A
Total projected payroll	$3,206,759,440	$3,163,007,000	1.4%
Average projected payroll	44,533	43,893	1.3%
Total active vested members	55,704	55,164	1.0%
Vested terminated members	10,767	9,304	15.7%
Retired participants:			
Number in pay status	34,581	33,290	3.9%
Average age	69.9	68.1	N/A
Average monthly benefit	$2,315	$2,383	(2.9%)
Disabled members:			
Number in pay status	589	558	5.6%
Average age	57.2	57.0	N/A
Average monthly benefit	$1,615	$1,627	(0.7%)
Beneficiaries:			
Number in pay status	2,479	2,351	5.4%
Average age	73.5	72.8	N/A
Average monthly benefit	$2,022	$1,984	1.9%
Other non-vested terminated members	18,223	19,256	(5.4%)

Reconciliation of Member Data

	Active Members	Vested Terminated Members	Other Non-Vested Terminated Members	Retired Members	Disabled	Bene-ficiaries	Total
A. Number as of June 30, 2003	71,916	9,304	19,256	33,290	558	2,351	136,675
B. Additions	5,471	2,593	3,501	1,922	0	235	13,722
C. Deletions:							
1. Retirements	(1,606)	(210)	(76)	0	(30)	0	(1,922)
2. Disability	0	0	0	0	0	0	0
3. Died with beneficiary	(20)	(5)	(2)	(206)	(2)	0	(235)
4. Died without beneficiary	(3)	0	0	(508)	(12)	(2)	(525)
5. Terminated - deferred	(1,731)	0	(862)	0	0	0	(2,593)
6. Terminated - other non-vested	(3,442)	(56)	0	0	0	0	(3,498)
7. Refunds	(382)	(148)	(2,725)	0	0	0	(3,255)
8. Rehired as active	1,808	(739)	(1,069)	0	0	0	0
9. Transfers to other fund	(3)	0	0	0	0	0	(3)
10. Expired benefits	0	0	0	(7)	0	(73)	(80)
D. Data adjustments	0	28	200	90	75	(32)	361
E. Number as of June 30, 2004	72,008	10,767	18,223	34,581	589	2,479	138,647

Statement of Plan Net Assets

Year Ended June 30, 2004

	Market Value	Cost Value
Assets in Trust		
Cash, equivalents, short-term securities	$ 212,315,663	$ 212,315,663
Fixed income	1,438,133,775	1,499,348,241
Equity	5,238,279,026	5,267,896,654
Real estate	0	0
Equity in Minnesota Post-Retirement Investment Fund*	10,092,954,741	10,092,954,741
Invested securities lending collateral	1,693,375,126	1,693,375,126
Other assets	11,973,539	11,973,539
Total assets in trust	$ 18,687,031,870	$ 18,777,863,964
Assets receivable	$ 6,738,235	$ 6,738,235
Liabilities		
Invested Securities Lending Collateral	$ (1,693,375,126)	$ (1,693,375,126)
Other	(29,938,277)	(29,938,277)
Total liabilities	$ (1,723,313,403)	$ (1,723,313,403)
Net assets held in trust for pension benefits		
MPRIF reserves	$ 10,092,954,741	$ 10,092,954,741
Member reserves	1,632,995,023	1,632,995,023
Other non-MPRIF reserves	5,244,506,939	5,335,339,032
Total assets available for benefits	$ 16,970,456,703	$ 17,061,288,796
Net Assets at Market/Cost Value	$ 16,970,456,703	$ 17,061,288,796

* The number shown is the full MPRIF reserve amount. The actual MPRIF market value of $8,218,301,690 is not used for funding purposes because this deficiency is accounted for separately and is expected to be recovered from future excess earnings on MPRI funds.

Statement of Change in Net Plan Assets

Year Ended June 30, 2004

	Non-MPRIF Assets	MPRIF Reserve	Market Value
A. Assets available at beginning of period	$6,194,385,000	$ 9,713,507,000	$ 15,907,892,000
B. Additions			
1. Member contributions	$ 159,139,548	$ 0	$ 159,139,548
2. Employer contributions	151,028,911	0	151,028,911
3. Contributions from other sources	3,365,997	0	3,365,997
4. MPRIF income	0	764,298,463	764,298,463
5. Net investment income			
a. Interest and dividends	638,195,977	0	638,195,977
b. Net appreciation/(depreciation)	379,467,046	0	379,467,046
c. Investment expenses	(8,806,476)	0	(8,806,476)
d. Net subtotal	1,008,856,547	0	1,008,856,547
6. Other	3,900,006	0	3,900,006
7. Total additions	$1,326,291,009	$ 764,298,463	$ 2,090,589,472
C. Operating expenses			
1. Service requirements	$ 0	$ 982,474,587	$ 982,474,587
2. Disability benefits	11,734,673	0	11,734,673
3. Survivor benefits	1,189,666	13,011,545	14,201,211
4. Refunds	6,861,708	0	6,861,708
5. Administrative expenses	12,179,212	0	12,179,212
6. Other	573,378	0	573,378
7. Total operating expenses	$ 32,538,637	$ 995,486,132	$ 1,028,024,769
D. Other changes in reserves			
1. Annuities awarded	$ (596,486,708)	$ 596,486,708	$ 0
2. Mortality gain/loss	(14,148,702)	14,148,702	0
3. Change in MPRIF assumptions	0	0	0
4. Total other changes	(610,635,410)	$ 610,635,410	$ 0
E. Assets available at end of period	$6,877,501,962	$10,092,954,741	$ 16,970,456,703

F. Determination of current year unrecognized asset return	
1. Average balance	
a. Non-MPRIF assets available at BOY: (A)	$ 6,194,385,000
b. Non-MPRIF assets available at EOY*: (E)	6,891,650,644
c. Average balance [(a) + (b) - Net Investment Income] / 2	
Net Investment Income: (B.5 (d)) + (B.6)	6,036,639,556
2. Expected return: 8.50% x (F.1. (c)):	513,114,362
3. Actual return (B.5 (d)) + (B.6)	1,012,756,553
4. Current year unrecognized asset return: (F.3) - (F.2)	$ 499,642,191

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

Determination of Actuarial Value of Assets

Year Ended June 30, 2004

		Original Amount	% Not Recognized	
1.	Market value of assets available for benefits			$16,970,456,703
2.	Calculation of unrecognized return			
	(a) Year ended June 30, 2004	$ 499,642,191	80%	$ 399,713,753
	(b) Year ended June 30, 2003	(401,116,000)	60%	(240,669,600)
	(c) Year ended June 30, 2002	(1,150,511,000)	40%	(460,204,400)
	(d) Year ended June 30, 2001	(1,241,462,000)	20%	(248,292,400)
	(e) Total unrecognized return			$ (549,452,647)
3.	Actuarial value of assets: (1) - (2e) ("Current Assets")			$ 17,519,909,350

Financial Information

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Minnesota Statutes require an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value. Both the actuarial value and market value of assets are representations of the Fund’s financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Fund’s liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Actuarial Experience

Year Ended June 30, 2004

1.	Net gain/(loss) from investments	$ (594,157,408)
2.	Net gain/(loss) from other experience	15,831,440
3.	Net experience gain/(loss): (1) + (2)	$ (578,325,968)

Actuarial Experience

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss). Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years. The total loss is $578,325,968, including a loss of $594,157,408 from investments and a gain of $15,831,440 from all other sources. The net experience variation from individual sources other than investments was 0.1% of the actuarial accrued liability, which is under 1.0% of the actuarial accrued liability, including age/service retirements, disability, mortality (pre and post-retirement), withdrawal, and salary increases.

Actuarial Balance Sheet

July 1, 2004

A. Current Assets (page 61)			$ 17,519,909,350
B. Expected Future Assets			
1. Present Value of Expected Future Statutory Supplemental Contributions			$ 917,245,754
2. Present Value of Future Normal Costs			2,284,107,999
3. Total Expected Future Assets			$ 3,201,353,753
C. Total Current and Expected Future Assets			$ 20,721,263,103

D. Current Benefit Obligations	**Non-Vested**	**Vested**	**Total**
1. Benefit recipients			
a. Retirement annuities		$ 9,625,271,362	$ 9,625,271,362
b. Disability benefits		143,652,771	143,652,771
c. Beneficiaries		480,058,043	480,058,043
2. Vested terminated members		416,486,946	416,486,946
3. Other non-vested terminated members		42,573,517	42,573,517
4. Active members:			
a. Retirement benefits	$ 32,233,629	$ 5,500,651,937	$ 5,532,885,566
b. Disability benefits	1,025,185	92,081,392	93,106,577
c. Death benefits	561,379	44,299,288	44,860,667
d. Withdrawal benefits	14,032,815	328,567,157	342,599,972
5. Total Current Benefit Obligations	$ 47,853,008	$16,673,642,413	$ 16,721,495,421

E. Expected Future Benefit Obligations	$ 3,081,396,278
F. Total Current and Expected Future Benefit Obligations Present Value of Benefits: (D.5 + E)	$ 19,802,891,699
G. Current Unfunded Actuarial Liability (D.5 – A)	$ (798,413,929)
H. Current and Future Unfunded Actuarial Liability (F – C)	$ (918,371,404)

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

July 1, 2004

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability			
1. Active Members			
a. Retirement benefits	$ 8,290,002,419	$ 1,816,905,486	$ 6,743,096,933
b. Disability benefits	154,070,194	55,494,488	98,575,706
c. Death benefits	71,258,561	23,372,427	47,886,134
d. Withdrawal benefits	579,517,886	388,335,598	191,182,288
e. Total	$ 9,094,849,060	$ 2,284,107,999	$ 6,810,741,061
2. Vested terminated members	$ 416,486,946	—	$ 416,486,946
3. Other non-vested terminated members	42,573,517	—	42,573,517
4. Annuitants in the MPRIF	10,092,954,741	—	10,092,954,741
5. Annuitants not in the MPRIF	156,027,435	—	156,027,435
6. Total	$19,802,891,699	$ 2,284,107,999	$17,518,783,700

B. Determination of Unfunded Actuarial Accrued Liability	
1. Actuarial Accrued Liability	$17,518,783,700
2. Actuarial Value of Assets (page 61)	17,519,909,350
3. Unfunded Actuarial Accrued Liability: (1) - (2)	$ (1,125,650)
C. Determination of Supplemental Contribution Rate	
1. Present value of future payrolls through the amortization date of July 1, 2034	$59,561,412,597
2. Supplemental contribution rate (B.3) ÷ (C.1)	0.00%

TRA

Changes in Unfunded Actuarial Accrued Liability (UAAL)

Year Ending June 30, 2004

1.	Unfunded/(Overfunded) actuarial accrued liability at beginning of year		$ (527,800,000)
2.	Normal cost at beginning of year, including expenses		291,762,212
3.	Total contributions		310,168,459
4.	Interest		
	a. For whole year on (1) + (2)	$ (20,063,212)	
	b. For half year on (3)	(13,182,159)	
	c. Total interest: (4a) - (4b)		(33,245,371)
5.	Expected unfunded/(overfunded) actuarial accrued liability: (1) + (2) - (3) + (4)		$ (579,451,618)
6.	Changes due to (gain)/loss from:		
	a. Investments	$ 594,157,408	
	b. Demographics*	(15,831,440)	
	c. Total changes due to (gain)/loss (page 62)		$ 578,325,968
7.	Unfunded/(Overfunded) actuarial accrued liability at end of year		$ (1,125,650)

*Includes (gain)/loss due to age/service retirements, disability, mortality (pre and post-retirement), withdrawal and salary increases.

Determination of Contribution Sufficiency

July 1, 2004

	Percent of Payroll	Dollar Amount
A. Statutory Contributions - Chapter 354		
1. Employee contributions	5.00%	$ 160,337,972
2. Employer contributions	5.00%	160,337,972
3. Total	10.00%	$ 320,675,944
B. Required Contributions - Chapter 356		
1. Normal Cost		
a. Retirement	6.58%	$ 211,001,637
b. Disability	0.18%	5,890,642
c. Death	0.08%	2,574,346
d. Withdrawal	1.23%	39,431,825
e. Total	8.07%	$ 258,898,450
2. Supplemental contribution amortization	0.00%	$ 0
3. Allowance for administrative expenses	0.39%	12,506,362
4. Total	8.46%	$ 271,404,812
C. Contribution Sufficiency (Deficiency) (A.3) - (B.4)	1.54%	$ 49,271,132

Projected annual payroll for fiscal year beginning on the valuation date $3,206,759,440

SolvencyTest

Dollar Amounts in Thousands

Valuation as of June 30	Aggregate Accrued Liabilities (1) Member Contributions	(2) Retirees and Beneficiaries	(3) Members (Employer Financed Portion)	Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
1994	970,813	3,559,614	4,584,839	7,611,935	100%	100%	67.2%
1995	1,070,347	3,866,694	4,780,582	8,348,124	100%	100%	71.4%
1996	1,164,651	4,319,329	4,882,188	9,541,221	100%	100%	83.1%
1997	1,252,843	4,808,918	4,901,876	11,103,759	100%	100%	100.0%
1998	1,303,006	5,570,230	5,173,076	12,727,546	100%	100%	100.0%
1999	1,321,579	6,751,682	5,186,308	14,011,247	100%	100%	100.0%
2000	1,354,683	8,055,622	5,392,136	15,573,151	100%	100%	100.0%
2001	1,403,755	9,106,198	5,394,031	16,834,024	100%	100%	100.0%
2002	1,483,243	9,555,364	5,464,492	17,378,994	100%	100%	100.0%
2003	1,561,048	9,713,507	5,581,824	17,384,179	100%	100%	100.0%
2004	1,632,995	10,092,955	5,792,834	17,519,909	100%	100%	100.0%

Schedule of Active Member Valuation Data

(Dollar Amounts in Thousands)

Year Ended June 30	Active Members	$ Annual Covered Payroll	$ Annual Average	% Increase in Average Payroll
1995	67,558	2,197,262	32,524	2.8%
1996	68,490	2,252,383	32,888	1.1%
1997	68,554	2,359,011	34,411	4.6%
1998	68,247	2,422,958	35,503	3.2%
1999	68,613	2,625,254	38,262	7.7%
2000	70,508	2,704,575	39,249	2.6%
2001	71,097	2,812,000	39,552	0.8%
2002	71,690	2,873,771	40,086	1.4%
2003	71,916	2,952,887	41,060	2.4%
2004	72,008	3,032,483	42,113	2.6%

Schedule of Retirees and Beneficiaries Added To and Removed From Retirement Rolls

	Added To Rolls		Removed From Rolls		Rolls: June 1, 200X Payment		
Fiscal Year	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Average Annual Allowances
2004							
Retirement	1,726	$48,266,626	689	$17,942,943	33,675	$933,150,918	$ 27,710
Disability	74	$ 1,431,398	45	$ 943,335	588	$ 11,462,253	$ 19,494
Beneficiaries	299	$ 6,196,059	137	$ 2,506,367	2,885	$ 62,690,339	$ 21,730
2003							
Retirement	1,752	$45,213,170	681	$16,595,867	32,638	$905,702,949	$ 27,751
Disability	60	$ 838,012	54	$ 1,199,063	559	$ 10,839,002	$ 19,355
Beneficiaries	278	$ 6,006,648	136	$ 2,022,035	2,723	$ 58,540,855	$ 21,499
2002							
Total Benefit Recipients					34,974	$946,344,333	
2001							
Total Benefit Recipients					33,757	$861,787,476	
2000							
Total Benefit Recipients					31,946	$755,036,577	
1999							
Total Benefit Recipients					29,749	$620,937,964	

Note: Detailed data on retirees and beneficiaries added to and removed from rolls is not available prior to FY 2003.

Teachers Retirement Association of Minnesota

Statistical

Statistical

Statistical

Statistical

Statistical

Statistical

Plan Summary

June 30, 2004

Purpose

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

Administration

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

Membership

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

Retirement Service Credit

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

Financing

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

Employee Contributions

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

Employer Contributions

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

Retirement Benefit

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

Before July 1, 1989

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

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

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

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

After June 30, 1989

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

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

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

Deferred Retirement

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

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

Annuity Plan Options

Six different annuity plan options are available to TRA members providing monthly benefit payments for as long as the annuitant lives. The No Refund Plan provides the highest possible monthly benefit, but terminates upon the member's death. A member may choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features.

1. No Refund, For Life of Member
2. Guaranteed Refund
3. 15-Year Term Certain and Life Thereafter
4. 100% Survivorship with Bounceback
5. 50% Survivorship with Bounceback
6. 75% Survivorship with Bounceback

Post Fund Increases

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

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

An investment-based component is paid if investment returns exceed the amount needed to pay the cost-of-living component and to cover the 6 percent earnings assumption that determined the original benefit at retirement. Investment gains and losses are smoothed over a five-year period. If a net investment loss results from the five-year smoothing calculation, no investment-based component is paid. Additionally, any accumulated investment losses from prior periods must be recovered through future investment gains before any investment-based component is paid.

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

Combined Service Annuity

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

Refunds

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

Repayment of Refunds

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

Disability Benefits

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

Survivor Benefits of Members Prior to Retirement

Certain benefits are available to the survivor(s) of members who die before officially retiring with TRA. Beneficiary designation options vary for married members and single members.

Single Members

Non-Vested

- A lump-sum death benefit equal to a member's accumulated deductions plus interest to the date of death is payable to either the designated beneficiary or estate, whichever is applicable. Interest is compounded annually at 6 percent. Contributions made by the employer are not included in this benefit. A member may designate any person(s), trust, or organization(s) as a beneficiary.

Vested

- For a member without a surviving spouse at the time of death, survivor benefits will *automatically* be paid for a period certain to all dependent children under the age of 20, *unless* the member has chosen the lifetime monthly benefit option explained in the next paragraph is chosen. These payments are made from the date of death to the date each dependent child attains age 20 if the child is under age 15 on the date of death. If the dependent child is 15 years or older on the date of death, payments will be made for five years. Payments for children under the age of 18 would be made to a custodial parent or court-appointed guardian. A dependent child is a biological or adopted child who is under 20 years of age and who is dependent on the member for more than one-half of his or her financial support.

- A member may designate payment of lifetime monthly benefits for ***either*** a former spouse(s), ***or*** dependent and non-dependent, biological or adopted child(ren), *instead* of the above described surviving dependent child(ren) benefits being paid.

- For a member without a former spouse or dependent child(ren) at the time of death, either the designated beneficiary or estate, whichever is applicable, is entitled to a lump-sum death benefit equal to accumulated deductions plus interest to the date of death. Interest is compounded annually at 6 percent. Contributions made by the employer are not included in this benefit. A member may designate any person(s), trust, or organization(s) as a beneficiary.

Married Members

A surviving spouse has precedence over any designated beneficiary.

Non-Vested

- A member's spouse is entitled to a lump-sum death benefit equal to the accumulated deductions plus interest to the date of death. Interest is compounded annually at 6 percent. Contributions made by the employer are not included in this benefit.

Vested

- A member's surviving spouse may elect to receive a lifetime annuity in lieu of a lump-sum benefit. The lifetime annuity is payable on a monthly basis for the lifetime of the spouse. Payments terminate upon the death of the spouse with no benefits remaining for other beneficiaries.

- Instead of a lifetime annuity, a member's spouse may elect to receive actuarially equivalent payments for a term certain annuity of 5, 10, 15 or 20 years. The amount of the annuity is based upon a formula, the member's age at the time of death and the age of the spouse when benefits begin to accrue, although monthly benefit payments cannot exceed 75 percent of the member's average High-5 monthly salary. Employee contributions plus interest and contributions made by the employer are used to provide the annuity.

- A member and their spouse may *jointly* make a specification to waive the spouse’s benefits so that designated beneficiary(ies) will receive a lifetime survivor annuity benefit. The designated beneficiary may be ***either*** the member’s former spouse(s) ***or*** the member’s biological or adopted child(ren). Under a joint specification, a designated beneficiary cannot elect a term certain annuity of 5, 10 15 or 20 years. If a joint specification is not on file, the annuity is payable only to the surviving spouse.

Non-Vested or Vested

- A member and their spouse may *jointly* make a specification to waive the spouse’s benefits so that any person, trust or organization will receive a lump-sum death benefit equal to the accumulated deductions plus interest to the date of death.

Ten-Year Summary of Revenue

By Source (In Dollars)

Year Ended June 30	Member Contributions	Employer Contributions	Net Investment Income	Other	Total
1995	143,535,906	179,671,657	659,253,303	553,171	983,014,037
1996	148,051,326	184,495,447	1,213,973,588	713,733	1,547,234,094
1997	154,160,516	191,670,080	2,296,019,494	704,736	2,642,554,826
1998	124,095,573	151,322,830	2,637,948,298	1,329,869	2,914,696,570
1999	132,040,005	130,525,591	1,775,404,067	1,587,211	2,039,556,874
2000	138,696,271	134,418,833	1,555,989,313	2,387,928	1,831,492,345
2001	145,075,284	139,799,408	(1,244,340,580)	3,156,295	(956,309,593)
2002	152,331,067	142,221,589	(1,236,187,539)	4,488,404	(937,146,479)
2003	155,577,147	149,480,510	293,085,074	4,416,910	602,559,641
2004	159,139,548	151,028,911	2,204,787,495	7,266,004	2,522,221,958

Ten-Year Summary of Expenditures

By Type (In Dollars)

Year Ended June 30	Retirement Benefits	Survivor Benefits	Disability Benefits	Refunds	Administrative Expenses	Other	Total
1995	328,764,719	5,125,383	4,967,050	4,619,063	3,665,748	2,008,430	349,150,393
1996	366,352,840	6,080,640	5,638,668	5,039,811	3,835,501	620,477	387,567,937
1997	414,414,893	6,887,894	6,285,354	10,898,914	4,552,372	638,751	443,678,178
1998	517,008,277	9,027,669	7,815,166	5,689,067	5,417,370	1,226,839	546,184,388
1999	602,176,461	9,891,582	8,869,921	6,271,448	7,976,908	1,764,550	636,950,870
2000	734,173,055	11,025,836	9,837,686	7,262,919	8,137,683	3,903,332	774,340,511
2001	839,034,887	12,222,381	10,530,210	7,608,838	13,077,718	8,460,779	890,934,813
2002	919,648,266	14,096,110	11,477,973	7,353,363	12,911,651	1,939,945	967,427,308
2003	952,017,588	13,613,284	11,346,039	6,656,191	13,158,347	1,923,903	998,715,352
2004	979,108,591	14,201,212	11,734,673	6,861,707	12,179,212	3,939,375	1,028,024,770

Summary of Changes in Membership

Fiscal Year Ending June 30, 2004

Active and Inactive Members

	Active		Inactive	
	Basic	Coordinated	Basic	Coordinated
Total July 1, 2003	5	71,911	13	28,547
Additions				
New hires	—	4,921	—	—
New inactives from active	—	—	—	5,197
Returns from inactive	—	1,812	—	—
Returns from retired	—	410	—	—
Returns from terminated	—	—	—	44
Restored write-offs	—	133	1	98
Repaid refunds	—	—	—	197
Transfers from nonstatus	—	—	—	39
System change to:	—	—	1	—
Deletions				
Service retirements	(2)	(1,579)	(3)	(407)
Deaths	—	(21)	—	(22)
Refunds	—	(329)	(1)	(991)
Writeoffs—	—	—	(1,913)	
Terminated (no refund)	—	(5,197)	—	—
Returns to active	—	—	—	(1,812)
Transfers to IRAP	—	(4)	—	—
System change from:	—	—	—	(1)
Data adjustments	0	(52)	—	3
Total June 30, 2004	**3**	**72,005**	**11**	**28,979**

	Basic System	Coordinated System	Total
Active	3	72,005	72,008
Inactive	11	28,979	28,990
Total	**14**	**100,984**	**100,998**

Summary of Changes in Membership (continued)

Fiscal Year ending June 30, 2004

Annuitants

	1931 Law Basic System			Coordinated System		
	Men	Women	Total	Men	Women	Total
Total annuitants June 30, 2003	1,774	2,264	4,038	13,962	15,303	29,265
Members retired during year	0	5	5	828	1,125	1,953
Terminated by death	(66)	(141)	(207)	(197)	(293)	(490)
Cancelled	0	0	0	1	1	2
Total annuitants June 30, 2004	**1,708**	**2,128**	**3,836**	**14,592**	**16,134**	**30,726**
Annuitants not receiving warrants June 30, 2004	0	0	0	(31)	(26)	(57)
Total active annuitants June 30, 2004	**1,708**	**2,128**	**3,836**	**14,561**	**16,108**	**30,669**

Other Annuity Benefits Paid

	Supplemental Retirement Annuities			Former Variable Annuities		
	Men	Women	Total	Men	Women	Total
Active annuitants June 30, 2003	55	35	90	473	286	759
Members retired during year	0	0	0	0	0	0
Adjustments	0	0	0	0	0	0
Terminated by death	(2)	(3)	(5)	(11)	(8)	(19)
Terminated by law	(1)	0	(1)	(2)	(2)	(4)
Total other annuitants June 30, 2004	**52**	**32**	**84**	**460**	**276**	**736**
Annuitants not receiving warrants June 30, 2004	0	0	0	0	0	0
Total other annuitants June 30, 2004	**52**	**32**	**84**	**460**	**276**	**736**

Summary of Changes in Membership (continued)

Fiscal Year ending June 30, 2004

Beneficiaries of Members Deceased Prior to Retirement

Survivor Benefits — Basic Plan

	Joint & Survivor Annuities			Other Annuities		
	Men*	Women*	Total	Men	Women	Total
June 30, 2003	408	234	642	5	60	65
Granted during year	11	27	38	0	0	0
Adjustments	0	0	0	0	(2)	(2)
Deaths	(3)	(1)	(4)	0	0	0
Terminated by law	(8)	(10)	(18)	0	0	0
Total June 30, 2004	**408**	**250**	**658**	**5**	**58**	**63**
Survivors not receiving warrants June 30, 2004	0	0	0	0	0	0
Total Active Survivors June 30, 2004	**408**	**250**	**658**	**5**	**58**	**63**

Disabilitants

	Coordinated System		
	Men	Women	Total
June 30, 2003	200	361	561
Granted during year	24	53	77
Adjustments	0	0	0
Resumed benefits	0	0	0
Terminated by death	(4)	(10)	(14)
Transferred to retirement status	(18)	(14)	(32)
Resumed employment	(1)	(6)	(7)
Cancelled	0	0	0
Total June 30, 2004	**201**	**384**	**585**
Disabilitants not receiving warrants June 30, 2004	0	(1)	(1)
Total Active Disabilitants June 30, 2004	**201**	**383**	**584**

Beneficiaries of Retired Members

	Basic System			Coordinated System		
	Men*	Women*	Total	Men*	Women*	Total
June 30, 2003	296	34	330	1,031	278	1,309
Granted during year	30	5	35	124	44	168
Adjustments	0	0	0	0	0	0
Deaths	(7)	(2)	(9)	(28)	(9)	(37)
Terminated by law	0	(1)	(1)	(22)	(18)	(40)
Total June 30, 2004	**319**	**36**	**355**	**1,105**	**295**	**1,400**

*Gender of member

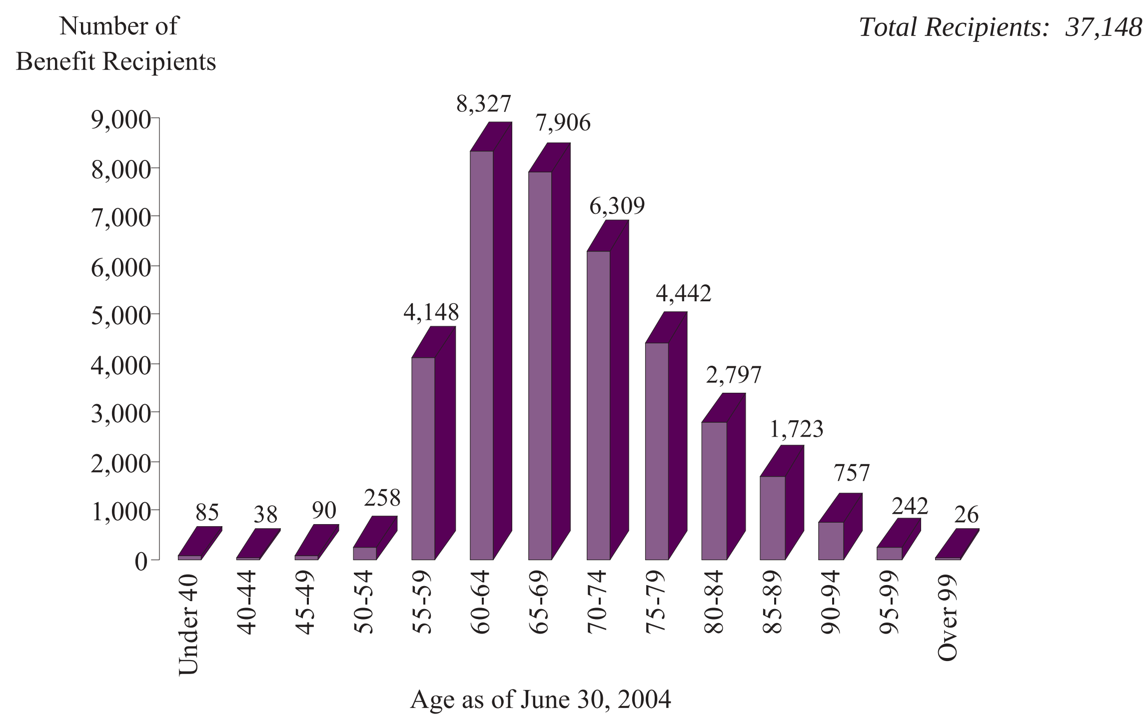
Schedule of Benefit Amounts Paid

For Month of June 2004

Monthly Benefit Amount	Number of Recipients	Cumulative Total	Percent	Cumulative Percent
Under $100 - 499	4,353	4,353	11.72	11.72
$ 500 - 999	4,206	8,559	11.32	23.04
$ 1,000 - 1,499	4,208	12,767	11.33	34.37
$ 1,500 - 1,999	4,823	17,590	12.98	47.35
$ 2,000 - 2,499	5,203	22,793	14.01	61.36
$ 2,500 - 2,999	4,082	26,875	10.99	72.35
$ 3,000 - 3,499	3,357	30,232	9.04	81.39
$ 3,500 - 3,999	2,350	32,582	6.33	87.72
$ 4,000 - 4,499	1,579	34,161	4.25	91.97
$ 4,500 - 4,999	1,048	35,209	2.82	94.79
$ 5,000 - 5,499	707	35,916	1.90	96.69
$ 5,500 - 5,999	422	36,338	1.13	97.82
$ 6,000 - 6,499	318	36,656	0.85	98.67
$ 6,500 - 6,999	197	36,853	0.53	99.20
$ 7,000 - 7,499	113	36,966	0.30	99.50
$ 7,500 - 7,999	78	37,044	0.21	99.71
$ 8,000 - 8,499	35	37,079	0.09	99.80
$ 8,500 - 8,999	17	37,096	0.05	99.85
$ 9,000 - 9,499	19	37,115	0.05	99.90
$ 9,500 - 9,999	13	37,128	0.05	99.95
$10,000 and over	20	37,148	0.05	100.00

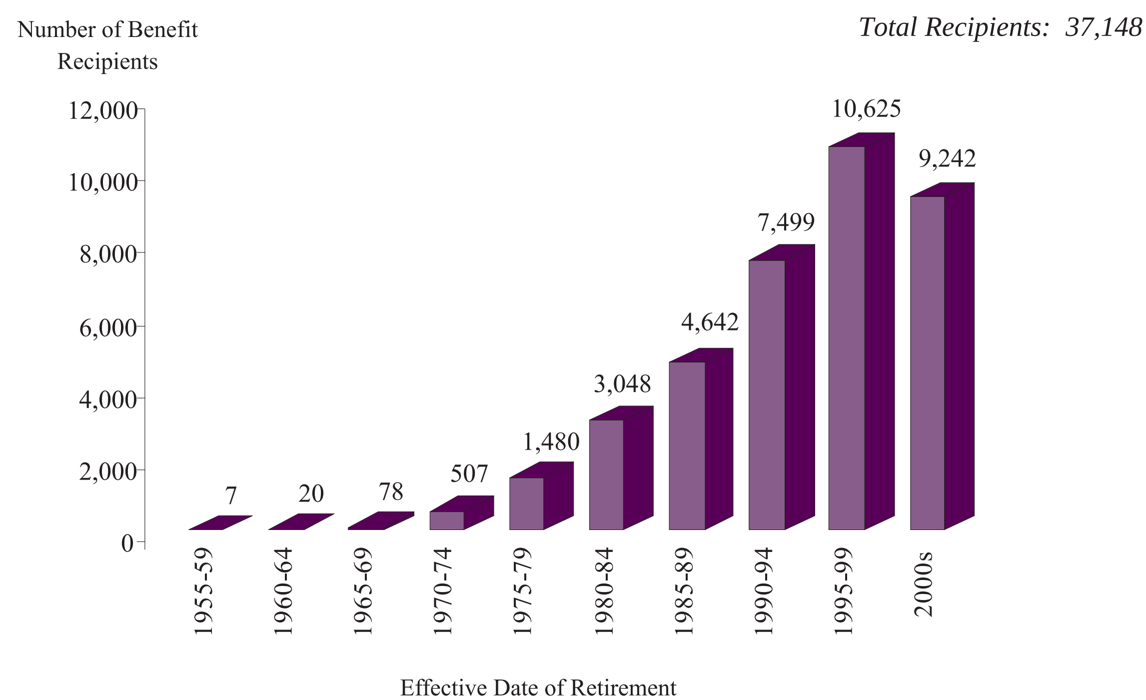
Schedule of Benefit Recipients by Current Age

For Month of June 2004



Benefit Recipients by Effective Date of Retirement

For Month of June 2004



Schedule of New Retirees and Initial Benefit Paid

For the Seven Fiscal Years Ending June 30, 2004

	Years of Formula Service						
Fiscal Year	**<10**	**10-15**	**16-20**	**21-25**	**26-30**	**Over 30**	**Total**
1997							
Avg. Monthly Benefit	$190.02	$620.88	$943.52	$1,403.79	$1,928.56	$2,633.81	$1,856.00
Number of Retirees	189	108	145	212	286	843	1,783
1998							
Avg. Monthly Benefit	$220.86	$674.83	$1,058.85	$1,544.28	$2,216.02	$2,959.73	$2,128.26
Number of Retirees	191	131	144	232	306	983	1,987
1999							
Avg. Monthly Benefit	$243.40	$696.37	$1,217.30	$1,664.26	$2,406.11	$3,204.73	$2,526.67
Number of Retirees	172	148	191	231	420	1,716	2,878
2000							
Avg. Monthly Benefit	$233.43	$668.46	$1,164.27	$1,660.98	$2,343.63	$3,115.03	$2,229.47
Number of Retirees	244	234	190	269	432	1,308	2,677
2001							
Avg. Monthly Benefit	$212.99	$739.68	$1,114.17	$1,743.43	$2,523.15	$3,262.12	$2,312.31
Number of Retirees	236	191	175	245	362	1,125	2,334
2002							
Avg. Monthly Benefit	$242.38	$777.25	$1,246.91	$1,637.71	$2,297.50	$3,136.64	$2,089.22
Number of Retirees	249	172	138	203	201	813	1,776
2003							
Avg. Monthly Benefit	$248.87	$758.32	$1,241.55	$1,604.95	$2,450.79	$3,204.33	$2,265.77
Number of Retirees	213	147	129	162	191	911	1,753
2004							
Avg. Monthly Benefit	$259.63	$738.26	$1,154.80	$1,832.53	$2,392.71	$3,227.23	$2,323.93
Number of Retirees	258	162	119	158	157	1,102	1,956

Distribution of TRA Benefits
Mailing Address of Benefit Recipient

February 2004

Total Recipients: 36,991

Note: 41 recipients reside outside the United States

Distribution of TRA Benefits
Mailing Address of Benefit Recipient

June 2004

Total Recipients: 37,148

Note: 40 recipients reside outside the United States

TRA

Schedule of Benefit Recipients by Type

For Month of June 2004

Monthly Benefit Amount	Number of Recipients	Type of Retirement: Regular	Disability	Beneficiary
$ 1 - $ 250	2,145	1,941	34	170
$ 251 - $ 500	2,208	1,901	49	258
$ 501 - $ 750	2,033	1,717	40	276
$ 751 - $ 1,000	2,178	1,892	50	236
$ 1,001 - $ 1,250	2,113	1,822	54	237
$ 1,251 - $ 1,500	2,092	1,792	57	243
$ 1,501 - $ 1,750	2,327	2,054	42	231
$ 1,751 - $ 2,000	2,497	2,223	52	222
$ 2,001 - $ 2,250	2,692	2,469	55	168
$ 2,251 - $ 2,500	2,521	2,319	46	156
$ 2,501 - $ 2,750	2,228	2,060	41	127
$ 2,751 - $ 3,000	1,863	1,741	30	92
$ 3,001 - $ 3,250	1,783	1,687	14	82
$ 3,251 - $ 3,500	1,560	1,486	9	65
$ 3,501 - $ 3,750	1,224	1,157	5	62
$ 3,751 - $ 4,000	1,126	1,081	3	42
$ 4,001 - $ 4,250	889	854	1	34
$ 4,251 - $ 4,500	684	652	3	29
$ 4,501 - $ 4,750	595	569	0	26
$ 4,751 - $ 5,000	454	425	0	29
$ 5,001 - $ 5,250	402	387	1	14
$ 5,251 - $ 5,500	302	287	1	14
$ 5,501 - $ 5,750	225	212	0	13
$ 5,751 - $ 6,000	197	187	0	10
$ 6,001 - $ 6,250	164	152	0	12
$ 6,251 - $ 6,500	154	146	0	8
$ 6,501 - $ 6,750	107	101	0	6
$ 6,751 - $ 7,000	90	83	0	7
$ 7,001 - $ 7,250	73	70	0	3
$ 7,251 - $ 7,500	40	38	0	2
$ 7,501 - $ 7,750	39	36	0	3
$ 7,751 - $ 8,000	39	34	1	4
$ 8,001 - $ 8,250	12	12	0	0
$ 8,251 - $ 8,500	23	23	0	0
$ 8,501 - $ 8,750	12	11	0	1
$ 8,751 - $ 9,000	5	5	0	0
$ 9,001 - $ 9,250	11	9	0	2
$ 9,251 - $ 9,500	8	7	0	1
$ 9,501 - $ 9,750	9	9	0	0
$ 9,751 - $10,000	4	4	0	0
$10,001 and over	20	20	0	0
Total	**37,148**	**33,675**	**588**	**2,885**

Distribution of Active Members (with Average Annual Salary)

As of June 30, 2004

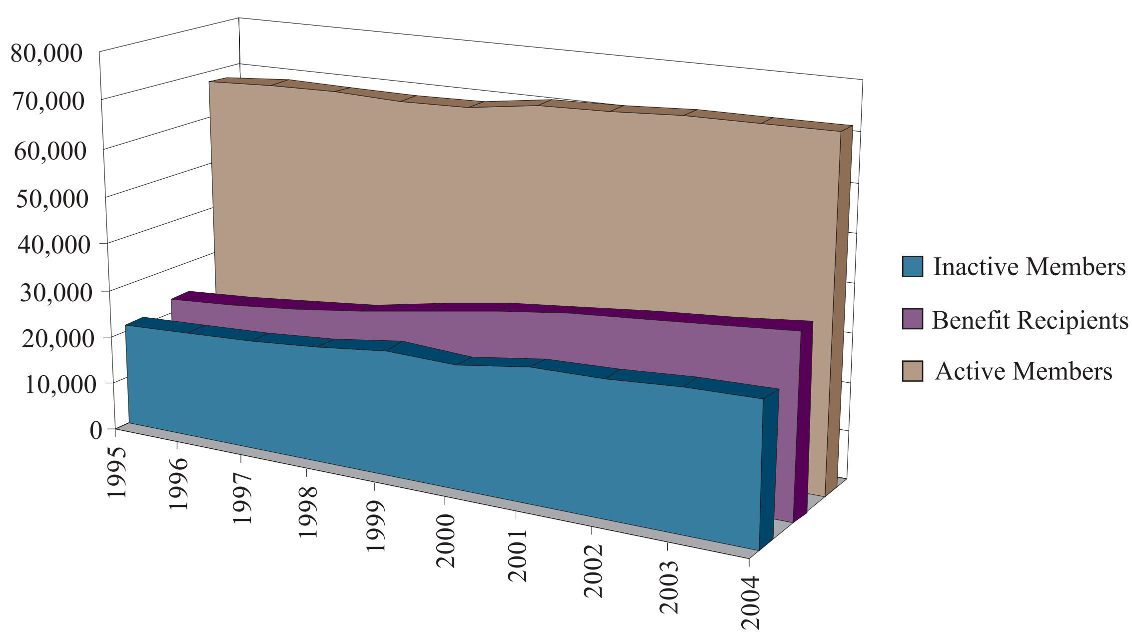
		Years of Service								
Age	**Total**	**< 1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**
< 25	2,672	1,522	1,150	—	—	—	—	—	—
	$23,280	$17,288	$31,211	—	—	—	—	—	—
25-29	9,188	1,436	5,966	1,786	—	—	—	—	—
	$31,890	$14,218	$33,243	$41,578	—	—	—	—	—
30-34	8,977	629	2,567	4,803	977	1	—	—	—
	$39,323	$18,413	$32,905	$43,221	$50,472	$52,314	—	—	—
35-39	8,494	615	1,625	2,426	3,255	573	—	—	—
	$43,164	$13,494	$32,106	$43,034	$51,965	$56,924	—	—	—
40-44	8,599	720	1,637	1,602	1,809	2,374	457	—	—
	$45,100	$14,056	$30,513	$42,898	$51,498	$58,226	$60,473	—	—
45-49	9,553	686	1,410	1,514	1,437	1,548	2,014	943	1
	$47,428	$11,486	$28,231	$42,368	$50,736	$57,599	$59,707	$62,446	$43,855
50-54	12,323	526	1,190	1,328	1,500	1,501	1,431	3,196	1,651
	$52,757	$12,486	$28,254	$40,531	$49,738	$57,766	$61,066	$63,284	$63,692
55-59	9,239	408	843	740	859	1,032	994	1,466	2,897
	$55,016	$12,373	$34,055	$38,988	$48,951	$57,207	$61,320	$65,415	$65,314
60-64	2,398	237	355	260	247	302	300	322	375
	$48,824	$10,991	$28,971	$29,818	$45,088	$57,320	$60,949	$68,930	$73,360
65+	565	164	173	59	38	29	26	21	55
	$27,466	$7,884	$15,199	$19,059	$38,934	$57,923	$58,406	$58,630	$82,953
Total	72,008	6,943	16,916	14,518	10,122	7,360	5,222	5,948	4,979
AAS*	$44,533	$14,421	$31,678	$42,063	$50,761	$57,717	$60,518	$63,719	$65,573

*Average Annual Salary

Ten-Year Summary of Membership

Year Ended June 30	Active Members	Inactive Members	Benefit Recipients
1994	66,514	20,901	22,137
1995	67,558	21,514	23,168
1996	68,490	22,211	24,307
1997	68,554	23,009	25,681
1998	68,247	23,907	27,228
1999	68,613	25,822	29,749
2000	70,508	25,208	31,946
2001	71,097	27,256	33,757
2002	71,690	27,702	34,974
2003	71,916	28,560	36,199
2004	72,008	28,990	37,649

Ten-Year Summary of Membership



Schedule of Participating Employers

As of June 30, 2004

Independent School Districts (343)

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

Lac qui Parle Valley
LaCrescent #300
Lake Benton #404
Lake City #813
Lake Crystal-Wellcome Memorial ISD #2071
Lake of the Woods #390
Lake Park-Audubon District #2889
Lake Superior #381
Lakeview #2167
Lakeville #194
Lancaster #356
Lanesboro #229
Laporte #306
Le Center #392
Le Sueur-Henderson #2397
LeRoy #499
Lester Prairie #424
Lewiston #857
Litchfield #465
Little Falls #482
Littlefork #362
Long Prairie-Grey Eagle #2753
Luverne #2184
Lyle #497
Lynd #415
Mabel-Canton #238
MACCRAY #2180
Madelia #837
Mahnomen #432
Mahtomedi #832
Mankato #77
Maple Lake #881
Maple River #2135
Marshall #413
Marshall County Central #441
Martin County West #2448
McGregor #4
McLeod West #2887
Medford #763
Melrose #740
Menahga #821
Mesabi East #2711
Milaca #912
Milroy #635
Minneota #414
Minnetonka #276
Minnewaska Area #2149
Montevideo #129
Montgomery #394
Monticello #882
Moorhead #152
Moose Lake #97
Mora #332
Morris #769
Mounds View #621
Mountain Iron-Buhl #712
Mountain Lake #173
Murray County Central #2169
Nashwauk-Keewatin #319
NE Metro Interm School Dist #916
Nett Lake #707
Nevis #308
New London-Spicer #345
New Prague #721
New Ulm #88
New York Mills #553
Nicollet #507
Norman County East #2215
Norman County West #2527
North Branch #138
North St Paul-Maplewood #622
Northfield #659
Northland Community Schools
Northland Learning Center
Northwest Suburban ISD 6078
Norwood Young America #108
NRHEG #2168
Ogilvie #333
Oklee #627
Onamia #480
Orono #278
Ortonville #62
Osakis #213
Osseo #279
Owatonna #761
Park Rapids #309
Parkers Prairie #547
Paynesville #741
Pelican Rapids #548
Pequot Lakes #186
Perham #549
Pierz #484
Pillager #116
Pine City #578
Pine Island #255
Pine Point #3333
Pine River-Backus #2174
Pipestone-Jasper #2689
Plainview #810
Plummer #628
Princeton #477
Prinsburg #815
Prior Lake #719
Proctor #704
Randolph #195
Red Lake #38
Red Lake Falls #630
Red Rock Central #2884
Red Wing #256
Redwood Area Schools
Renville County West #2890
Richfield #280
Robbinsdale #281
Rochester #535
Rockford #883
Rocori #750
Roseau #682
Rosemount-Apple Valley-Eagan #196
Roseville #623
Rothsay #850
Round Lake #516
Royalton #485
Rush City #139
Rushford #239
Russell #418
Ruthton #584
Sartell #748
Sauk Centre #743
Sauk Rapids #47
Sebeka #820
Shakopee #720
Sibley East #2310
Sleepy Eye #84
So Koochiching-Rainy River #363
South St Paul Special School Dist #6
South Washington County #833
Southland #500
Spring Grove #297
Spring Lake Park #16
Springfield #85
St Anthony #282
St Charles #858
St Clair #75
St Cloud #742
St Francis #15
St James #840
St Louis County Schools
St Louis Park #283
St Michael #885
St Peter #508
Staples-Motley #2170
Stephen-Argyle #2856
Stewartville #534
Stillwater #834
Swanville #486
Thief River Falls Public Schools
Tracy #417
Tri District 6067 School
Tri-County #2358
Triton Schools #2125

Truman #458
Tyler #409
Ulen #914
Underwood #550
United South Central #2134
Upsala #487
Verndale #818
Virginia #706
Wabasha-Kellogg #811
Wabasso #640
Waconia #110
Wadena-Deer Creek #2155
Walker-Hackensack #113
Warren-Alvarado-Oslo #2176
Warroad #690
Waseca #829
Watertown-Mayer #111
Waterville-Elysian-Morristown ISD #2143
Waubun #435
Wayzata #284
West Central Area #2342
West St Paul #197
Westbrook-Walnut Grove Public Schools
Westonka #277
Wheaton #803
White Bear Lake #624
Willmar #347
Willow River #577
Windom #177
Win-E-Mac #2609
Winona Area Public Schools #861
Worthington #518
Wrenshall #100
Yellow Medicine East #2190
Zumbrota-Mazeppa #2805

Joint Powers Unit (39)

Area Special Educ Coop
Bemidji Reg Interdist Council
Benton-Stearns Educ Dist
Border Region Education Dist
Carver Scott Educ Cooperative
Central MN ERDC
Crow River Spec Ed Coop
Fergus Falls Spec Ed Coop
Freshwater Education Dist
Goodhue County Ed Dist
Hiawatha Valley Ed Dist
Intermediate School District #287
Intermediate School District #917
Lake Agassiz Spec Ed Coop
Lakes Country Serv Coop
Meeker & Wright Spec Ed Coop
Metro ECSU
Midstate Educational Dist
Midwest Spec Ed Coop
MN River Valley Spec Ed Coop
MN Valley Coop Ctr
MN Valley Educ Dist
North Central Service Coop
North Country Voc Coop Ctr
Northeast Service Coop
Northwest Reg Intrdst Council
Northwest Service Co-op
Pine to Prairie Coop Ctr
Resource Training and Solutions
Riverbend Educational Dist
Root River Ed Dist
Runestone Area Education Dist
South Central Serv Coop
Southeast Service Coop
SW/W Central Service Cooperatives
Technology and Information Educational Services (TIES)
W Central Education Dist
Wright Technical Ctr
Zumbro Education District

Professional Organizations (1)

Education Minnesota

MN State Colleges & Universities (39)

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

Charter Schools (110)

Academia Cesar Chavez, #4073
Achieve Language Academy, #4018
Agricultural & Food Sciences Academy, #4074
ARTECH Northfield School of Arts & Tech., #4091
Ascension Academy, #4144
Augsburg Academy for Health Careers, #4111
Aurora Charter School, #4067
Avalon School, #4075
Beacon Academy, #4124
BlueSky Charter School, #4082
Bluffview Montessori, #4001
Cedar-Riverside Community School, #4004
Chiron Charter School, #4096
City Academy, #4000
Col Charles Young Military Academy, #4128
Community of Peace, #4015

Concordia Creative Learning Academy, #4035
Coon Rapids Learning Center, #4049
Covenant Academy of MN, #4081
Crosslake Community School, #4059
Cyber Village Academy, #4025
Dakota Area Community School, #4123
Duluth Edison Academies, #4020
Eagle Ridge Academy, #4122
ECHO Charter School, #4026
Eci Nompa Woonspe, #4028
El Colegio Charter School, #4057
Emily Charter School, #4012
Excell Academy for Higher Learning, #4068
Face to Face Academy, #4036
Family Academy Charter School, #4062
Four Directions Charter School, #4052
Fraser Academy, #4113
Friendship Academy of Fine Arts, #4079
Gen. John Vessey Leadership Academy, #4108
Great Expectations School, #4100
Great River Education Center, #4048
Great River School, #4105
Hanska Community School, #4051
Harbor City International, #4085
Harvest Preparatory Academy, #4032
Heart of Earth for Amer. Indian Educ., #4044
High School for Recording Arts, #4039
Higher Ground, #4027
Hmong Academy, #4103
HOPE Community Academy, #4070
Jennings Experiential High School, #4031
Kaleidoscope Charter School, #4118
LaCrescent Montessori Academy, #4054
Lafayette Charter School, #4050
Lake Superior High School, #4046
Lakes Area Charter School, #4045
Lakes International Language Academy, #4116
Liberty High School, #4104
Lighthouse Academy of Nations, #4131
Main Street School of Performing Arts, #4110
Math & Science Academy, #4043
Metro Deaf School, #4005
Minneapolis Academy, #4115
MIT- McGee Institute of Technology, #4069
MN Academy of Software Technology, #4076
MN Business Academy, #4065
MN International Middle School, #4078
MN Internship Center, #4102
M.N. North Star Academy, #4101
MN Transitions Charter School, #4017
Native Arts High School, #4071
Nerstrand Elementary School, #4055
New Century Charter School, #4093
New City School, #4089
New Country Charter School, #4007
New Heights School, #4003
New Spirit School, #4029
New Visions School, #4011
North Lakes Academy, #4053
North Shore Community School, #4084
Nova Classical Academy, #4098
Odyssey Charter School, #4030
PACT Charter School, #4008
Partnership Academy, Inc., #4097
Pillager Area Charter School, #4080
Prairie Creek Community School, #4090
Prairie Seeds Academy, #4126
Ridgeway Community School, #4083
River Heights Charter School, #4119
Riverbend Academy, #4066
Riverway Learning Community, #4064
Rochester Off-Campus Charter HS, #4056
SAGE Academy, #4087
Schoolcraft Learning Community, #4058
Skills for Tomorrow Sr. High, #4006
Sobriety High Charter School, #4109
Sojourner Truth Academy, #4038
St Croix Preparatory School, #4120
St Paul Family Learning Center, #4019
Studio Academy, #4061
Tarek Ibn Ziyad Academy, #4099
Trek North High School, #4106
Trio Wolf Creek Distance Learning, #4095
Twin Cities Academy, #4042
Twin Cities International Elem. School, #4077
UBAH Medical Academy, #4121
Urban Academy, #4088
Village School of Northfield, #4021
Voyageurs Expeditionary School, #4107
Watershed High School, #4092
Woodson Institute for Student Excellence, #4086
World Learner School, #4016
Worthington Area Language Academy, #4125
Yankton Country School, #4072

State Agencies (6)

Department of Economic Security
Department of Education
Minnesota State Academies
Perpich Center for Arts Education
Teachers Retirement Association
Veterans Affairs