

2023



Popular Annual  
Financial Report

A Pension Trust  
Fund of the State  
of Minnesota



Cover: Zimmerman High School, Zimmerman, Minnesota  
Photo courtesy of Zimmerman Middle and High School

For fiscal year ended June 30, 2023

# Popular Annual Financial Report



## Message from the Executive Director

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We are pleased to present this Popular Annual Financial Report (PAFR) of the Teachers Retirement Association of Minnesota (TRA) for the fiscal year ended June 30, 2023, our 92nd year of service.

TRA is managed by a board of eight trustees. Trustees are responsible as fiduciaries to protect the long-term value of the pension fund and provide benefit security for members. Trustees are also obligated to consider the benefit needs of all pension fund participants regardless of any individual constituency that may have been instrumental in their election. The pension fund is also governed by federal laws and state statutes.

TRA continues to strive toward our strategic goals that were developed with input from TRA stakeholder groups, TRA staff, and TRA Board members. These goals include:

- Engagement and education
- Fund integrity balanced with equity in plan provisions
- Engaged, empowered, high-performing workforce
- Risk-intelligent organization

Strategies and action plans have been outlined to accomplish each of the four goals, which can be found in our FY2023 ACFR.

TRA's total plan assets as of June 30, 2023, were \$28.2 billion. Pension benefits paid to retirees and beneficiaries during fiscal year 2023 were \$2 billion. Total liabilities were \$1.4 billion, an increase of \$64.3 million from the June 30, 2022 liability amount of \$1.3 billion. Association assets exceeded liabilities on June 30, 2023 by \$26.8 billion.

During the 2023 legislative session, the Minnesota Legislature passed three bills that directly impact TRA – the Pension and Retirement Omnibus Policy Bill, the Pensions Omnibus Budget Bill, and the Tax Finance and Policy Bill. The Pension Policy Bill makes small, administrative adjustments to TRA's statutes. The Pension Budget Bill reduced TRA's investment return assumption from 7.50% to 7.00% effective June 30, 2023 and reduces the interest rate used to calculate such payments as refund repayments, service credit purchase, etc., from 7.50% to 7.00%. The Budget Bill also appropriated funds to TRA to use towards one-time lump-sum payments to eligible benefit recipients and to pay down TRA's unfunded liability. The Tax Finance and Policy Bill is effective as of July 1, 2025. This bill reduces the normal retirement age (NRA) for active and eligible deferred Tier II members from 66 to 65. It also changes the contribution rates for both employees and employers. Employee rates will increase to 8.00% and employer rates will increase to 9.50%. Lastly, the bill pushes out the date to amortize the unfunded actuarial accrued liability from June 30, 2048 to June 30, 2053.

Finally, our sincere appreciation is extended to all who assisted in and contributed toward the completion of this publication.

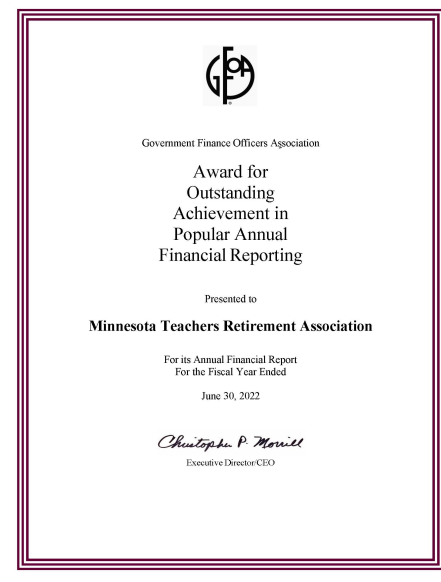
Michael Stoffel  
Executive Director

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# Award-Winning Popular Annual Financial Report

The Government Finance Officers Association (GFOA) is pleased to announce that Teachers Retirement Association of Minnesota has received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR).

The award represents a significant achievement by the entity. In order to be eligible for the PAFR award, a government must also submit its Annual Comprehensive Financial Report to GFOA's Certificate of Achievement for Excellent in Financial Reporting Program and receive the Certificate for the current fiscal year. Each eligible report is reviewed by judges who evaluate the report based on the following categories: reader appeal, understandability, distribution methods, creativity and other elementals.



## Fiduciary Net Position

June 30, 2023 and June 30, 2022

(Dollars in Thousands)	2023	2022	Change
Cash and Investments	\$28,113,968	\$26,888,619	\$1,225,349
Receivables	\$28,353	\$28,710	(\$357)
Capital Assets	\$9,382	\$11,885	(\$2,503)
<b>Total Assets</b>	<b>\$28,151,703</b>	<b>\$26,929,214</b>	<b>\$1,222,489</b>
Current Liabilities	\$1,395,831	\$1,330,858	\$64,973
Long-Term Liabilities	\$1,369	\$2,012	(\$643)
<b>Total Liabilities</b>	<b>\$1,397,200</b>	<b>\$1,332,870</b>	<b>\$64,330</b>
<b>Fiduciary Net Position</b>	<b>\$26,754,503</b>	<b>\$25,596,344</b>	<b>\$1,158,159</b>



The Statement of Fiduciary Net Position measures the resources TRA has available to pay pension benefits less liabilities owed by TRA to people and businesses other than members. However, the statement does not include the actuarially estimated pension liability owed to plan members.



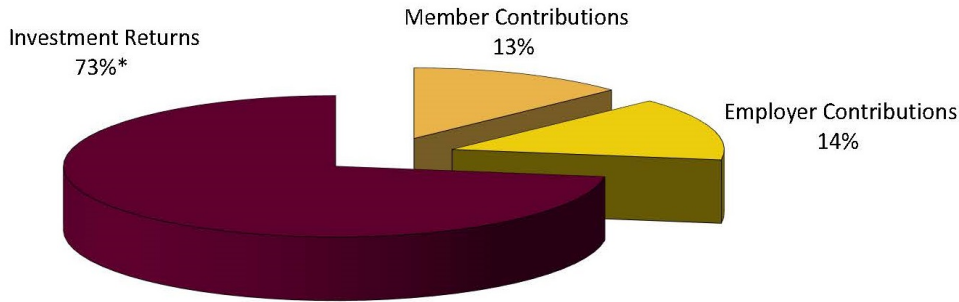
TRA is funded through a combination of member contributions, employer contributions, and investment earnings. For fiscal year 2023, the fiduciary net position increased \$1.2 billion. The increase was primarily due a strong investment performance. Deductions to fiduciary net position are incurred primarily for the purpose for which TRA was created, namely the payment of benefits to retirees. In fiscal year 2023, retirement, death and survivor benefits increased \$37.2 million. Refunds and withdrawals increased by \$1 million. Administrative costs increased by \$868,000.

## Change in Fiduciary Net Position

For fiscal year end June 30, 2023 and June 30, 2022

(Dollars in Thousands)	2023	2022	Change
<b>Additions</b>			
Employee Contributions	\$442,448	\$428,993	\$13,455
Employer Contributions	\$544,351	\$518,269	\$26,082
Net Investment Income/(Loss)	\$2,213,897	(\$1,710,746)	\$3,924,643
Other	\$1,966	\$3,531	(\$1,565)
<b>Total Additions</b>	<b>\$3,202,662</b>	<b>(\$759,953)</b>	<b>\$3,962,615</b>
<b>Deductions</b>			
Monthly Benefits	\$2,010,438	\$1,973,265	\$37,173
Refund of Contributions	\$17,531	\$16,529	\$1,002
Administrative Expenses	\$16,534	\$15,666	\$868
<b>Total Deductions</b>	<b>\$2,044,503</b>	<b>\$2,005,460</b>	<b>\$39,043</b>
Change in Fiduciary Net Position	\$1,158,159	(\$2,765,413)	\$3,923,572
<b>Ending Net Position</b>	<b>\$26,754,503</b>	<b>\$25,596,344</b>	<b>\$1,158,159</b>

# Pensions are a Shared Responsibility



*\*Based on a 20-year average*

During the member's career, the member and the member's employer make mandatory payroll contributions to TRA. The funds are pooled and managed by the State Board of Investment (SBI) to pay the eventual benefit.

## Ten-Year History Contribution Rates

Fiscal Year ending June 30	Coordinated Employee Contribution Rate	Coordinated Employer Contribution Rate	Coordinated Total Contribution Rate	Basic Program Employee Contribution Rate	Basic Program Employer Contribution Rate	Basic Program Total Contribution Rate
2014	7.00%	7.00%	14.00%	10.50%	11.00%	21.50%
2015	7.50%	7.50%	15.00%	11.00%	11.50%	22.50%
2016	7.50%	7.50%	15.00%	11.00%	11.50%	22.50%
2017	7.50%	7.50%	15.00%	11.00%	11.50%	22.50%
2018	7.50%	7.50%	15.00%	11.00%	11.50%	22.50%
2019	7.50%	7.71%	15.21%	11.00%	11.71%	22.71%
2020	7.50%	7.92%	15.42%	11.00%	11.92%	22.92%
2021	7.50%	8.13%	15.63%	11.00%	12.13%	23.13%
2022	7.50%	8.34%	15.84%	11.00%	12.34%	23.34%
2023	7.50%	8.55%	16.05%	11.00%	12.55%	23.55%

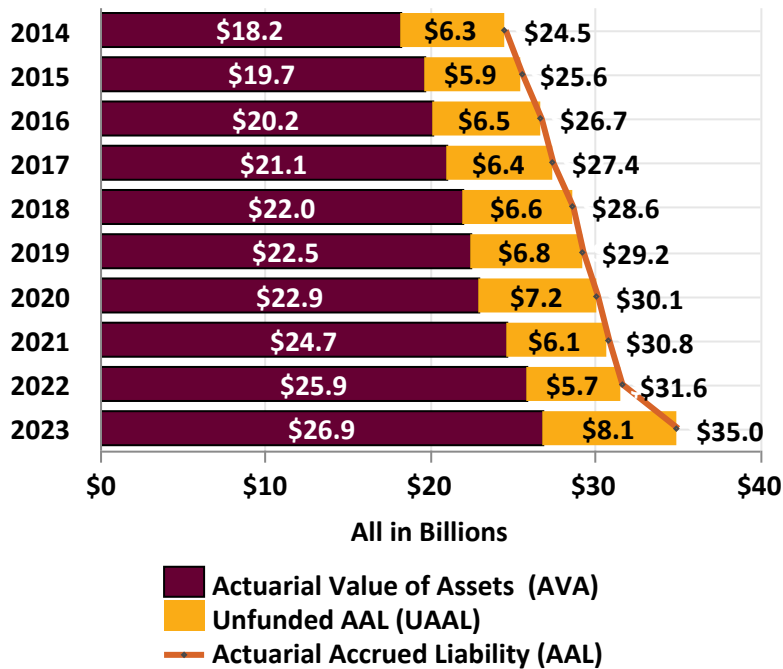
\*In addition to the rates above, an employer contribution is made to the fund by Special School District No. 1, Minneapolis, is an amount equal to 3.64% of the salary of each teacher who is a coordinated member or who is a basic member.

**Basic Program** - a member's contributions and benefits are not coordinated with Social Security coverage.

**Coordinated Program** - a members benefits are coordinated with Social Security coverage.

Local school districts and other TRA-covered employer units provide contributions of 12.55% of total salary for members in the Basic Plan and 8.55% 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. Beginning July 1, 2023, the employer contribution rate increased by 0.20% for both plans and the employee contribution rate increased by .25%.

## Assets compared to Actuarial Accrued Liability



The Unfunded Actuarial Accrued Liability (UAAL) on July 1, 2023 is \$8.1 billion as compared to UAAL on July 1, 2022 of \$5.7 billion. The \$2.4 billion increase in the UAAL on July 1, 2022 of \$5.7 billion. The \$2.4 billion increase in the UAAL is attributed to the following:

- a net decrease of \$10,785,000 from contributions, interest on UAAL, and normal cost
- a net decrease of \$244,455,000 due to actuarial gains for salary experience, investment return, and mortality experience; and actuarial losses due to retirement experience and miscellaneous other items
- an increase of \$615,463,000 due to plan amendments
- an increase of \$2,054,062,000 due to changes in actuarial assumptions

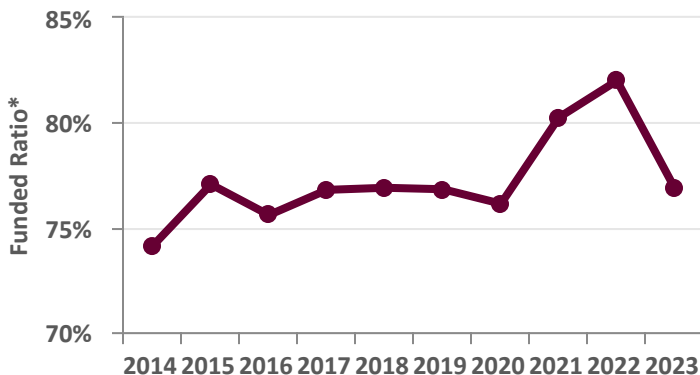
\*Actuarial Accrued Liability is the present value of promised pension benefits for service earned as of the valuation date.

\*\*Actuarial Value of Assets is the value of pension plan investments and other property as of the valuation date

\*\*\*Unfunded Actuarial Accrued Liability is the difference between the present value of projected benefits for earned service and the assets set aside to pay the benefits based on the funding policy

## Plan Funding

The funded ratio, which is the value of a plan's assets in proportion to the pension liability, is measured on June 30th of each year. Funding for pension plans consists of investment returns, employee contributions and employer contributions.



\*The Funded Ratio uses actuarial value of assets

As of June 30, 2023

Active Members 84,983



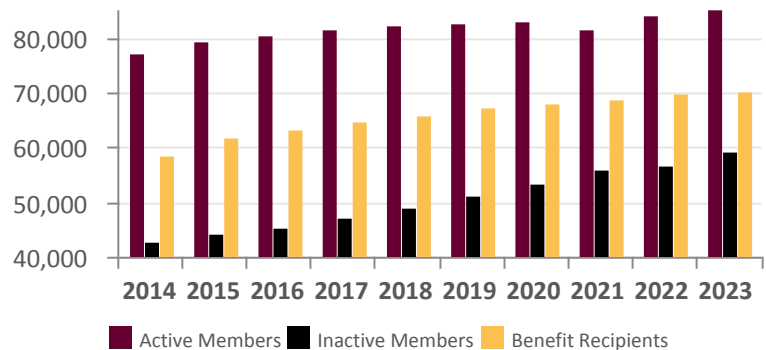
Benefit Recipients 70,344



Inactive Members 59,507



## 10 Year Summary Membership Data

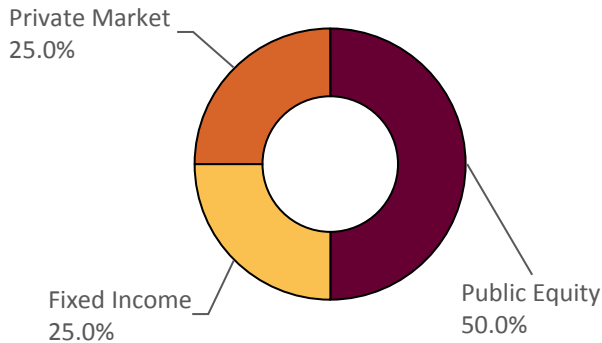


# Asset Allocation

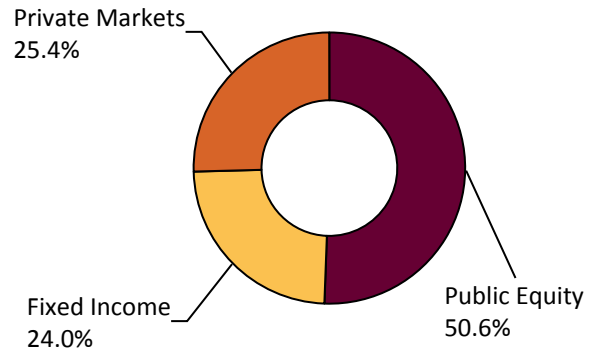
## Portfolio Distribution: Strategic Asset Policy Target Allocation - Actual Mix

All TRA assets are accounted for within the Combined Funds managed by SBI. The Combined Funds consist not only of the TRA assets, but also the assets of the Public Employees Retirement Association (PERA) and the Minnesota State Retirement System (MSRS).

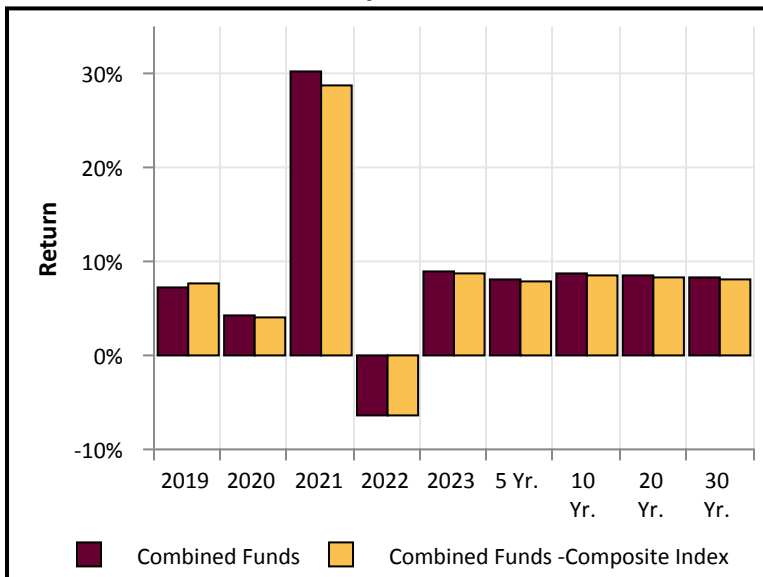
Asset Allocation Target



Asset Allocation Actual



## Investment Performance as of June 30, 2023



### Performance (Net of Fees)

The Combined Funds' performance is evaluated relative to a composite of public market index and private market investment returns. The composite performance is calculated by multiplying the beginning of month Composite weights and the monthly returns of the asset class benchmarks.

**Combined Funds** represent the assets for both the active and retired public employees in the statewide retirement systems. The SBI commingles the assets of these plans into the Combined Funds to capture investment efficiencies. All assets in the Combined Funds are managed externally by investment management firms retained by contract.

	2019	2020	2021	2022	2023	5 Yr.	10 Yr.	20 Yr.	30 Yr.
<b>Combined Funds</b>	7.3%	4.2%	30.3%	(6.4)%	8.9%	8.2%	8.8%	8.5%	8.4%
<b>Composite Index</b>	7.6%	4.0%	28.8%	(6.3)%	8.7%	8.0%	8.6%	8.3%	8.2%
<b>Excess</b>	(0.3)%	0.2%	1.5%	(0.1)%	0.2%	0.2%	0.2%	0.2%	0.2%

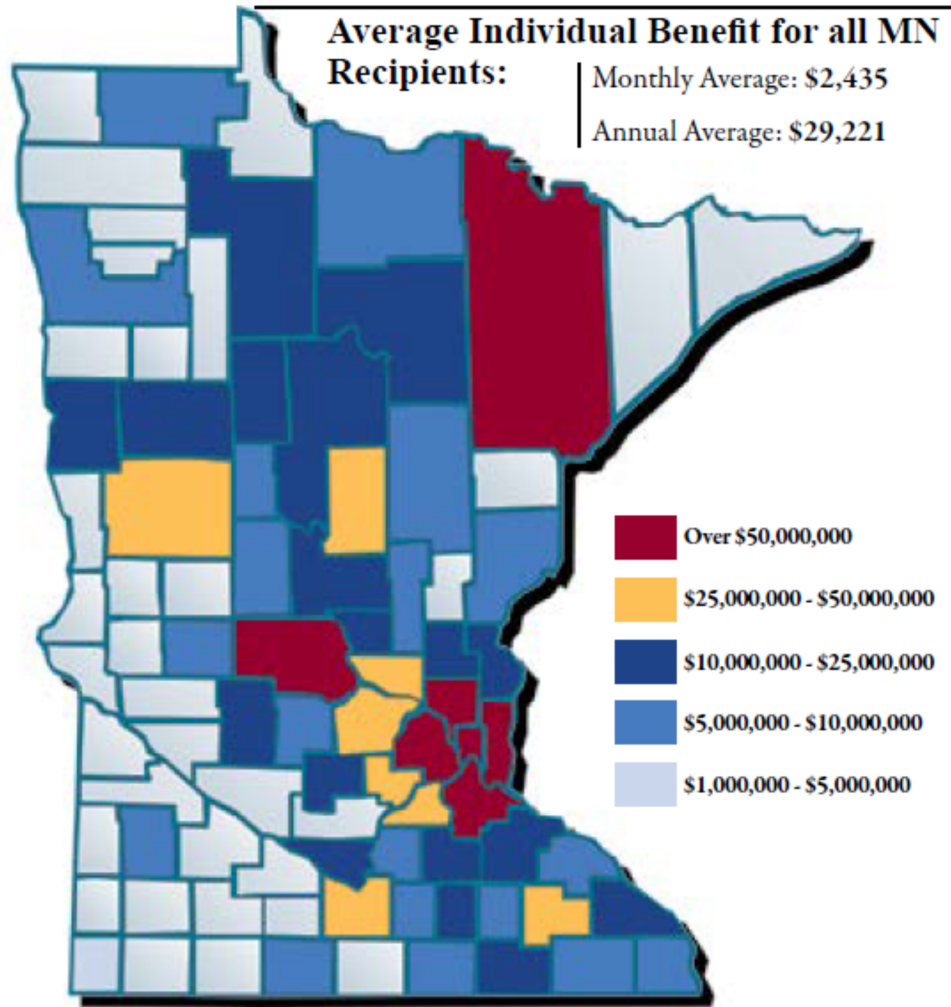
## Total Benefit Payments:

MN Recipients: 59,504 | Annual Benefits: \$1,738,781,053

### Average Individual Benefit for all MN Recipients:

Monthly Average: \$2,435

Annual Average: \$29,221



## County Annuitants TRA Paid

County	Annuitants	TRA Paid
Aitkin	237	\$6.2M
Anoka	2967	\$92.5M
Becker	591	\$15.5M
Beltrami	915	\$23.7M
Benton	387	\$11.3M
Big Stone	74	\$1.9M
Blue Earth	961	\$27.5M
Brown	232	\$6.5M
Carlton	471	\$12.2M
Carver	1005	\$31.5M
Cass	603	\$16.8M
Chippewa	153	\$4.2M
Chisago	535	\$16.1M
Clay	631	\$19.2M
Clearwater	137	\$3.3M
Cook	119	\$2.8M
Cottonwood	173	\$4.4M
Crow Wing	1226	\$35.1M
Dakota	3891	\$122.7M
Dodge	207	\$5.5M
Douglas	855	\$23.6M
Faribault	189	\$4.8M
Fillmore	287	\$7.1M
Freeborn	362	\$9.6M
Goodhue	651	\$18.2M
Grant	97	\$2.5M
Hennepin	11054	\$367.8M
Houston	220	\$6.0M
Hubbard	499	\$13.1M
Isanti	465	\$12.9M
Itasca	880	\$23.1M
Jackson	132	\$3.6M
Kanabec	181	\$4.9M
Kandiyohi	808	\$23.5M
Kittson	69	\$1.8M
Koochiching	211	\$5.5M
Lac Qui Parle	110	\$2.8M
Lake	179	\$4.8M
Lake Of The Woods	64	\$1.7M
Le Sueur	318	\$8.8M
Lincoln	79	\$1.8M
Lyon	289	\$7.1M
Mahnomen	47	\$1.3M
Marshall	135	\$3.7M
Martin	256	\$7.0M
McLeod	382	\$11.0M
Meeker	285	\$8.3M

Mille Lacs	277	\$7.9M
Morrison	417	\$10.7M
Mower	438	\$11.6M
Murray	110	\$2.8M
Nicollet	472	\$12.5M
Nobles	163	\$4.2M
Norman	94	\$2.5M
Olmsted	1561	\$42.6M
Otter Tail	1112	\$28.9M
Pennington	191	\$4.7M
Pine	293	\$7.8M
Pipestone	108	\$2.8M
Polk	388	\$9.7M
Pope	222	\$6.2M
Ramsey	4096	\$115.4M
Red Lake	56	\$1.3M
Redwood	162	\$4.2M
Renville	163	\$4.1M
Rice	840	\$24.6M
Rock	126	\$3.6M

Roseau	185	\$5.7M
Saint Louis	2879	\$73.5M
Scott	1035	\$33.0M
Sherburne	905	\$28.5M
Sibley	147	\$3.8M
Stearns	1928	\$58.4M
Steele	402	\$11.0M
Stevens	78	\$2.1M
Swift	123	\$3.1M
Todd	330	\$8.9M
Traverse	48	\$1.0M
Wabasha	289	\$7.6M
Wadena	244	\$5.9M
Waseca	249	\$6.2M
Washington	2587	\$74.3M
Watonwan	91	\$2.5M
Wilkin	65	\$1.5M
Winona	632	\$18.3M
Wright	1205	\$36.3M
Yellow Medicine	174	\$4.1M

# Popular Annual Financial Report



## **Teachers Retirement Association**

60 Empire Drive

Suite 400

Saint Paul, MN

55103-4000

651.296.2409

800.657.3669

800.627.3529

[www.MinnesotaTRA.org](http://www.MinnesotaTRA.org)

## **ABOUT THE POPULAR ANNUAL FINANCIAL REPORT (PAFR)**

This Popular Annual Financial Report (PAFR) is derived from the information contained in TRA's Annual Comprehensive Financial Report (ACFR). Both are presented in accordance with Generally Accepted Accounting Principles. Also TRA does not include footnotes which can be found in the ACFR. For a copy of TRA's ACFR, visit:  
<https://minnesotatra.org/financial/annual-reports>