



A Pension Trust Fund of the State of Minnesota



2024

POPULAR ANNUAL
FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2024

A Message from the Executive Director

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, 2024, our 93rd year of service. The PAFR provides a summary of the Annual Comprehensive Financial Report (ACFR).

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

TRA's total plan assets as of June 30, 2024, were \$30.4 billion. Pension benefits paid to retirees and beneficiaries during fiscal year 2024 were \$2.1 billion. Total liabilities were \$1.3 billion, a decrease of \$121 million from the June 30, 2023 liability amount of \$1.4 billion. Association assets exceeded liabilities on June 30, 2024 by \$29.1 billion.

During the 2024 legislative session, the Omnibus Pensions and Retirement Bill was passed, lowering the normal retirement age for Tier II members from 66 to 65 to now be effective July 1, 2024 (previously July 1, 2025). The bill also provided a one-time state appropriation of \$28.46 million to cover this cost. The Tax Finance and Policy Bill contribution provision, effective July 1, 2025, will change the contribution rates for both employees and employers. Employee rates will increase 0.25% to 8.00% and employer rates will increase 0.75% to 9.50%. Additionally, the provision to extend the amortization period to 2053 was rescinded back to June 30, 2048.

In August of 2023, a four-year experience study was concluded, based off data from July 1, 2018 through June 30, 2022. There were a number of demographic changes that occurred from the experience study. Those changes have been reflected in the current financial statements. The study did make a recommendation to reduce the investment return assumption from 7.5% to 7.0%. However, this reduction was already completed with the 2023 legislation by passing the HF3100 Pension Budget Omnibus Bill beginning with the July 1, 2023 valuation.

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



Tim Maurer
Interim Executive Director

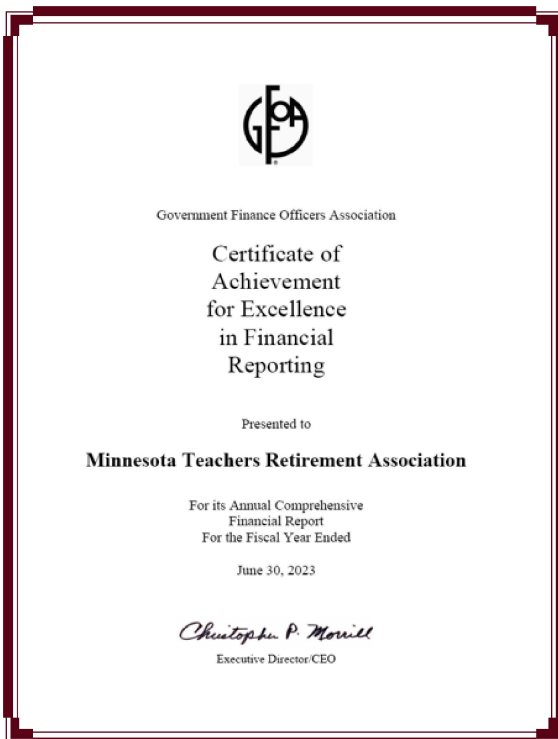
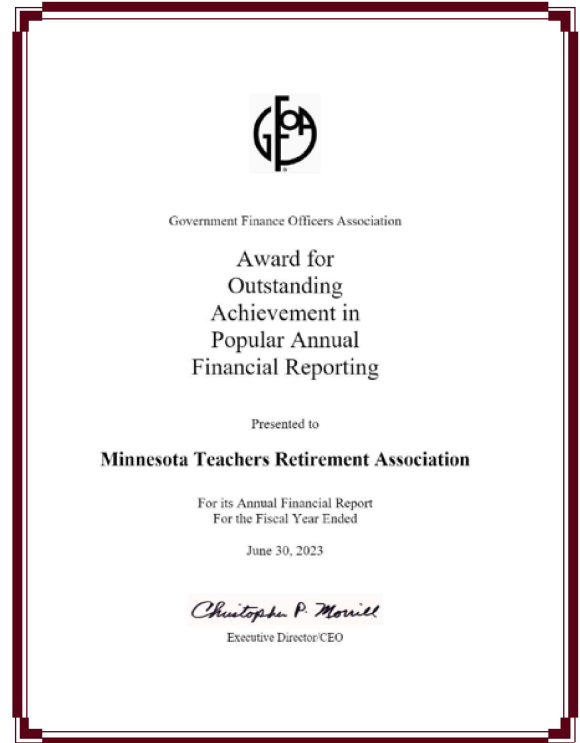
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AWARD WINNING REPORTING

Award Winner **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 elements.



Award Winner **Annual Comprehensive Financial Report**

The Government Finance Officers Association (GFOA) is pleased to announce that Teachers Retirement Association of Minnesota has received GFOA's Certificate of Achievement for Excellence in Financial Reporting for FY2023 Annual Comprehensive Financial Report (ACFR).

The award represents a significant achievement by the entity. In order to be eligible for the ACFR award, the report must satisfy both generally accepted accounting principles and applicable legal requirements. The goal of the program is not to assess the financial health of the participating government, but rather to ensure that users of this report have the information they need in an easy to read, understandable format so they may themselves assess the entity's financial health.

Fiduciary Net Position

June 30, 2024 and June 30, 2023

(Dollars in Thousands)

	2024	2023	Change
Cash and Investments	\$ 30,331,001	\$ 28,113,968	\$ 2,217,033
Receivables	30,644	28,353	2,291
Capital Assets	7,079	9,382	(2,303)
Total Assets	\$ 30,368,724	\$ 28,151,703	\$ 2,217,021
Current Liabilities	\$ 1,275,251	\$ 1,395,831	(120,580)
Long-Term Liabilities	994	1,369	(375)
Total Liabilities	\$ 1,276,245	\$ 1,397,200	(120,955)
Fiduciary Net Position	\$ 29,092,479	\$ 26,754,503	2,337,976

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.

Changes in Fiduciary Net Position

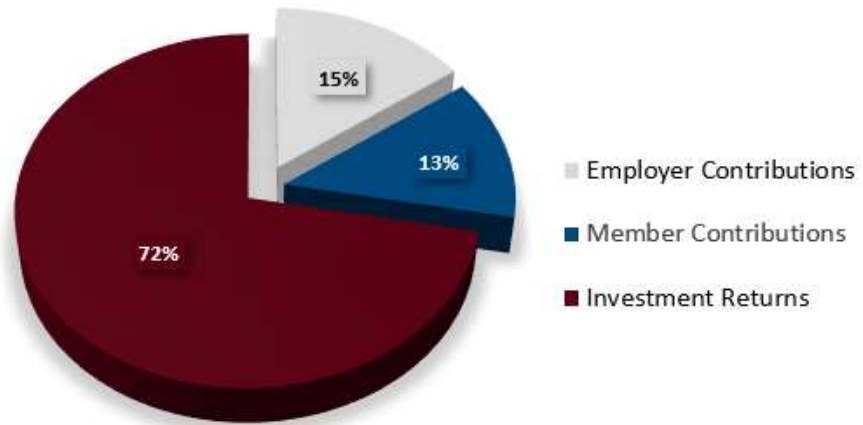
June 30, 2024 and June 30, 2023

(Dollars in Thousands)

	2024	2023	Change
Additions			
Employee Contributions	\$ 480,136	\$ 442,448	\$ 37,688
Employer Contributions	756,421	544,351	212,070
Net Investment Gain/(Loss)	3,199,055	2,213,897	985,158
Other	803	1,966	(1,163)
Total Additions	\$ 4,436,415	\$ 3,202,662	\$ 1,233,753
Deductions			
Monthly Benefits	\$ 2,059,436	\$ 2,010,438	\$ 48,998
Refund of Contributions	21,501	17,531	3,970
Administrative Expenses	17,502	16,534	968
Total Deductions	\$ 2,098,439	\$ 2,044,503	\$ 53,936
Change in Fiduciary Net Position	\$ 2,337,976	\$ 1,158,159	\$ 1,179,817
	\$ 29,092,479	\$ 26,754,503	2,337,976

TRA is funded through a combination of member contributions, employer contributions, and investment earnings. For fiscal year 2024, the *Fiduciary Net Position* increased \$2.3 billion. The increase was mostly due to strong investment earnings in FY24 compared to FY23 and additional direct aid received. Deductions to *Fiduciary Net Position* are incurred primarily for the purpose for which TRA was created, the payment of benefits to retirees. In fiscal year 2024, retirement benefits increased by \$49 million. Of the total increase, \$31.1 million was paid to eligible members as a one-time lump sum COLA payout. The remainder of the increase in expense is due to an increase in the number of recipients and a 1.1% increase for eligible recipients on January 1, 2024. Refunds and withdrawals increased by \$4 million, from \$17.5 million in FY23 to \$21.5 million in FY24. Administrative costs also increased by \$968,000.

Pensions are a Shared Responsibility



**Based on 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
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%
2024	7.75%	8.75%	16.50%	11.25%	12.75%	24.00%

**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.*

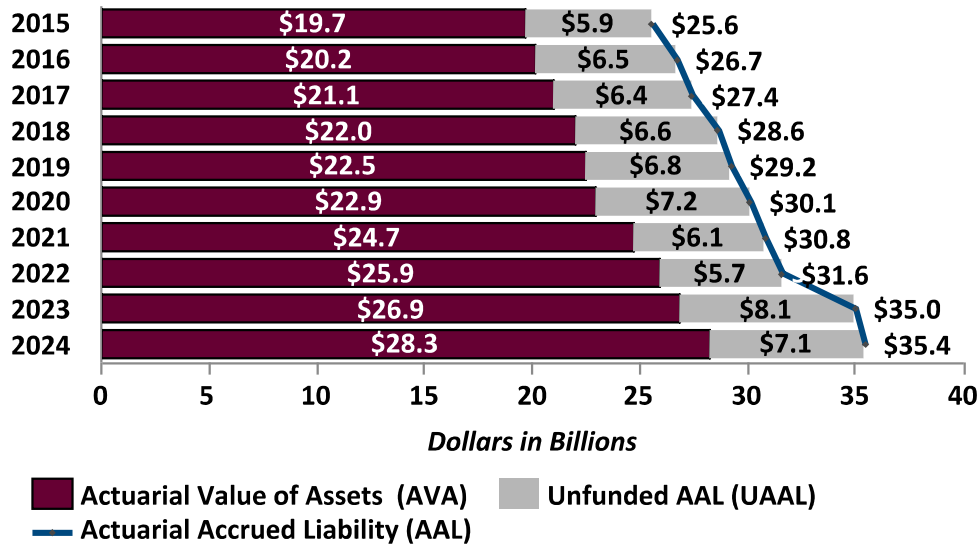
Basic Program - a member's contributions and benefits are not coordinated with Social Security coverage.

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

Local school districts and other TRA-covered employer units provide contributions of 12.75% of total salary for members in the Basic Plan and 8.75% 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.

Remaining from the 2023 legislative session are increases to employee and employer contribution rates effective July 1, 2025. The employer rate will increase 0.75% from 8.75% to 9.50%. The employee rate will increase 0.25% from 7.75% to 8.00%.

Assets compared to Actuarial Accrued Liability



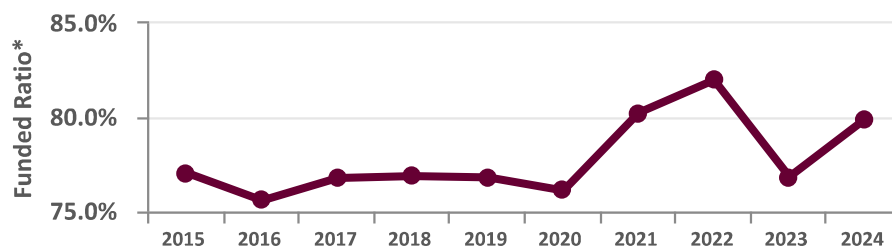
- Actuarial Value of Assets is the value of pension plan investments and other property as of the valuation date.
- Unfunded Actuarial Accrued Liability is the difference between the present value of projected benefits for earned service and the assets set aside to pay the benefits based on the funding policy.
- Actuarial Accrued Liability is the present value of promised pension benefits for service earned as of the valuation date.

The Unfunded Actuarial Accrued Liability (UAAL) on July 1, 2024 is \$7.1 billion as compared to UAAL on July 1, 2023 of \$8.1 billion. We experienced a \$1 billion decrease in the UAAL on July 1, 2024. The \$1 billion decrease in the UAAL is attributed to the following:

- a net increase of \$39.9 million from interest on UAAL, contributions, normal cost, and a one-time lump sum direct aid payment
- a net decrease of \$135.5 million 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 \$24.6 million due to plan amendments
- a net decrease of \$909.3 million due to changes in actuarial assumptions

Plan Funding

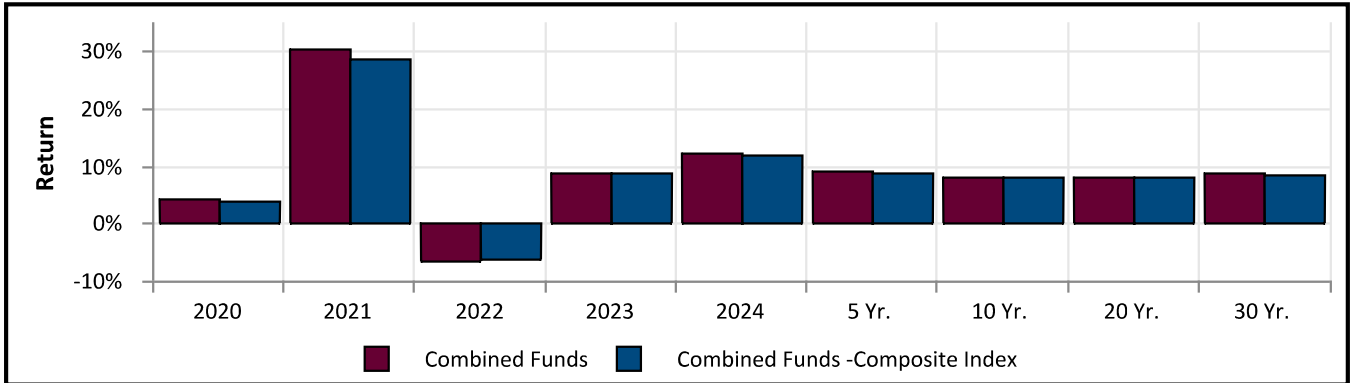
The funded ratio, which is the value of a plan’s assets in proportion to the pension liability, is measured on June 30th of each year. Funding for pension plans consists of investment returns, employee contributions and employer contributions.



*The Funded Ratio uses actuarial value of assets

Investment Performance

as of June 30, 2024



	2020	2021	2022	2023	2024	5 Yr.	10 Yr.	20 Yr.	30 Yr.
Combined Funds	4.2%	30.3%	-6.4%	8.9%	12.3%	9.2%	8.3%	8.3%	8.8%
Composite Index	4.0%	28.8%	-6.3%	8.7%	11.9%	8.8%	8.0%	8.1%	8.5%
Excess	0.2%	1.5%	(0.1)%	0.2%	0.5%	0.4%	0.2%	0.3%	0.3%

Investment Performance is presented net of investment management fees and the effect of any profit-sharing arrangements. 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.

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.

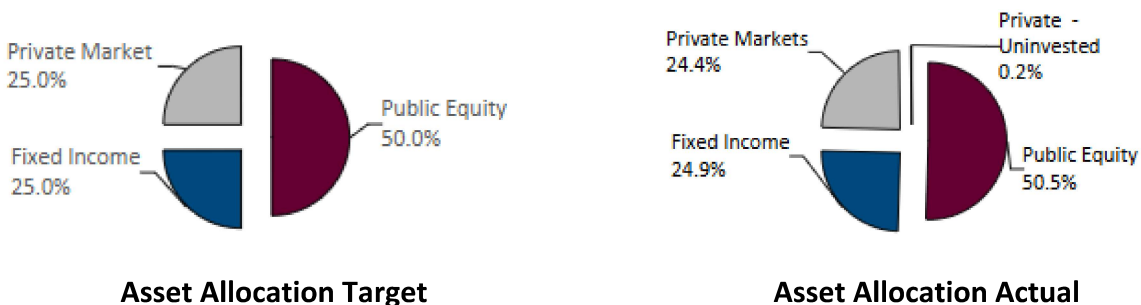
Combined Funds represent the assets for both the active and retired public employees in the statewide retirement systems. SBI commingles the assets of these plans into the Combined Funds to capture investment efficiencies.

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).

To match the long-term nature of pension obligations, SBI maintains a strategic asset allocation for the Combined Funds that includes allocations to public equity (both domestic and international), fixed income, and private markets.



Membership Data

TRA currently serves 595 schools and 218,524 members, ranging from active members, benefit recipients, and inactive members, ensuring the pension fund is healthy and benefits are paid correctly to recipients. Active members are currently working and contributing to the fund. Inactive members are no longer working in a qualified position and are not contributing nor receiving benefits. Benefit recipients are currently receiving pension benefit payments. Below is the current mix of members and benefit recipients, *10 Year Summary of Membership Data, and Gross Benefits by County.*

As of June 30, 2024



Active Members 85,962

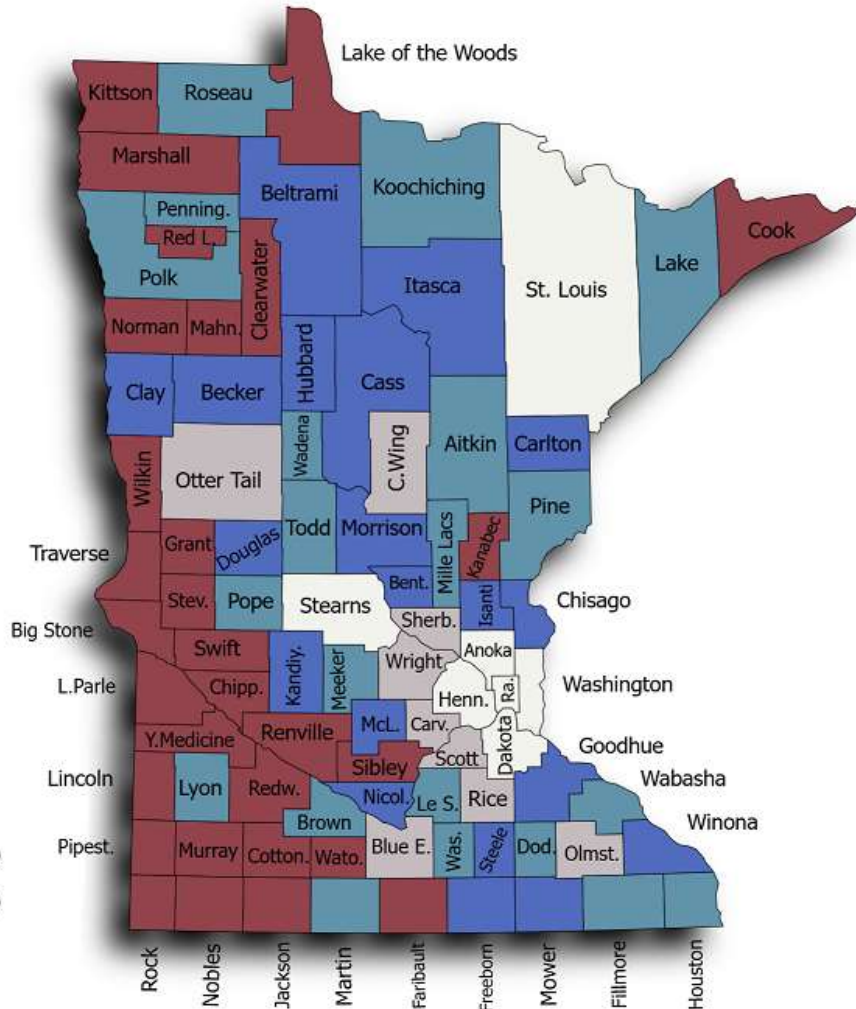
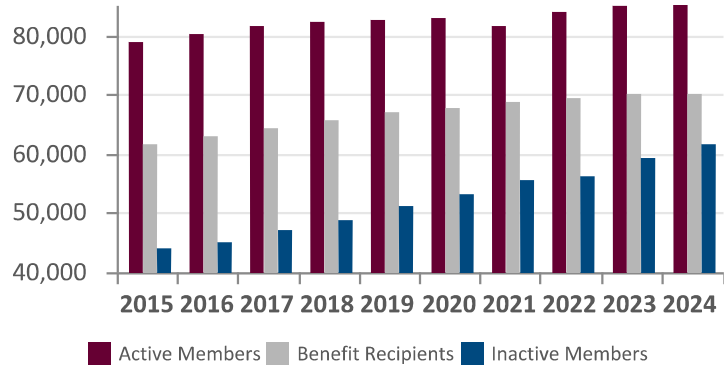


Benefit Recipients 70,480



Inactive Members 62,082

10 Year Summary Membership Data



County	Gross in Millions	County	Gross in Millions	County	Gross in Millions	County	Gross in Millions	County	Gross in Millions
Big Stone	1.77	Aitkin	6.41	Becker	15.99	Blue Earth	27.98	Anoka	95.84
Chippewa	4.30	Brown	6.51	Beltrami	24.56	Carver	32.99	Dakota	128.75
Clearwater	3.68	Dodge	5.62	Benton	11.45	Crow Wing	35.52	Hennepin	373.40
Cook	2.93	Fillmore	7.09	Carlton	12.51	Olmsted	43.03	Ramsey	118.59
Cottonwood	4.43	Houston	6.06	Cass	17.29	Otter Tail	29.43	Saint Louis	74.17
Faribault	4.85	Koochiching	5.47	Chisago	17.02	Rice	25.16	Stearns	60.35
Grant	2.58	Lake	5.13	Clay	19.27	Scott	34.32	Washington	75.51
Jackson	3.64	Le Sueur	8.60	Douglas	23.76	Sherburne	28.76		
Kanabec	4.90	Lyon	7.23	Freeborn	10.00	Wright	38.36		
Kittson	1.70	Martin	7.07	Goodhue	19.18				
Lac Qui Parle	2.83	Meeker	8.31	Hubbard	13.57				
Lake Of The Woods	1.64	Mille Lacs	8.17	Isanti	13.25				
Lincoln	1.76	Pennington	5.03	Itasca	23.64				
Mahnomen	1.38	Pine	7.95	Kandiyohi	22.98				
Marshall	3.79	Polk	9.87	McLeod	11.28				
Murray	2.92	Pope	6.32	Morrison	10.87				
Nobles	4.47	Roseau	5.58	Mower	11.74				
Norman	2.55	Todd	8.96	Nicollet	12.43				
Pipestone	2.99	Wabasha	8.15	Steele	10.89				
Red Lake	1.29	Wadena	5.93	Winona	18.24				
Redwood	4.16	Waseca	6.80						
Renville	4.18								
Rock	3.51								
Sibley	3.92								
Stevens	2.05								
Swift	3.03								
Traverse	0.92								
Watonwan	2.82								
Wilkin	1.43								
Yellow Medicine	4.15								

Teachers Retirement Association
60 Empire Drive
Suite 400
Saint Paul, MN
55103-4000

651.296.2409
800.657.3669
800.627.3529

<https://minnesotatra.org>

2024 Popular Annual Financial Report



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. TRA does not include footnotes, they can be found in the ACFR.
For a copy of TRA's ACFR, visit: <https://minnesotatra.org/financial/annual-reports>