



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Report on Compliance and Internal Control Over Financial Reporting

Teachers Retirement Association of Minnesota

Fiscal Year Ended June 30, 2003



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota state government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of representatives and senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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All OLA reports are available at our Web Site: <http://www.auditor.leg.state.mn.us>

If you have comments about our work, or you want to suggest an audit, investigation, or evaluation, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us

Teachers Retirement Association of Minnesota

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

| | |
|------------------------|----------------------------|
| Claudia Gudvangen, CPA | Deputy Legislative Auditor |
| Tom Donahue, CPA | Audit Manager |
| Alan Sasse, CPA | Auditor-in-Charge |
| Doreen Bragstad, CPA | Auditor |

Report Summary

Audit Conclusions

- We issued an unqualified opinion on the financial statements of the Teachers Retirement Association of Minnesota as of and for the year ended June 30, 2003.
- We issued a Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* of the United States. We did not report any material weaknesses involving the internal control over financial reporting and its operation or noncompliance that would be required to be reported under *Government Auditing Standards*.

Background Information

The Teachers Retirement Association of Minnesota (TRA) serves as the administrator of a multi-employer, cost sharing defined benefit fund. TRA administers a Basic Plan (without social security coverage) and a Coordinated Plan (with social security coverage) in accordance with Minnesota Statutes Chapters 354 and 356. Its members include teachers employed in Minnesota's public elementary and secondary schools, charter schools, the Minnesota State Colleges and Universities (MnSCU) system, and all other state educational institutions, with the exception of teachers employed by the cities of Minneapolis, St. Paul, Duluth, and the University of Minnesota. In fiscal year 2003, TRA provided retirement coverage for 71,916 active members, 36,199 retired members, and 9,304 deferred members (members who no longer contribute but are eligible for future annual benefits).

At June 30, 2003, the Teachers Retirement Association of Minnesota's total net assets held in trust for pension benefits was approximately \$13.6 billion. For the year ended June 30, 2003, TRA received contributions of about \$307 million and paid benefits and refunds of about \$985 million.

The Teachers Retirement Association of Minnesota provides retirement counseling, benefit-package seminars, newsletters and pamphlets, and an interactive website (www.tra.state.mn.us). The website offers members 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.



**Report on Compliance and Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Representative Tim Wilkin, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Members of the Teachers Retirement Association of Minnesota Board of Trustees

Mr. Gary Austin, Executive Director
Teachers Retirement Association of Minnesota

We have audited the financial statements of the Teachers Retirement Association of Minnesota as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Teachers Retirement Association of Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Teachers Retirement Association of Minnesota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the

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design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Legislative Audit Commission and the Teachers Retirement Association of Minnesota's management and is not intended to be and should not be used by anyone other than these specified parties.

/s/ James R. Nobles

/s/ Claudia J. Gudvangen

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 5, 2003

Report Signed On: January 8, 2004