

St. Paul Teachers'
Retirement Fund
Association

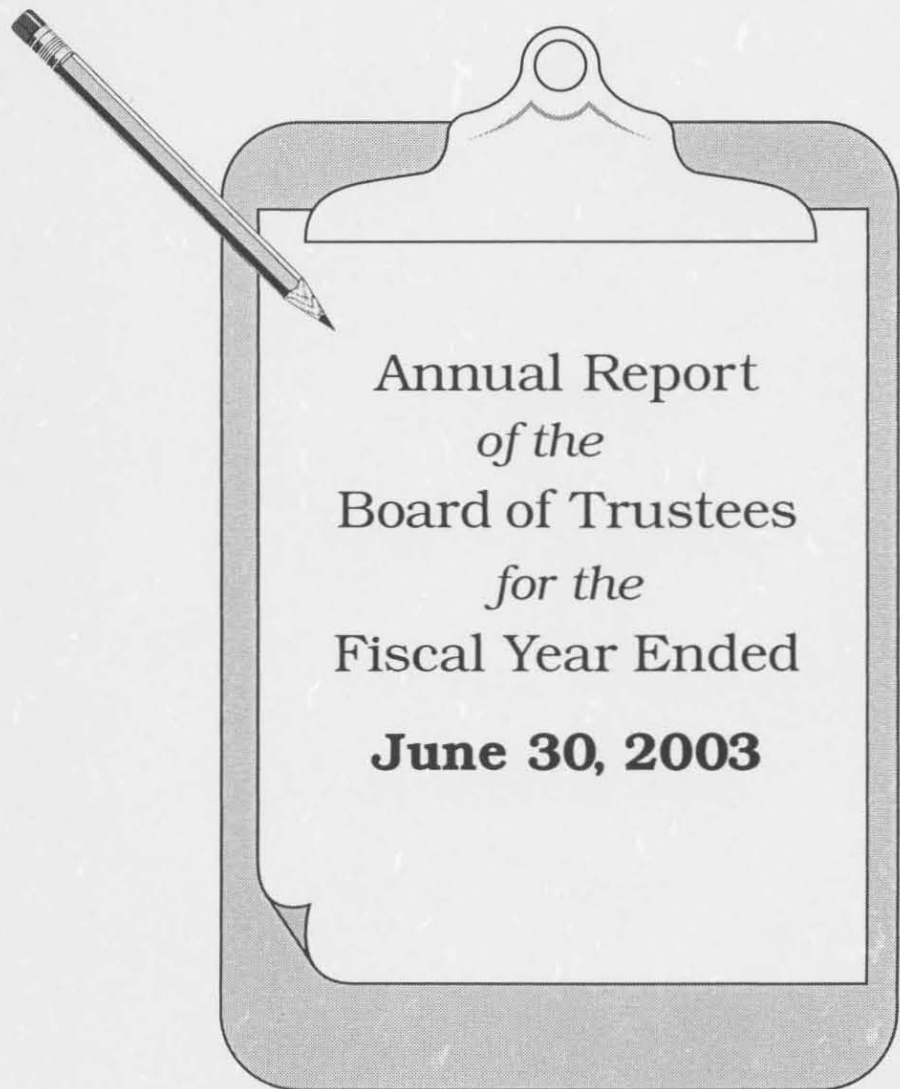


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Mission Statement

The Mission of St. Paul Teachers' Retirement Fund Association is to:

- Provide our members and their beneficiaries with retirement, survivor and disability benefits as specified in law and the Association Articles and Bylaws.
- Assist our members in planning a secure retirement by providing friendly, high quality, consumer oriented service, pre-retirement education and information in a professional and cost effective manner.
- Prudently invest the assets of the fund to provide the optimum return while preserving principal by controlling the portfolio risk.

St. Paul Teachers' Retirement Fund Association

Board of Trustees



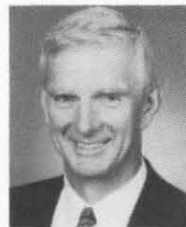
Carol J. Adams
President

John R. Kunz
Trustee



Feryle W. Borgeson
Vice President

F. Michael McCollor
Trustee



Eugene R. Waschbusch
Secretary-Treasurer

Erma E. McGuire
Trustee



Al Oertwig
Ex-Officio Trustee

James Paddock
Trustee



**W. Matthew
Bogenschultz**
Trustee

Chong Thao
Trustee



St. Paul Teachers' Retirement Fund Association

BOARD OF TRUSTEES & OFFICERS

1619 Dayton Avenue, Room 309
Saint Paul, MN 55104-6206
Phone (651) 642-2550
Fax (651) 642-2553

MEMBERS

W. Matthew Bogenschultz
John R. Kunz
Mike McCollor
Al Oertwig, Ex-Officio

Erma E. McGuire
James Paddock
Chong Thao

OFFICERS

Carol J. Adams
Feryle W. Borgeson
Eugene R. Waschbusch
Phillip Kapler

President
Vice President
Secretary-Treasurer
Executive Director

The Board of Trustees of the St. Paul Teachers' Retirement Fund Association (SPTRFA or Association) submits herewith the Financial Report for the fiscal year July 1, 2002 to June 30, 2003 in accordance with the provisions of Minnesota Statutes 356.20.

The financial statements of the Association were audited by the Office of the State Auditor. A copy of the report is included in this document.

Portions of the Actuarial Valuation from the actuary retained by the Legislative Commission on Pensions and Retirement, Milliman USA, are also included in this report. The complete actuarial valuation is on file in our office. Other actuarial services were provided by our consultant, Gabriel, Roeder, and Smith. Legal services were procured under a retainer agreement with the firm of Oppenheimer, Wolfe & Donnelly, LLP. Callan Associates is the Investment Consultant for the Association.

REVENUES

The reserves required to finance benefits come from employee and employer contributions, state aid and investment gains thereon. During fiscal year 2002-2003, total contributions amounted to \$37,592,083. Net investment income with unrealized market appreciation/depreciation for the same period was \$15,922,446.

EXPENSES

Benefits to annuitants, disabilitants, survivors and dependent children paid in this fiscal year totaled \$63,357,052. Refunds to members who left the Association totaled \$975,685. Administrative expenses amounted to \$473,934.

INVESTMENTS

The investments of the SPTRFA had a rate of return of 2.9% for the fiscal year ending June 30, 2003. This return is under the 8.5% rate the actuaries assume when determining our funding status. Due largely to underperformance by certain active investment managers under contract, the actual return was 1.4% below the fund's composite benchmark of 4.3%. The market value of the net assets of the fund held in trust for pension benefits decreased marginally from \$768,931,641 on June 30, 2002 to \$757,639,499 on June 30, 2003.

MEMBER SERVICES

The SPTRFA sent detailed benefit estimates to each vested member over age 40. All other members received a statement of account status.

The document you are reading is the complete Annual Report of the Board of Trustees. A copy of this report has been mailed to each school building and location where members work. To save printing costs, each member has been sent a summary version of this report, which contains all of the essential information, less certain details, statistics or notes. A complete Annual Report will be sent to any member upon request.

FUNDING

The July 1, 2003 actuarial valuation funding ratio is 75.57%. This is a decrease from the 78.82% funding ratio for fiscal year 2002. The decrease is attributable to weak investment markets and should be overcome fairly quickly as the economy improves.

LEGISLATION

The 2003 legislative session produced one bill with direct relevance for our members. Laws 2003, 1st Special Session, Chapter 12, Article 3 extends the window for active members of our plan to purchase service credit in SPTRFA through May 16, 2004. Article 9 of that bill mandated that the teacher funds work with the Legislature's actuary to estimate costs associated with a proposed restructuring of the four teacher retirement plans. That report is to be completed in January 2004.

ADMINISTRATIVE SERVICE CHARGE

This annual report contains a summary of the calculation of the member service charge as required by law. Again this year, members will not be assessed a service charge because the administrative expenses of the SPTRFA remained well below the trigger points set in State law. The benchmarks we must stay under are CPI and comparable per member cost of the State TRA plan.

COST OF LIVING ADJUSTMENTS

To offset the effects of this year's 2.2% inflation, all retirees who have been retired for at least one fiscal year will receive an increase of 2.0% on January 1, 2004.

As the SPTRFA enters its 95th year of providing pensions and benefits to teachers in the Saint Paul Public Schools and Saint Paul College, we are proud to look back on our record. There are 4,515 active teaching members of the SPTRFA. The number of retirees, disabilitants, and survivors receiving benefits is 2,248. New retirements totaled 133 during the year, while 40 retired members and survivors passed away. The average retiree benefit, for all those whose teaching careers in Saint Paul range from one year to 40+ years, is \$30,310.

The Board of Trustees express their gratitude to the Association staff, Saint Paul Public Schools, Saint Paul College and to others who have helped assure our successful operation. We pledge to continue to administer the affairs of the Association in the most competent and efficient manner possible.

Respectfully submitted,



Carol J. Adams
President



Eugene R. Waschbusch
Secretary-Treasurer

St. Paul Teachers' Retirement Fund Association

Professional Listing *(as of June 30, 2003)*

Actuaries

Milliman USA
Gabriel, Roeder, Smith & Company

Auditor

Office of the State Auditor

Investment Counsel

Alliance Capital
Barclays Global Investors
Barrow, Hanley, Mewhinney & Strauss, Inc.
The Boston Company Asset Management
Capital Guardian Trust Company
Capital International, Inc.
Dimensional Fund Advisors, Inc.
Morgan Stanley Asset Management
Paladin Investment Associates
RWI Group
Voyageur Asset Management
Wellington Management Company, LLP

Investment Consultant

Callan Associates

Legal Counsel

Oppenheimer, Wolfe & Donnelly, LLP

St. Paul Teachers' Retirement Fund Association

MEMBERS: Active, Retired, Survivors & Beneficiaries

BOARD OF TRUSTEES

Carol J. Adams, President	W. Matthew Bogenschultz	Erma E. McGuire
Feryle W. Borgeson, Vice President	John R. Kunz	Al Oertwig
Eugene R. Waschbusch, Secretary-Treasurer	Mike McCollor	James Paddock
		Chong Thao

Board Committees: Executive, Annuities, Investments, Refunds, Personnel

ADMINISTRATION

Phillip G. Kapler, Executive Director
 James A. Callaway, Assistant Director
 Christine MacDonald, Benefits & Technology Specialist
 Jo Groth, Retired Member Clerk
 Nancy Langer, Active Member Clerk
 Tamera Zielinski, Information Clerk

BENEFITS ADMINISTRATION

Active Member Services
 Retired Member Services
 Records Management
 Member Counseling

OPERATIONS

Business Administration
 Accounting/Reporting
 Investment Mgmt & Reporting
 Payroll
 Budget Administration
 Publications
 Information Systems

PROFESSIONAL TECHNICAL SERVICES

Legal Counsel, *Oppenheimer, Wolff & Donnelly*
 Actuary, *Gabriel, Roeder, Smith & Company*
 Medical Advisor, *Dr. Kathleen Ayaz*
 Investment Consultant, *Callan Associates*
 Investment Managers, *(Various)*

GOVERNMENTAL RELATIONS

Minnesota State Auditor
 Legislative Commission on Pensions & Retirement
 Minnesota Department of Revenue
 Minnesota Department of Finance
 Minnesota Campaign Finance & Public Disclosure Board
 U.S. Department of the Treasury

Financial Section

THE FINANCIAL SECTION

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PATRICIA AWADA
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 400
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
stateauditor@osa.state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
St. Paul Teachers' Retirement Fund Association

We have audited the basic financial statements of the St. Paul Teachers' Retirement Fund Association as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the St. Paul Teachers' Retirement Fund Association as of June 30, 2003 and 2002, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis and the required supplementary information referred to in the table of contents are not required parts of the basic financial statements but are required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


PATRICIA AWADA
STATE AUDITOR


GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: November 7, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section summarizes key information drawn from more detailed sections elsewhere in this report. It includes a brief overview of the financial performance and actuarial status of the St. Paul Teachers' Retirement Fund Association (hereinafter "SPTRFA," "Association," or "Fund") for the fiscal year ended June 30, 2003.

Organizational Structure

The SPTRFA is a nonprofit corporation organized under Minn. Stat. ch. 317A. At the direction and oversight of a ten-member Board of Trustees, Association staff are responsible for the day-to-day administration of two tax-qualified, defined benefit pension programs primarily for licensed personnel of a single employer; Independent School District (ISD) No. 625, the central administrative body for public schools within the City of St. Paul.

Basic Plan members do not participate in Social Security through employment with ISD No. 625. The Coordinated Plan, commenced in 1978, provides retirement benefits for members who *do* participate in Social Security.

Under state law, payroll contributions to the Fund are a direct operating obligation of the School District and members. However, the Association is not a component unit of St. Paul Schools; neither are the Fund's assets or liabilities included in District financial statements.

Financial Highlights

The following principle schedules are referenced throughout this discussion:

1. Fund financial statements
 - a. Comparative Statement of Plan Net Assets
 - b. Comparative Statement of Changes in Plan Net Assets
2. Notes to the financial statements
3. Required supplementary schedules of contributions and funding progress

The year ending June 30, 2003, closed on a far more positive note than the previous fiscal year, as equity prices improved dramatically and bonds continued to provide strong returns. Investment gains were positive, though not quite strong enough to offset the difference between benefit obligations (\$64 million) and contributions (\$38 million). Net assets were marginally lower at year-end (\$11 million, or about 1.4%). In the wake of the longest bear market since the 1930's, however, the turnaround was an overdue reprieve.

Investment Performance Comparison
Annualized Returns (%)

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Actual performance (net of fees)	2.9	(1.4)	3.1
Benchmark	4.3	(3.1)	2.2
Actual target	8.5	8.5	8.5
Actual versus benchmark	(1.4)	1.7	0.9
Actual versus actuarial target	(5.6)	(9.9)	(5.4)

The statutory, actuarial assumed return is 8.5% per year. This is the long-term rate of return target the Fund must obtain in order to avoid investment-driven increases to unfunded liabilities. Over shorter periods of time, the time-weighted composite benchmark return for the Fund is a fair measure of returns *attainable*, given the asset allocation chosen for the Fund.

For the 12 months ended June 30, 2003, the total fund benchmark return was 4.3%. The SPTRFA's actual return was 2.9%. On an actuarial basis, the Fund had another confounding year, trailing the actuarial assumed return by 5.6%. Relative to the total portfolio benchmark, investment performance was also down 1.4%, a result primarily attributable to under-performance by active equity and fixed income account managers. Active management has added value over longer measurement periods, however, as can be seen in the three-year and five-year actual performance over the benchmark.

Summary Information from the Fund Financial Statements

The following two tables summarize data found later in this report. Detailed information can be found in schedules with corresponding names under the Financial Section.

Plan Net Assets
(\$'s in 000's)

	<u>Year Ended June 30</u>	
	<u>2003</u>	<u>2002</u>
Assets		
Cash	\$ 9,703	\$ 683
Receivables	5,326	4,976
Investments at fair value	746,015	766,743
Securities lending collateral	66,203	29,653
Fixed assets, less depreciation	<u>42</u>	<u>34</u>
Total Assets	<u>\$ 827,289</u>	<u>\$ 802,089</u>

	<u>Year Ended June 30</u>	
	<u>2003</u>	<u>2002</u>
Liabilities		
Payables	\$ 3,446	\$ 3,241
All other liabilities	<u>66,203</u>	<u>29,916</u>
Total Liabilities	<u>\$ 69,649</u>	<u>\$ 33,157</u>
Net Assets in Trust for Benefits	<u>\$ 757,640</u>	<u>\$ 768,932</u>

**Changes in Plan Net Assets
(\$'s in 000's)**

	<u>Year Ended June 30</u>	
	<u>2003</u>	<u>2002</u>
Additions		
Contributions		
Employer, employee, and State of Minnesota	\$ 37,592	\$ 38,684
Investment activity	18,546	(31,443)
Investment management expenses	(2,774)	(2,656)
Net securities lending income	<u>151</u>	<u>30</u>
Total Additions	<u>\$ 53,515</u>	<u>\$ 4,615</u>
Deductions		
Benefits, withdrawals, and refunds	\$ 64,333	\$ 59,456
Administrative expenses	<u>474</u>	<u>452</u>
Total Deductions	<u>\$ 64,807</u>	<u>\$ 59,908</u>
Net Decrease	\$ (11,292)	\$ (55,293)
Net Assets in Trust for Benefits (Beginning of Year)	<u>768,932</u>	<u>824,225</u>
Net Assets in Trust for Benefits (End of Year)	<u>\$ 757,640</u>	<u>\$ 768,932</u>

Notes to the Basic Financial Statements

The notes provide supplemental information that is essential to fully understand the data provided in the basic financial statements. Below is a brief description of the notes, listed in numerical order:

1. Describes accounting policies applied in the development of the basic financial statements.
2. Provides a description of the plans administered by the SPTRFA, including coverage, classes of membership, and benefits.

3. Describes the laws and policies governing the deposit and investment of Association assets.
4. Explains the securities lending program in which the SPTRFA participates through our custodian, Bank of New York. By state law, the SPTRFA securities on loan must be 100% collateralized at all times.
5. Describes how funds are accumulated through contributions.
6. Discusses the risk management policies of the SPTRFA.

Actuarial Valuation as Supplement to the Financial Statements

The financial statements can tell the reader whether, on a date certain, a plan is solvent, or how certain critical financial variables are moving over narrow time frames. However, they cannot tell the reader whether financing mechanisms in place are adequate to satisfy future liabilities associated with promised plan benefits over longer periods of time. Hence, an actuarial valuation is needed to supplement accounting-based measures of funded status.

For any defined benefit pension plan to be *actuarially* funded, the following equation must be satisfied:

Where,

PV	=	Present Value
C	=	Future Contributions
I	=	Investment Earnings
A	=	Present Assets
B	=	Benefit Liabilities
E	=	Expenses

Then, $PV [A + C + I] = PV [B + E]$

In an actuarially funded program, the key variable is the contribution level, normally calculated on a level dollar or level percent of payroll basis. Contributions can be set as the dependent variable, and the simple equation above may be restated as follows:

$$PV [C] = PV [B + E] - PV [A + I]$$

This simplified model illustrates how the actuary determines whether contributions are adequate to satisfy all liabilities through the full funding target date (for the SPTRFA, June 30, 2021). If the actual contribution rate exceeds the required rate, there exists a “sufficiency” and if otherwise, a “deficiency.” Ideally, neither would be allowed to persist, since that would imply that assets and liabilities are not accruing at the same overall pace, which could produce what actuaries refer to as “intergenerational inequities.”

Adverse investment performance in recent years caused some erosion in the accrued liability funding ratio, reducing it from 79% in 2002 to 76% in 2003. As of July 1, 2003, contributions from all sources to the SPTRFA appear to be “deficient” by about 3.5%. The importance of monitoring this deficiency and being prepared to take corrective action cannot be overemphasized.

Collectively, the schedules, accompanying notes, and discussions in this report provide comprehensive information as of June 30, 2003, regarding the:

- Benefit plans administered by the Association
- Asset and liability structure of the Fund
- Financial and actuarial status of the SPTRFA
- Key policies and procedures of the Association

Information compiled for this report is intended to conform with generally accepted accounting principles, Governmental Accounting Standards Board Statements 25, 28, and 34. At all times, the objective has been to provide an accurate and balanced picture of the financial and actuarial condition of the retirement program established and administered on behalf of educators in St. Paul. Questions about the information in this report should be directed to:

Phillip Kapler, Executive Director
St. Paul Teachers' Retirement Fund Association
1619 Dayton Avenue, Room 309
St. Paul, Minnesota 55104-6206

Phone: (651) 642-2550

Fax: (651) 642-2553

Website: <http://www.sptrfa.org>

Email: info@sptrfa.org

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

**COMPARATIVE STATEMENT OF PLAN NET ASSETS
JUNE 30, 2003 AND 2002**

	2003	2002
<u>Assets</u>		
Cash	\$ 9,703,457	\$ 682,787
Receivables		
Employer and employee contributions	\$ 2,380,131	\$ 991,672
Interest	882,044	928,053
Dividends	145,237	160,040
Sales of securities	1,908,370	2,663,288
Variation margins receivable	-	231,869
Other	10,002	1,332
Total receivables	\$ 5,325,784	\$ 4,976,254
Investments, at fair value		
Commercial paper	\$ 1,995,932	\$ 12,275,951
U.S. government securities	28,348,900	29,244,311
TBA's	18,547,891	22,869,446
Corporate bonds	43,026,586	34,464,109
Corporate stocks	164,766,746	166,594,881
Commingled investment funds		
Pooled international equity trust	99,710,045	105,518,408
Government/credit bond index fund	100,806,426	104,383,018
Equity index fund	115,881,924	113,373,114
U.S. debt index fund	45,495,456	46,874,404
Extended equity index fund	35,021,242	34,627,879
Russell 2000 equity index fund	6,662,238	6,333,823
International emerging markets growth fund	21,154,003	19,743,474
Mutual fund	37,436,152	38,129,547
International small capital fund	21,238,257	21,845,560
Money market funds	4,894,878	9,257,368
Limited partnership	1,028,457	1,207,354
Total investments, at fair value	\$ 746,015,133	\$ 766,742,647
Invested securities lending collateral	\$ 66,202,787	\$ 29,652,944
Furniture and fixtures (at cost, less accumulated depreciation of \$71,514 and \$61,368 in 2003 and 2002, respectively)	\$ 41,639	\$ 34,037
Total Assets	\$ 827,288,800	\$ 802,088,669

The notes to the financial statements are an integral part of this statement.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

**COMPARATIVE STATEMENT OF PLAN NET ASSETS
JUNE 30, 2003 AND 2002**

	2003	2002
<u>Liabilities</u>		
Accounts payable	\$ 619,424	\$ 680,111
Security purchases payable	2,827,090	2,561,357
Variation margins payable	-	262,616
Securities lending collateral	66,202,787	29,652,944
Total Liabilities	\$ 69,649,301	\$ 33,157,028
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress is Presented on Page 22)	\$ 757,639,499	\$ 768,931,641

The notes to the financial statements are an integral part of this statement.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

**COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002
Additions		
Contributions		
Employer	\$ 19,986,168	\$ 20,958,423
Members	14,222,154	14,467,695
Other sources		
State of Minnesota	3,383,761	3,257,761
Total contributions	\$ 37,592,083	\$ 38,683,879
Investment income (loss)		
From investing activity		
Net appreciation (depreciation) in fair value of investments	\$ 10,460,860	\$ (40,285,792)
Interest	5,284,831	6,081,022
Dividends	2,750,727	2,680,711
Other	49,675	81,284
Total investing activity income (loss)	\$ 18,546,093	\$ (31,442,775)
Less: investing activity expense	(2,774,231)	(2,656,216)
Net income (loss) from investing activity	\$ 15,771,862	\$ (34,098,991)
From securities lending activity		
Securities lending income	\$ 853,395	\$ 330,517
Less: securities lending expense		
Borrower rebates	\$ (657,233)	\$ (287,616)
Management fees	(45,578)	(13,257)
Total securities lending expense	\$ (702,811)	\$ (300,873)
Net income from securities lending activity	\$ 150,584	\$ 29,644
Net investment income (loss)	\$ 15,922,446	\$ (34,069,347)
Total Additions	\$ 53,514,529	\$ 4,614,532

The notes to the financial statements are an integral part of this statement.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

**COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002
Deductions		
Benefits to participants		
Retirement	\$ 57,029,658	\$ 53,006,236
Disability	841,567	766,025
Survivor	5,431,992	4,938,985
Dependent children	53,835	27,478
Withdrawals and refunds	975,685	717,374
Total benefits, withdrawals, and refunds	\$ 64,332,737	\$ 59,456,098
Administrative expenses	473,934	451,750
Total Deductions	\$ 64,806,671	\$ 59,907,848
Net Increase (Decrease)	\$ (11,292,142)	\$ (55,293,316)
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	768,931,641	824,224,957
End of Year	\$ 757,639,499	\$ 768,931,641

The notes to the financial statements are an integral part of this statement.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

1. Summary of Significant Accounting Policies

Reporting Entity

The St. Paul Teachers' Retirement Fund (Fund) is a single-employer defined benefit pension fund administered by the St. Paul Teachers' Retirement Fund Association (Association), pursuant to the Association's bylaws and Minn. Stat. chs. 354A and 356. The Fund's membership consists of eligible employees of Independent School District No. 625, St. Paul, employees formerly employed by Independent School District No. 625, charter schools, and the employees of the Association. The Association is governed by a ten-member Board of Trustees.

Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and with Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended.

Basis of Accounting

The basis of accounting is the method by which additions and deductions to plan net assets are recognized in the accounts and reported in the financial statements. The Association uses the accrual basis of accounting. Under the accrual basis of accounting, additions are recognized when they are earned, and deductions are recognized when the liability is incurred.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on an exchange are valued at the last reported sales price at current exchange rates. Market values of investments in limited partnerships are determined by reference to published financial information of the partnership. Investments that do not have an established market are reported at estimated fair value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade date basis.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

1. Summary of Significant Accounting Policies

Investments (Continued)

The Association participates in a securities lending program. In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, investments lent under the program are reported as assets on the balance sheet and collateral received on those investments is reported as an asset and a liability.

Derivative Investments

Prior to June 30, 2003, the Association had invested in futures contracts using a static asset allocation investment strategy.

Upon entering into a futures contract, each party is required to deposit with the broker an amount, referred to as the initial margin, equal to a percentage of the purchase price indicated by the futures contract. In lieu of a cash initial margin, certain investments are held for the broker as collateral. Subsequent deposits, referred to as variation margins, are received or paid each day by each party equal to the daily fluctuations in the fair value of the contract. These amounts are recorded by each party as unrealized gains or losses. When a contract is closed, each party records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Futures contracts involve, to varying degrees, credit and market risks. The Association entered into contracts only on exchanges or boards of trade where the exchange or board of trade acts as the counterparty to the transactions. Thus, credit risk on such transactions is limited to the failure of the exchange or board of trade. Losses in value may arise from changes in the value of the underlying instruments or if there is an illiquid secondary market for the contracts.

The Association invests in TBA, or "to-be-announced," mortgage-backed securities. TBA mortgage-backed securities transactions are a basic mechanism for trading federal agency mortgage pass-through securities on a delayed delivery and settlement basis. They do not represent a separate type or class of mortgage-backed securities. A TBA transaction is a purchase or sale of mortgage pass-through securities with settlement agreed upon for some future date. The purchase of pass-throughs on a TBA basis creates a long position in the underlying security on the trade date with associated market risk in the position. The securities to be delivered are described in general detail at the time of trade but are not specifically identified until shortly prior to settlement. TBA transactions may involve newly-issued or existing agency mortgage pass-throughs.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

Investment Income

Interest income is recognized when earned on an accrual basis. Dividend income is recorded on the ex-dividend date.

Contributions

Member employee contributions are recognized when withheld or when paid directly by the member employee. Employer contributions are recognized as a percentage of covered payroll as earned. Direct state aid and state amortization aid are recognized pursuant to state statute.

Benefits and Refunds

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Furniture and Fixtures

Furniture and fixtures are carried at cost less accumulated depreciation. Depreciation has been provided using the straight-line method over estimated useful lives ranging from five to ten years.

2. Description of Plans

The following brief description of the plans is provided for general information purposes only. Participants should refer to the plan agreements for more complete information.

The plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974.

General

The Association was created to provide retirement and other specified benefits for its members. The Association maintains two defined benefit pension plans covering teachers in the St. Paul public school system.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

2. Description of Plans

General (Continued)

Effective July 1, 1978, the Association established a plan, coordinated with Social Security, in accordance with Minnesota statutes (the Coordinated Plan). Teachers who become members of the Association subsequent to June 30, 1978, automatically become members of the Coordinated Plan. Members' contributions and benefits under the Coordinated Plan have been adjusted to reflect contributions to and benefits from Social Security. Teachers who were members of the Association prior to July 1, 1978, are generally covered under the Basic Plan, which provides all retirement benefits for its members.

Membership

At June 30, 2003 and 2002, the Association's membership consisted of:

	<u>2003</u>	<u>2002</u>
Retirees and beneficiaries currently receiving benefits	2,248	2,136
Terminated employees entitled to but not yet receiving benefits	858	815
Terminated, non-vested	1,966	2,078
Current active plan members (including members on leave)	<u>4,515</u>	<u>4,462</u>
Total Membership	<u><u>9,587</u></u>	<u><u>9,491</u></u>

Pension Benefits

Members who satisfy required length-of-service and minimum age requirements are entitled to annual pension benefits equal to a certain percentage of final average salary (as defined in each plan) multiplied by the number of years of accredited service.

Disability Benefits

Active members who become totally and permanently disabled and satisfy required length-of-service requirements are entitled to receive annual disability benefits as calculated under each plan.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

2. Description of Plans (Continued)

Other Benefits

Limited service pensions, deferred pensions, survivor benefits, and family benefits are available to qualifying members and their survivors.

3. Deposits and Investments

Deposits

Minn. Stat. § 356A.06 authorizes the Association to deposit its cash in financial institutions designated by the Board of Trustees. At June 30, 2003, the carrying amount of the Association's deposits was \$9,703,257, and the bank balance was \$9,779,421. The cash balance consisted primarily of liquidated investments for the purpose of paying benefits in the first two months of the next fiscal year. At June 30, 2002, the carrying amount of the Association's deposits was \$682,587, and the bank balance was \$163,649.

Minnesota statutes require that all Association deposits be covered by deposit insurance, surety bond, or pledged collateral.

The following is a summary of the June 30, 2003 and 2002, insurance and collateral as it relates to the Association's custodial credit risk for its deposits.

	Bank Balance	
	2003	2002
Covered Deposits		
Insured, or collateralized with securities held by the Association or its agent in the Association's name	\$ 9,779,421	\$ 163,649
Uncollateralized	-	-
Total	\$ 9,779,421	\$ 163,649

Investments

The Association's investments are categorized to give an indication of the level of custodial credit risk assumed by the Association at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Association or its agent in the

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

3. Deposits and Investments

Investments (Continued)

Association's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Association's name. 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 Association's name.

Minn. Stat. § 356A.06 authorizes the types of securities available to the Association for investment. Following are the Association's investments at June 30, 2003 and 2002, and the level of custodial credit risk for these investments.

<u>2003</u>	<u>Risk Category</u>	<u>Carrying and Fair Value</u>
Commercial paper	3	\$ 1,995,932
U.S. government securities	1	13,467,089
TBA mortgage-backed securities	1	18,547,891
Corporate bonds	1	37,802,698
Corporate stocks	1	120,808,252
Invested securities lending collateral		
Corporate bonds	3	41,066,984
Repurchase agreements	3	14,130,121
Certificates of deposit	3	<u>11,005,682</u>
 Total		 \$ 258,824,649
 Add		
Investments held by broker-dealers under securities loans		
U.S. government securities		14,881,811
Corporate bonds		5,223,888
Corporate stocks		43,958,494
Mutual fund		37,436,152
Commingled investment funds		450,864,469
Limited partnership		<u>1,028,457</u>
 Total Investments		 <u>\$ 812,217,920</u>

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

3. Deposits and Investments

Investments (Continued)

<u>2002</u>	<u>Risk Category</u>	<u>Carrying and Fair Value</u>
Commercial paper	3	\$ 12,275,951
U.S. government securities	1	15,414,923
TBA mortgage-backed securities	1	22,869,446
Corporate bonds	1	31,253,472
Corporate stocks	1	155,421,821
Invested securities lending collateral		
Corporate bonds	3	19,057,108
Repurchase agreements	3	3,602,337
Certificates of deposit	3	<u>6,993,499</u>
 Total		 \$ 266,888,557
 Add		
Investments held by broker-dealers under securities loans		
U.S. government securities		13,829,388
Corporate bonds		3,210,637
Corporate stocks		11,173,060
Mutual fund		38,129,547
Commingled investment funds		461,957,048
Limited partnership		<u>1,207,354</u>
 Total Investments		 <u>\$ 796,395,591</u>

The Association has no concentration of five percent or more of the plan's net investments in securities of a single organization.

The investments of the Association are governed primarily by an investment authority known as the "prudent person rule." The prudent person rule, as set forth in Minn. Stat. § 356A.04, subd. 2, establishes a standard for all fiduciaries, which includes any party that has authority with respect to the system.

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA

4. Securities Lending Program

The Association participates in a securities lending program. On June 30, 2003 and 2002, 27 and 14 percent, respectively, of its U.S. government securities, corporate bonds, and corporate stocks were loaned out.

Minn. Stat. § 356A.06, subd. 7, permits the Association to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Loans may be made only to pre-approved borrowers. The Association's securities custodian is the agent in lending the Association's securities for collateral of at least 102 percent of the market value of loaned securities. Loaned investments are marked to market daily. If the collateral provided by the borrower falls below 100 percent of the market value of the loaned investment, the borrower is required to provide additional collateral to bring the collateral to 102 percent of the current market value. Collateral may be provided in securities or cash.

As of June 30, 2003, all of the \$66,202,787 fair value of collateral included in the Statement of Plan Net Assets was provided in cash. On June 30, 2002, the fair value of collateral received was \$32,852,745, of which \$29,652,944 was cash collateral which is included in the Statement of Plan Net Assets as an asset and offsetting liability. Cash collateral is invested in corporate obligations, repurchase agreements, and certificates of deposit which have an average weighted maturity of 29 days.

The Association has no credit risk exposure to borrowers because the amounts the Association owes borrowers exceed amounts borrowers owe the Association. The contract with the trust company does not require the trust company to indemnify the Association if borrowers fail to return the securities but does provide for the trust company to deliver collateral up to the market value of the loaned securities to the Association. All securities loans may be terminated on demand by either the Association or the borrower.

5. Contributions

Funding

Benefit and contribution provisions are established by state law and may be amended only by the State of Minnesota Legislature.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

5. Contributions

Funding (Continued)

Minn. Stat. § 354A.12 sets the rate for employee and employer contributions that, expressed as a percentage of annual covered payroll, are sufficient to fully fund the pension plan by the year 2021. The requirement to reach full funding by the year 2021 is set in Minn. Stat. § 356.215, subd. 11. As part of the annual actuarial valuation, the actuary determines the sufficiency or deficiency of the statutory contribution rates toward meeting the required full funding deadline. The actuary compares the actual contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the required date for full funding, and (c) an allowance for administrative expenses.

Required Contributions

For the fiscal years ended June 30, 2003 and 2002, the contribution rates required by statute were as follows:

	Percentage of Members' Salaries	
	Basic Plan	Coordinated Plan
Employee contribution	8.00%	5.50%
Employer contribution	11.64	8.34

Other Contributions

Minn. Stat. § 354A.12, requires the state to annually provide the Association with direct aid until it reaches the same funded status as the Minnesota Teachers' Retirement Association (TRA). The direct state aid contribution was \$2,827,000 for each of the fiscal years 2003 and 2002.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

5. Contributions

Other Contributions (Continued)

Minn. Stat. § 423A.02, subd. 3, requires the state to annually provide certain aid to the Association until it is fully funded. The state amortization aid contribution was \$556,761 and \$430,761 for fiscal years 2003 and 2002, respectively. Beginning in fiscal year 1998, the School District must make an additional annual contribution to the Association in order for the Association to continue receiving state amortization aid. The School District contributed \$800,000 for each of the fiscal years 2003 and 2002.

Statutes also require active and retired members of the Association to provide contributions for the relative difference (per member) between the administrative expenses incurred by the Association and the state TRA.

Reserve

At June 30, 2003 and 2002, \$7,092,999 and \$6,764,584, respectively, of the net assets is considered reserved as it represents the amount of state amortization aid which, pursuant to legislation, must be separately accounted for and may not be used in determining post-retirement benefit increases. This is considered to be fully funded.

6. Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. To cover its liabilities, the Association purchases commercial insurance. There were no significant reductions in insurance coverage from coverage in the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

Schedule 1

**SCHEDULE OF FUNDING PROGRESS
(IN THOUSANDS OF DOLLARS)**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (%) ((b-a)/c)
1998	\$ 625,053	\$ 861,584	\$ 236,531	72.55	\$ 168,564	140.32
1999	704,233	938,847	234,614	75.01	178,254	131.62
2000	801,823	998,253	196,430	80.32	187,950	104.51
2001	869,045	1,060,931	191,886	81.91	202,915	94.56
2002	899,572	1,141,300	241,728	78.82	201,456	119.99
2003	898,760	1,189,361	290,601	75.57	205,655	141.31

(Unaudited)

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

Schedule 2

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES
(IN THOUSANDS OF DOLLARS)**

Fiscal Year	Annual Required Contributions	Employer Percentage Contributed (%)	State Contributions	State Percentage Contributed (%)
1998	\$ 23,246	69.66	\$ 5,509	23.70
1999	21,899	79.98	3,551	16.22
2000	20,814	91.52	3,573	17.17
2001	20,444	97.81	3,573	17.48
2002	17,382	120.58	3,258	18.74
2003	23,948	83.46	3,384	14.13

Note:

The annual required contributions are actuarially determined. The employer and state are required by statute to make contributions, all of which have been made.

(Unaudited)

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA

NOTES TO SCHEDULE 1 AND SCHEDULE 2
AS OF AND FOR THE YEAR ENDED JUNE 30, 2003
(Unaudited)

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on July 1. Significant methods and assumptions are as follows:

- The most recent actuarial valuation date is July 1, 2003.
- Actuarial cost is determined using the Entry Age Normal Actuarial Cost Method.
- The amortization method assumes a level percentage of payroll each year is used to pay the unfunded actuarial accrued liability.
- The amortization period is determined each year by the legislatively-appointed actuary.
- The remaining amortization period at July 1, 2003, is 18 years.
- The actuarial value of assets is determined using 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). Transition rules apply between July 1, 2000, and July 1, 2003, when the method is fully in effect.
- Actuarial Assumptions:
 - Investment rate of return is 8.5 percent.
 - Inflation and projected salary increases are based on a ten-year select and ultimate rate table with rates ranging from 5.0 to 6.9 percent.
 - Two percent annual post-retirement adjustment.
 - Pre-retirement mortality assumptions are based on the 1983 Group Annuity Mortality Table with rates set back seven years for males and five years for females.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

Actuarial Methods and Assumptions (Continued)

- Post-retirement mortality assumptions are based on the 1983 Group Annuity Mortality Table with rates set back three years for males and one year for females.
- Post-disability mortality assumptions are based on the 1977 Railroad Retirement Board Mortality Table for Disabled Annuitants.

Significant Plan Provision and Actuarial Methods and Assumption Changes

2000

- Asset valuation method changed to employ a more effective asset smoothing technique which is market-value based and which eliminates artificial bias related to manager style (effective July 1, 2000).

2001

- The annual lump sum benefits payable to pre-1974 retirees will be paid as monthly installments (effective January 1, 2002).

2002

The following actuarial assumptions changed:

<u>Assumptions</u>	<u>Prior</u>	<u>Revised</u>
Salary increases	Merit table that ranges from 7.25% at age 20 down to 5.25% at age 70	Ten year select and ultimate table. During the select period, $0.3\% \times (10 - T)$ where T is completed years of service is added to the ultimate rate. Ultimate table ranges from 6.9% at age 20 down to 5.0% at age 60 and over.
Male Pre-Retirement Mortality	1983 GAM (Male - 5)	1983 GAM (Male - 7)
Female Pre-Retirement Mortality	1983 GAM (Female - 3)	1983 GAM (Female - 5)
Separation Decrement	Graded rates	Select and ultimate table. Ultimate rates are generally lower than prior rates.

**ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
ST. PAUL, MINNESOTA**

Significant Plan Provision and Actuarial Methods and Assumption Changes

2002 (Continued)

<u>Assumptions</u>	<u>Prior</u>	<u>Revised</u>
Disability Decrement	Graded rates	Graded rates. Revised rates are lower than prior rates.
Form of Annuity Selected - Male	85% married 15% elect 50% J&S option 50% elect 100% J&S option	85% married 10% elect 50% J&S option 45% elect 100% J&S option
Form of Annuity Selected - Female	60% married 10% elect 50% J&S option 10% elect 100% J&S option	60% married 10% elect 50% J&S option 10% elect 100% J&S option
Combined Service Annuity Load Factor	None assumed	7.0% load on liabilities for active members and 30% load on liabilities for former members.

The following plan provisions changed:

- Effective July 1, 2002, 359 charter school teachers are no longer covered by this Fund. Active charter school teachers retain their rights to benefits earned in this Fund through June 30, 2002, as if they were former members with a termination of employment on June 30, 2002. They may not, however, draw a refund of contributions as long as they remain employed by the same school they were employed with on June 30, 2002. Effective July 1, 2002, these 359 charter school members are transferred to the Minnesota Teachers' Retirement Association.
- An administrative expense assessment otherwise payable under law will not be assessed if the administrative expenses of the Fund do not exceed the July 1, 2001, administrative expense amount adjusted for inflation.
- While not a formal change in provisions, a change in the expected amount of state aid has occurred with the Fund. Since the Duluth Teachers' Retirement Fund accrued liability funding ratio exceeded the Minnesota Teachers' Retirement Fund accrued liability funding ratio as of July 1, 2001, the state aid normally provided to Duluth shall be re-allocated to the other first class city teachers' funds. This results in a marginal increase in the amount of state aid for this Fund.

Actuarial Section



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November 6, 2003

Legislative Commission on
Pensions and Retirement
55 State Office Building
St. Paul, Minnesota 55155

**RE: St. Paul Teachers Retirement Fund
July 1, 2003 Actuarial Valuation Report**

Commission Members:

Pursuant the terms of our actuarial services contract, we have performed an actuarial valuation of the St. Paul Teachers Retirement Fund as of July 1, 2003.

The results of our calculations are set forth in the following report, as are the actuarial assumptions upon which our calculations have been made. Although we have reviewed the data for reasonableness and consistency, we have relied on the basic employee data and asset figures as submitted by the St. Paul Teachers Retirement Fund.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards of Actuarial Work, adopted by the Legislative Commission on Pensions and Retirement.

We, Thomas K. Custis and Lance M. Burma, are actuaries for Milliman USA. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Milliman USA

Thomas K. Custis, F.S.A., M.A.A.A.
Consulting Actuary

Lance M. Burma, F.S.A., M.A.A.A.
Consulting Actuary

St. Paul Teachers Retirement Fund
Report Highlights
(dollars in thousands)

	July 1, 2002 Valuation	July 1, 2003 Valuation
A. CONTRIBUTIONS % OF PAYROLL (Table 11)		
1. Statutory Contributions - Chapter 354A	17.06%	16.90%
2. Required Contributions - Chapter 356	18.56%	20.36%
3. Sufficiency / (Deficiency)	(1.50%)	(3.46%)
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 899,572	\$ 898,760
b. Current Benefit Obligations (Table 8)	1,089,692	1,137,675
c. Funding Ratio	82.55%	79.00%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 899,572	\$ 898,760
b. Actuarial Accrued Liability (Table 9)	1,141,300	1,189,361
c. Funding Ratio	78.82%	75.57%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 1,288,741	\$ 1,282,863
b. Current and Expected Future Benefit Obligations	1,352,343	1,401,096
c. Funding Ratio	95.30%	91.56%
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	4,306	4,331
b. Projected Annual Earnings	\$ 214,594	\$ 218,898
c. Average Annual Earnings (Projected dollars)	\$ 49,836	\$ 50,542
d. Average Age	43.7	44.0
e. Average Service	11.1	11.2
f. Additional Members on Leave of Absence*	156	184
2. Others		
a. Service Retirements (Table 4)	1,884	1,988
b. Disability Retirements (Table 5)	24	21
c. Survivors (Table 6)	228	239
d. Deferred Retirements (Table 7)	815	858
e. Terminated Other Non-Vested (Table 7)	2,078	1,966
f. Total	5,029	5,072

* Valued as deferred retirements, liability included with actives.

St. Paul Teachers Retirement Fund
Accounting Balance Sheet
(dollars in thousands)

July 1, 2003

	Market Value	Cost Value
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$ 11,882	\$ 11,882
2. Investments		
a. Fixed Income	191,921	152,374
b. Equity	550,992	498,459
c. Real Estate	-	-
d. Alternative	1,030	1,397
3. Equity in Minnesota Post-Retirement Investment Fund	-	-
4. Other Assets*	2,434	2,434
B. TOTAL ASSETS	\$ 758,259	\$ 666,546
C. AMOUNTS CURRENTLY PAYABLE	\$ 619	\$ 619
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$ 117,622	\$ 117,622
2. Employer Reserves	640,018	548,305
3. MPRIF Reserves	-	-
4. Non-MPRIF Reserves	-	-
5. Total Assets Available for Benefits	\$ 757,640	\$ 665,927
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	\$ 758,259	\$ 666,546
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Market Value of Assets Available for Benefits (D.5)	\$ 757,640	
2. Unrecognized Asset Returns		
a. June 30, 2003	\$ (56,015)	
b. June 30, 2002	(96,072)	
c. June 30, 2001	(104,645)	
d. June 30, 2000	15,965	
3. UAR Adjustment: $.80 * 2(a) + .60 * 2(b) + .40 * 2(c) + .20 * 2(d)$		(141,120)
4. Actuarial Value of Assets (F.1 - F.3)		\$ 898,760

*See "Asset Information" in the Commentary Section of this report.

St. Paul Teachers Retirement Fund
Change In Assets Available for Benefits
(dollars in thousands)

June 30, 2003

	Market Value	Cost Value
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 776,086	\$ 697,085
B. OPERATING REVENUES		
1. Member Contributions	\$ 14,222	\$ 14,222
2. Employer Contributions	19,186	19,186
3. Supplemental Contributions	4,184	4,184
4. Investment Income	8,085	8,085
5. MPRIF Income	-	-
6. Investment Expenses	(2,648)	(2,648)
7. Net Realized Gain / (Loss)	(9,405)	(9,405)
8. Other	-	-
9. Net Change in Unrealized Gain / (Loss)	12,763	-
10. Total Operating Revenue	\$ 46,387	\$ 33,624
C. OPERATING EXPENSES		
1. Service Retirements	\$ 57,030	\$ 57,030
2. Disability Benefits	842	842
3. Survivor Benefits	5,486	5,486
4. Refunds	976	976
5. Administrative Expenses	499	499
6. Total Operating Expenses	\$ 64,833	\$ 64,833
D. OTHER CHANGES IN RESERVES	\$ -	\$ -
E. ASSETS AVAILABLE AT END OF PERIOD	\$ 757,640	\$ 665,876
F. DETERMINATION OF CURRENT YEAR UNRECOGNIZED ASSET RETURN		
1. Average Balance		
(a) Assets Available at Beginning of Period	\$ 776,086	
(b) Assets Available at End of Period	757,640	
(c) Average Balance $\{[(a) + (b) - \text{Net Investment Income}] / 2\}$	\$ 762,466	
{Net Investment Income: B.4+B.5+B.6+B.7+B.8+B.9}		
2. Expected Return: $.085 * F.1$	64,810	
3. Actual Return	8,795	
4. Current Year UAR: $F.3 - F.2$	\$ (56,015)	

St. Paul Teachers Retirement Fund
Actuarial Balance Sheet
(dollars in thousands)

July 1, 2003

A. CURRENT ASSETS (Table 1; Line F.6)		\$	898,760
B. EXPECTED FUTURE ASSETS			
1. Present Value of Expected Future Statutory Supplemental Contributions		\$	172,368
2. Present Value of Future Normal Costs			211,735
3. Total Expected Future Assets			<u>384,103</u>
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS		\$	<u>1,282,863</u>
D. CURRENT BENEFIT OBLIGATIONS			
	<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>
1. Benefit Recipients			
a. Retirement Annuities		\$ 639,108	\$ 639,108
b. Disability Benefits		6,054	6,054
c. Surviving Spouse and Child Benefits		49,596	49,596
2. Deferred Retirements		15,594	15,594
3. Former Members Without Vested Rights		4,506	4,506
4. Active Members			
a. Retirement Annuities *	\$ 3,343	397,178	400,521
b. Disability Benefits	6,373	-	6,373
c. Surviving Spouse and Child Benefits	3,885	-	3,885
d. Deferred Retirements	335	9,256	9,591
e. Refund Liability Due to Death or Withdrawal	-	2,447	2,447
5. Total Current Benefit Obligations	<u>\$ 13,936</u>	<u>\$ 1,123,739</u>	<u>\$ 1,137,675</u>
E. EXPECTED FUTURE BENEFIT OBLIGATIONS		\$	<u>263,421</u>
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS		\$	<u>1,401,096</u>
G. CURRENT UNFUNDED ACTUARIAL LIABILITY (D.5 - A)		\$	238,915
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F - C)		\$	118,233

* Includes members on leave of absence.

St. Paul Teachers Retirement Fund
Determination of Unfunded Actuarial Accrued Liability (UAAL) and
Supplemental Contribution Rate
(dollars in thousands)

July 1, 2003

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)			
1. Active Members			
a. Retirement Benefits *	\$ 643,866	\$ 181,749	\$ 462,117
b. Disability Benefits	11,749	5,631	6,118
c. Surviving Spouse and Child Benefits	7,534	3,585	3,949
d. Deferred Retirements	18,301	13,806	4,495
e. Refund Liability Due to Death or Withdrawal	4,788	6,964	(2,176)
f. Total	\$ 686,238	\$ 211,735	\$ 474,503
2. Deferred Retirements	\$ 15,594		\$ 15,594
3. Former Members Without Vested Rights	4,506		4,506
4. Annuitants in MPRIF	-		-
5. Annuitants Not in MPRIF	694,758		694,758
6. Total	\$ 1,401,096	\$ 211,735	\$ 1,189,361
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)			
1. Actuarial Accrued Liability (A.6)			\$ 1,189,361
2. Current Assets (Table 1; Line F.6)			898,760
3. Unfunded Actuarial Accrued Liability (B.1 - B.2)			\$ 290,601
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE			
1. Present Value of Future Payrolls Through the Amortization Date of June 30, 2021			2,895,000
2. Supplemental Contribution Rate (B.3 / C.1)			10.04%

* Includes members on leave of absence.

St. Paul Teachers Retirement Fund
Changes in Unfunded Actuarial Accrued Liability (UAAL)

(dollars in thousands)

June 30, 2003

A. UAAL AT BEGINNING OF YEAR	\$	241,728
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING		
1. Normal Cost and Expenses	\$	22,255
2. Contributions		(37,592)
3. Interest		20,841
4. Total	<u>\$</u>	<u>5,504</u>
C. EXPECTED UAAL AT END OF YEAR (A. + B.4)	\$	247,232
D. INCREASE / (DECREASE) DUE TO ACTUARIAL LOSSES / (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED		
1. Age and Service Retirements *	\$	-
2. Disability Retirements *		-
3. Death-in-Service Benefits *		-
4. Withdrawal *		-
5. Salary Increases		(8,245)
6. Contribution Income *		-
7. Investment Income **		48,877
8. Mortality of Annuitants		(1,742)
9. Other Items		4,479
10. Total	<u>\$</u>	<u>43,369</u>
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.10)	\$	290,601
F. CHANGE IN UAAL DUE TO PLAN AMENDMENTS		-
G. CHANGE IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS		<u>-</u>
H. UAAL AT END OF YEAR (E + F + G)	<u>\$</u>	<u>290,601</u>

* Included in Item D.9.

** Includes a gross investment loss of \$48,877, increased by \$0 used to provide next year's cost of living adjustments to retirees.

St. Paul Teachers Retirement Fund
Determination of Contribution Sufficiency

(dollars in thousands)

July 1, 2003

	Percent of Payroll	Dollar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A		
1. Employee Contributions	5.87%	\$ 12,846
2. Employer Contributions	8.83%	19,321
3. Supplemental Contribution		
a. 1996 Legislation	0.85%	1,850
b. 1997 Legislation	1.35%	2,953
4. Administrative Expense Assessment	0.00%	-
5. Total	16.90%	\$ 36,970
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	8.71%	\$ 19,068
b. Disability Benefits	0.27%	585
c. Surviving Spouse and Child Benefits	0.16%	340
d. Deferred Retirements	0.63%	1,387
e. Refund Liability Due to Death or Withdrawal	0.32%	696
f. Total	10.09%	\$ 22,076
2. Supplemental Contribution Amortization	10.04%	21,977
3. Allowance for Administrative Expenses	0.23%	503
4. Total	20.36%	\$ 44,556
C. CONTRIBUTION SUFFICIENCY / (DEFICIENCY) (A.5 - B.4)	(3.46%)	(7,586)
Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:		\$ 218,898

St. Paul Teachers Retirement Fund

Summary of Actuarial Assumptions and Methods

Interest:	Pre-Retirement: 8.50% per annum Post-Retirement: 8.50% per annum
Salary Increases:	Reported salary for prior fiscal year, with new hires annualized, increased to current fiscal year and annually for each future year according to the ultimate rate table below. During a 10-year select period, $0.3\% \times (10-T)$ where T is completed years of service is added to the ultimate rate.
Mortality:	<p><u>Pre-Retirement:</u></p> <p>Male: 1983 Group Annuity Mortality Table male rates set back 7 years.</p> <p>Female: 1983 Group Annuity Mortality Table female rates set back 5 years.</p> <p><u>Post-Retirement:</u></p> <p>Male: 1983 Group Annuity Mortality Table male rates set back 3 years.</p> <p>Female: 1983 Group Annuity Mortality Table female rates set back 1 years.</p> <p><u>Post-Disability:</u></p> <p>Male: 1977 Railroad Retirement Board Mortality for Disabled Annuitants</p> <p>Female: 1977 Railroad Retirement Board Mortality for Disabled Annuitants</p>
Retirement Age:	<p><u>Active Members:</u></p> <p>Active Members are assumed to retire according to the graded rates shown in the rate table. Rates are applied beginning at the participant's first early retirement age.</p> <p><u>Deferred Members:</u></p> <p>Basic Members are assumed to retire at age 60. Coordinated Members are assumed to retire at age 63. If over the assumed retirement age, one year from valuation date.</p> <p><u>Other Non-Vested Members:</u></p> <p>Return of contributions is assumed to occur immediately.</p>

<i>Separation:</i>	Select and ultimate rates are based on recent plan experience. Ultimate rates after the third year are shown in the rate table. Select rates are as follows: <table> <tr> <td>First Year</td> <td>40%</td> </tr> <tr> <td>Second Year</td> <td>10%</td> </tr> <tr> <td>Third Year</td> <td>6%</td> </tr> </table>	First Year	40%	Second Year	10%	Third Year	6%						
First Year	40%												
Second Year	10%												
Third Year	6%												
<i>Disability:</i>	Graded rates shown in the rate table.												
<i>Allowance for Combined Service Annuity:</i>	7.0% load on liabilities for active members and 30% load on liabilities for former Members.												
<i>Administrative Expenses:</i>	Prior year administrative expenses (excluding investment expenses) expressed as a percentage of prior year payroll.												
<i>Return of Contributions:</i>	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.												
<i>Family Composition:</i>	85% of male Members and 60% of female Members are assumed to be married. Female is assumed to be four years younger than male. Married members are assumed to have two children.												
<i>Social Security:</i>	N/A												
<i>Benefit Increases After Retirement:</i>	2.0% per annum												
<i>Special Consideration:</i>	Additional post retirement benefit increase is accounted for by increasing the reserve value for all service retirements, disability retirements and survivors eligible for the increase by an amount that equals the excess of the five year time weighted total rate of return over the assumed interest rate of 8.50% multiplied by the quantity of one minus the rate of contribution deficiency.												
<i>Optional Benefit Forms:</i>	Married Members are assumed to elect the following forms of benefit: <table> <tr> <td>Males:</td> <td>45% elect life annuity option</td> </tr> <tr> <td></td> <td>10% elect 50% J&S option</td> </tr> <tr> <td></td> <td>45% elect 100% J&S option</td> </tr> <tr> <td>Females:</td> <td>80% elect life annuity option</td> </tr> <tr> <td></td> <td>10% elect 50% J&S option</td> </tr> <tr> <td></td> <td>10% elect 100% J&S option</td> </tr> </table>	Males:	45% elect life annuity option		10% elect 50% J&S option		45% elect 100% J&S option	Females:	80% elect life annuity option		10% elect 50% J&S option		10% elect 100% J&S option
Males:	45% elect life annuity option												
	10% elect 50% J&S option												
	45% elect 100% J&S option												
Females:	80% elect life annuity option												
	10% elect 50% J&S option												
	10% elect 100% J&S option												

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method with normal costs expressed as a level percentage of earnings. Under this method Actuarial Gains (Losses) reduce (increase) the Unfunded Actuarial Accrued Liability.

Asset Valuation Method: Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less of 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). Transition rules apply between July 1, 2000 and July 1, 2003, when the method is fully in effect.

Payment on the Unfunded Actuarial Accrued Liability: The Unfunded Actuarial Accrued Liability is amortized as level percentage of payroll each year to the statutory amortization date assuming payroll increases of 5.00% per annum.

Missing Data: The submitted participant data has been reviewed for reasonableness and constancy with data submitted for prior valuations. We have not audited this data, and the results of this valuation may change based on the accuracy of the underlying data. In cases where submitted data was missing or incomplete, the following assumptions were applied:

Date of Birth:	Average age of participant group based on prior years valuation report.
Date of Hire:	Current valuation date minus years of service.
Years of Service:	Years of service on last year's valuation plus one year.
Sex:	Male.
Deferred Benefit:	Calculated. Salary at termination is estimated based on termination date. Estimated salary is \$58,366 for 2002/2003 terminations and is decreased by 6.5% for each year that actual termination precedes July 1, 2003.

Supplemental Contributions:

The St. Paul School District and the State of Minnesota are scheduled to make the following supplemental contributions to the plan:

1996 Legislation:

Supplemental contributions according to the following schedule (thousands of dollars):

<u>Year</u>	<u>State</u>	<u>School</u>
06/30/03+	1,050	800

1997 Legislation:

Annual supplemental contributions of \$2,953,000 made on October 1.

Investment Section

St. Paul Teachers' Retirement Fund Association
Investment Manager Returns
For the Period Ended June 30, 2003

	Assets Under Management (Market Value)	Investment Performance
Domestic Equity	\$ 363,392,887	(0.84)%
Alliance Capital	25,196,363	(3.73)
Barclays Global Investors—S & P 500 Index	115,881,924	0.36
Barclays Global Investors—Russell 2000 Index	6,662,238	(1.85)
Barclays Global Investors—Extended Market Index	35,021,242	4.36
Barrow, Hanley, Mewhinney & Strauss, Inc.	62,572,145	(4.60)
The Boston Company Asset Management	27,916,014	2.59
Dimensional Fund Advisors, Inc.	37,436,152	(1.82)
Paladin Investment Associates	24,508,250	(4.94)
Wellington Management Company, LLP	28,198,559	1.82
International Equity	\$ 142,102,305	(1.30)%
Capital Guardian Trust, Co.	21,238,257	(2.78)
Capital International, Inc. —Emerging Market (Net)	21,154,003	7.14
Morgan Stanley Asset Management	99,710,045	(2.62)
Fixed Income	\$ 237,416,578	11.40%
Barclays Global Investors—Government/Corp Index	100,806,426	13.00
Barclays Global Investors—US Debt Index	45,495,456	10.47
Voyageur Asset Management	91,114,696	10.09
Alternative	\$ 1,419,347	(0.81)
RWI Group	1,419,347	(0.81)
Short Term	\$ 11,881,655	1.41%
In-House Cash & Cash Equivalents	11,881,655	1.41
Total Fund	\$ 756,212,772	2.90%

** note: values in (parenthesis) are negative.

Active Fixed Income Accounts

As of June 30, 2003

Name	Voyageur Asset Management			Cost	Market
	Rate	Maturity	Par		
ABS DVI Receivables	7.220	11/13/2007	557,221	558,651	571,578
ACE INA Holdings	6.000	04/01/2007	625,000	624,900	688,056
AOL Time Warner	6.125	04/15/2006	120,000	127,480	131,214
Abbott Labs	5.625	07/01/2006	800,000	797,368	885,784
American Electric Power	6.125	05/15/2006	240,000	247,200	263,076
Americredit Automobile	4.610	01/12/2009	1,100,000	1,099,809	1,151,632
AT&T Wireless	8.750	03/01/1931	215,000	228,138	265,753
Bank One Corp	2.625	06/30/2008	775,000	772,094	761,922
Bear Stearns	7.800	08/15/2007	515,000	615,904	613,746
Bellsouth	5.000	10/15/2006	490,000	528,352	535,526
Boeing	6.125	02/15/2033	315,000	343,167	328,920
Cardinal Health	6.000	01/15/2006	355,000	388,792	390,053
Cendant Corp	6.250	03/15/2010	300,000	298,404	333,627
CitiGroup	6.625	06/15/2032	440,000	445,291	508,442
Comcast Cable	5.500	03/15/2011	300,000	302,292	320,727
Commercial Credit	6.750	07/01/2007	425,000	482,826	487,326
Computer Science Corp	6.750	06/15/2006	200,000	221,166	226,110
Connecticut Special	6.210	12/30/2011	1,000,000	999,780	1,169,096
Conseco Fncl Securizations	7.870	02/15/2031	850,000	849,761	884,478
Constellation Energy	7.600	04/01/2032	100,000	93,894	120,204
Continental Airlines	7.707	10/02/2022	644,479	657,730	633,670
Countrywide Home Loans	5.500	02/01/2007	620,000	683,730	678,782
Deutsch Telecom	8.500	06/15/2010	140,000	161,839	171,973
DLJ Commercial Mortgage	7.120	09/10/2009	601,122	675,793	671,014
ERP Operating LP	5.200	04/01/2013	500,000	500,475	522,860
FHLM 00469	6.500	12/01/2011	431,687	424,251	454,670
FHLM 00853	7.000	01/01/2028	345,295	352,034	363,051
FHLM 00541	7.000	06/01/2026	270,224	275,902	284,395
FHLM G10952	6.500	09/01/2014	315,891	310,976	331,986
FHLM C41471	7.500	08/01/2030	270,253	266,270	287,219
FHLM C01050	7.500	09/01/2030	306,265	303,351	325,492
FHLM C50907	7.500	05/01/2031	151,607	154,931	161,125
FHLM C E83737	6.500	05/01/2016	539,120	544,706	566,259
FHLM C01197	6.500	07/01/2031	902,099	888,888	938,742
FHLM C72604	5.500	10/01/2032	1,199,678	1,216,924	1,239,328
FHLM C73205	6.000	11/01/2032	1,893,047	1,940,077	1,962,787
FHLM C76218	5.500	02/01/2033	1,749,008	1,764,175	1,806,848
FHLM C79583	5.000	06/01/2033	559,388	557,989	569,222
FHLM C	4.000	10/29/2007	800,000	797,488	821,750
FHLM Banks	3.875	06/14/2013	850,000	843,642	852,656
First Bank System	6.875	09/15/2007	385,000	440,748	447,131
First Union Lehman Bros	6.280	11/18/2035	870,620	931,898	930,139
FNMA 501210	6.500	06/01/2029	297,196	283,929	310,252
FNMA	6.625	11/15/2030	375,000	433,763	460,781
FNMA 576329	8.000	04/01/2031	63,517	78,546	68,548
FNMA 580982	6.500	05/01/2031	1,483,593	1,482,400	1,547,135
FNMA 608780	6.000	10/01/2016	2,127,696	2,160,276	2,220,761
FNMA 575832	6.500	05/01/2031	199,281	198,310	207,816
FNMA 611467	6.500	11/01/2031	1,355,884	1,360,968	1,413,956
FNMA 625030	6.500	01/01/2032	1,660,350	1,685,515	1,731,463
FNMA 641093	5.500	05/01/2017	1,308,028	1,303,122	1,358,792
FNMA 702599	5.000	05/01/2018	836,659	856,006	865,297
FNMA 708870	4.500	06/01/2018	550,000	553,695	561,974
FNMA 721502	5.000	07/01/2033	1,890,000	1,931,934	1,923,226
FNMA 710977	5.500	06/01/2033	3,020,000	3,085,119	3,126,757
FNMA	4.375	09/15/2012	2,355,000	2,349,893	2,464,655
FNMA	6.625	09/15/2009	2,075,000	2,463,622	2,489,352
FNMA	4.625	05/01/2013	455,000	451,126	467,939
FNMA	2.500	05/25/2007	890,000	889,555	896,119
Ford Motor Co	7.450	07/16/2031	240,000	203,969	219,854
Ford Motor Credit	6.875	02/01/2006	410,000	410,000	434,846
General Electric Capital Corp	6.000	06/15/2012	645,000	697,756	728,057
GMAC COML MTG	6.411	05/15/2030	1,027,245	1,070,036	1,089,912

Continued . . .

Active Fixed Income Accounts Continued

As of June 30, 2003

Voyageur Asset Management Continued					
Name	Rate	Maturity	Par	Cost	Market
GMAC	7.250	03/02/2011	370,000	372,527	379,657
GNMA #491145	6.500	12/15/2028	937,496	943,713	985,974
GNMA #485453	6.500	05/15/2031	596,244	592,323	626,110
GNMA #557300	6.500	05/15/2031	274,974	273,139	288,748
GNMA #781176	7.000	12/15/2028	963,852	987,271	1,019,920
GNMA #781231	7.000	12/15/2030	275,333	282,036	291,161
GNMA 2003-48 AB	2.866	02/16/2020	408,729	408,729	413,302
GNMA	4.891	07/16/2034	660,000	656,906	682,075
GNR 2002-83 A	3.313	04/16/2017	462,676	458,128	476,529
GNR 2002-35B	5.283	11/16/2015	385,000	414,792	423,931
Goldman Sachs Group	5.500	11/15/2014	450,000	502,367	488,565
HQI Transelectric Chile	7.875	04/15/2011	620,000	612,997	718,096
Harrah's Oper Inc	7.500	01/15/2009	320,000	333,808	379,146
Household Finance	6.500	11/15/2008	545,000	569,743	626,657
Illinois Power	5.650	12/25/2010	910,000	998,618	1,023,160
INCO Ltd	7.750	05/15/2012	345,000	382,411	408,717
ING Cap Funding	8.439	12/31/2010	275,000	291,204	343,244
Intl Lease Financial Corp	4.000	01/17/2006	730,000	729,314	750,303
Jones Intercable	8.875	04/01/2007	265,000	280,125	279,957
Kinder Morgan Energy	7.750	03/15/2032	395,000	443,503	498,063
Kroger	7.500	04/01/2031	230,000	271,310	272,789
LB-USB Commercial Mtg	4.394	03/15/2032	1,260,000	1,223,873	1,283,763
National Rural Utilities Coop	5.750	08/28/2009	960,000	953,846	1,062,518
News America Holdings	7.700	10/30/2025	235,000	257,819	276,332
Nomura Asset Secs Corp	6.590	03/15/2030	1,250,000	1,333,594	1,444,190
Norfolk Southern Corp	6.200	04/15/2009	400,000	454,120	455,348
North Fork Bancorp	5.000	08/15/2012	560,000	560,000	595,788
Peco Energy Transition	6.050	03/01/2009	400,000	445,203	445,503
Peco Energy Transition	6.520	12/31/2010	850,000	969,664	1,005,766
Pemex Finance	6.550	02/15/2008	395,000	440,393	431,798
Pemex Finance	9.030	02/15/2011	560,000	612,113	690,239
PepsiAmericas	3.875	09/12/2007	395,000	401,525	408,568
Pinnacle West	6.400	04/01/2006	160,000	159,230	172,872
Quebec Province	5.750	02/15/2009	625,000	692,988	709,581
Quest Diagnostics	7.500	07/12/2011	315,000	336,984	379,238
RASC 1999-KS1	6.320	04/25/2030	731,995	754,379	777,479
Residential Funding	3.610	02/25/2015	920,000	919,928	944,885
Royal Bank Scotland Group	9.118	03/31/2010	1,000,000	1,159,030	1,289,440
Royal Bank Scotland Group	7.648	08/31/2049	375,000	504,960	475,834
Science Application Intl	6.250	07/01/2012	715,000	756,707	806,148
Sprint	6.875	11/15/2028	290,000	262,069	290,937
Time Warner	6.950	01/15/2028	140,000	126,242	149,878
Time Warner Entertainment	8.875	10/01/2012	240,000	290,664	313,138
Tosco Corp	7.800	01/01/2027	430,000	486,407	551,436
Union Pacific	6.500	05/15/2005	870,000	938,434	936,277
US Treasury Note	6.750	05/15/2005	795,000	855,562	875,494
US Treasury Bond	7.875	02/15/2021	1,875,000	2,330,811	2,677,148
US Treasury Bond	5.375	02/15/2031	680,000	779,769	765,638
US Treasury Inflationary Index	3.000	07/15/2012	868,972	905,835	957,770
US Treasury Bond	6.000	02/15/2026	455,000	529,720	543,867
US Treasury Note	1.625	03/31/2005	930,000	928,726	936,394
US Treasury Note	3.000	11/15/2007	940,000	973,965	969,669
US Treasury Note	3.625	05/15/2013	175,000	180,414	176,367
US Treasury Note	2.625	05/15/2008	700,000	714,109	706,344
Verizon Maryland	6.125	03/01/2012	410,000	405,051	464,870
Verizon Global	6.125	06/15/2007	340,000	385,444	382,735
Viacom Inc	7.875	07/30/2030	315,000	333,825	411,582
Virginia Electric & Power	5.375	02/01/2007	900,000	967,590	982,872
Washington Mutual	4.816	10/25/2032	800,000	826,188	817,917
Wellpoint Health Networks	6.375	01/15/2012	645,000	643,710	735,790
SUBTOTAL Voyageur Asset Management			\$ 82,656,723	\$ 86,274,483	\$ 89,923,377
Cash & Cash Equivalents			1,274,130	1,274,130	1,274,130
Accts Payable, Accts Rec, Accruals				(82,811)	(82,811)
TOTAL Voyageur Asset Management			\$ 83,930,853	\$ 87,465,802	\$ 91,114,696

Active Domestic Equity Accounts

As of June 30, 2003

Alliance Capital			
Name	Shares	Cost	Market
AOL Time Warner	23,800	904,615	382,942
American Intl Group	18,300	1,231,653	1,009,794
Amgen	11,100	524,694	731,934
Anheuser Busch	5,500	278,587	280,775
Applied Materials	12,900	270,825	204,336
Avon Products	5,900	337,787	366,980
Boeing	3,700	121,092	126,984
Boston Scientific	4,300	185,866	262,730
Cardinal Health	4,200	275,048	270,060
Cisco Systems	35,100	1,280,855	589,329
Citigroup	28,400	1,021,289	1,215,520
Clear Channel Communicatio	5,900	229,161	250,101
Colgate Palmolive	6,000	321,535	347,700
Comcast A	5,725	134,706	172,781
Comcast	18,400	430,917	533,416
Costco	1,800	62,838	65,880
Dell Computer	19,800	521,655	630,432
Federal Home Loan Mtg	7,900	451,545	401,083
Federal National Mtg Assn	6,600	465,097	445,104
First Data Corp	6,300	242,317	261,072
Gannett	3,500	240,174	268,835
General Electric	31,100	1,210,268	891,948
Goldman Sachs	4,400	384,458	368,500
Hewlett Packard	4,600	83,728	97,980
Home Depot	13,800	660,496	457,056
IBM	950	75,630	78,375
Intel	29,100	757,368	605,571
Johnson & Johnson	13,800	749,266	713,460
Kohls	11,400	664,932	585,732
Liberty Media	24,300	252,672	280,908
Lowe's	6,800	270,315	292,060
MBNA	56,500	1,213,756	1,177,460
Maxim Integrated Products	7,200	299,694	245,520
Medtronic	14,200	681,962	681,174
Merrill Lynch & Co	8,200	446,213	382,776
Microsoft	52,900	1,605,261	1,356,356
Morgan, JP	8,400	180,376	287,112
Morgan Stanley Dean Witter	8,100	386,367	346,275
Nokia	36,200	931,583	594,766
Oracle	19,700	216,514	236,597
Pfizer	41,100	1,641,417	1,403,565
Proctor & Gamble	5,700	508,297	508,326
Progressive Group	3,300	203,948	241,230
Qualcomm	3,700	138,346	132,978
St Jude Medical	3,600	142,390	207,000
Target	4,600	155,469	174,064
Texas Instruments	5,000	101,159	88,000
Travelers Property Casualty A	15,700	251,824	249,630
Unitedhealth Group	17,800	569,615	894,450
Veritas	6,000	126,169	172,920
Viacom Inc	23,300	1,049,480	1,017,278
Vodafone Group Plc	15,000	379,909	294,750
Walgreens	9,100	338,549	273,910
Wal Mart Stores	16,800	868,894	901,656
Wyeth	1,600	74,824	72,880
SUBTOTAL Alliance Capital	759,075	\$ 27,153,405	\$ 25,130,051
Cash & Cash Equivalents		50,412	50,412
Accts Payable, Accts Rec, Accruals		15,901	15,901
TOTAL Alliance Capital		\$ 27,219,718	\$ 25,196,363

Barrow Hanley			
Name	Shares	Cost	Market
Allstate	51,000	1,764,673	1,818,150
Altria Group	42,100	1,429,995	1,913,024
American Electric Power	46,000	1,845,440	1,372,180
BP Amoco	41,800	2,123,700	1,756,436
Bank America Corp	15,700	838,701	1,240,771
Baxter Intl	56,100	1,471,349	1,458,600
Boeing	12,900	437,951	442,728
Bristol Myers Squibb	67,900	2,559,446	1,843,485
Burlington Northern Santa Fe	64,500	1,520,549	1,834,380
CIGNA Corp	22,700	2,129,035	1,065,538
Carnival Corp	44,700	1,111,336	1,453,197
CenterPoint Energy	104,900	2,663,375	854,935
Chevron Texaco	12,200	818,574	880,840
Citigroup	45,600	2,045,715	1,951,680
Conagra	49,400	1,210,901	1,165,840
Conoco Phillips	33,613	2,008,091	1,841,992
Crescent Real Estate Equities	36,500	769,781	606,265
Dollar General	70,600	938,187	1,289,156
Emerson Electric	32,200	1,923,163	1,645,420
EnCana Corp	48,900	1,183,933	1,876,293
Entergy	41,000	1,535,367	2,163,980
FleetBoston Financial	41,100	1,484,853	1,221,081
Hartford Financial Services Gr	32,600	2,062,317	1,641,736
Honeywell	48,400	1,664,838	1,299,540
IMS Health	83,100	1,291,015	1,494,969
Imperial Tobacco Group	47,600	1,129,164	1,723,596
JP Morgan Chase	33,800	1,631,907	1,155,284
Lyondell Chemical	38,000	484,405	514,140
MGIC Invest	31,200	1,906,874	1,455,168
Northeast Utilities	96,600	1,855,588	1,617,084
Occidental Pete	52,100	1,114,606	1,747,955
PNC Financial Services	24,000	1,418,242	1,171,440
Pitney Bowes	34,100	1,128,298	1,309,781
Reliant Resources	95,972	575,466	588,308
SLM Corp	16,200	305,229	634,554
Schering Plough	65,500	2,137,290	1,218,300
Stanley Works	18,600	512,061	513,360
Tenet Healthcare	102,600	1,660,855	1,195,290
U S T Inc	60,000	1,465,864	2,101,800
Verizon Communications	17,100	781,160	674,595
Washington Mutual	45,900	1,325,420	1,895,670
Waste Management	29,800	607,202	717,882
Wendys International	66,300	1,338,490	1,920,711
XL Capital Ltd	19,600	1,498,762	1,626,800
SUBTOTAL Barrow Hanley		\$ 61,709,167	\$ 59,913,935
Cash & Cash Equivalents		2,515,932	2,515,932
Accts Payable, Accts Rec, Accruals		142,278	142,278
TOTAL Barrow Hanley		\$ 64,367,377	\$ 62,572,145

In-House Cash & Cash Equivalents	
Name	Market
Cash & Cash Equivalents	\$ 11,881,655
TOTAL In-House Cash & Cash Equivalents	\$ 11,881,655

Active Domestic Equity Accounts

As of June 30, 2003

The Boston Company Asset Management				The Boston Company Asset Management, Continued			
Stocks	Shares	Cost	Market	Stocks	Shares	Cost	Market
3Com Corp	50,000	257,443	233,500	King Pharmaceutical	18,500	261,170	273,060
Action Performance Cos	7,900	140,057	150,100	Knight Trading Group	57,200	528,740	360,360
Axiom Corp	7,100	111,065	108,275	Linens N Things	7,800	160,273	184,158
Advanced Micro Devices	43,800	303,746	280,758	LTX	38,000	224,538	328,320
Agrium	10,300	112,367	112,888	Manugistics Group	42,200	221,725	173,020
Alamosa Holdings	71,100	433,804	108,783	Massey Energy	23,900	420,650	314,285
Allied Waste Industries	28,000	232,966	281,400	Mastec Inc	43,000	449,461	247,680
Anadigics	47,800	275,731	152,004	Mattson Tech	63,200	449,156	197,184
Arch Coal	8,300	165,043	190,734	Maytag	6,300	128,261	153,846
Argosy Gaming Corp	9,400	186,430	196,554	Mens Wearhouse	8,800	135,310	192,280
Arris Group	51,300	261,351	254,448	Midway Games	25,300	226,488	91,839
Art Technology Group	56,900	174,112	91,040	Molecular Devices	5,600	73,863	89,040
Artesyn Tech	19,800	244,289	110,880	MRO Software	12,100	111,266	104,181
Ashland Inc	2,200	61,645	67,496	NCR Corp	9,200	203,863	235,704
Atlas Air Worldwide Holdings	55,200	585,408	81,144	Navistar Intl	3,600	93,302	117,468
Avaya	8,000	20,644	51,680	Network Associates	17,300	188,592	219,364
Axcelis Technologies	61,400	579,837	375,154	Ocular Sciences	12,200	201,970	242,048
B E Aerospace	27,800	416,891	86,180	Officemax	36,000	179,798	235,800
BJ'S Wholesale Club	4,400	71,653	66,264	PMI Group	12,400	341,432	332,816
Barnes & Noble	500	11,181	11,525	Palm Inc	13,300	207,661	213,598
Blockbuster	10,200	142,910	171,870	Parametric Tech	109,000	640,263	329,180
Borland Software	15,100	130,567	147,829	Parexcel Intl	5,600	63,194	78,120
Brinks	16,800	242,379	244,776	Parker Drilling	87,700	455,062	255,207
Brooks-Pri Automation	15,200	178,708	172,368	Patterson-Uti Energy	8,100	163,938	262,197
CNF Inc	2,000	50,786	50,760	Payless Shoe Source	5,800	73,380	72,500
CSK Auto	12,900	143,004	186,405	Phoenix Co	16,500	152,462	148,995
CTS Corp	16,100	290,914	168,245	Photonics	21,900	278,170	376,461
Cadence Design System	14,600	142,436	176,076	Playtex Products	15,200	98,995	97,584
Calpine	68,600	601,614	452,760	Polo Ralph Lauren	2,600	66,607	67,054
Catalina Marketing	12,300	202,268	217,095	Polyone Corp	28,000	310,126	124,600
Champion Enterprises	39,700	222,560	205,646	Professional Detailing (PDI)	13,500	300,327	138,105
Chesapeake Energy	37,800	299,433	381,780	Proquest	10,200	203,231	263,160
Collins & Aikman	49,300	240,202	145,435	Province Healthcare	19,800	223,021	219,186
Comverse Tech	6,700	88,350	100,567	Quanta Services	22,300	128,314	158,330
Conmed	9,300	158,841	171,027	Quovadx	21,800	152,168	58,206
Continental Airlines	8,000	72,552	119,760	Radioshack	6,000	123,877	157,860
Credence Systems	10,600	78,340	91,054	Rayovac	9,100	110,507	117,845
Curative Health Services	1,000	14,059	16,910	Rehabcare Group	13,800	281,116	202,170
Dana Corp	19,500	231,477	225,420	Roadway Corp	4,800	141,771	136,992
Del Monte Foods	32,900	297,709	290,836	Saks Inc	9,600	86,463	93,120
Diamondcluster Intl	45,500	448,660	165,165	Sanmina SCI	61,900	244,513	391,208
Dupont Photomasks	10,500	335,379	197,400	Savient Pharmaceuticals	34,100	132,913	159,247
E-Trade Group	41,900	268,060	356,150	Shire Pharmaceuticals	12,000	242,306	237,000
EGL	8,300	98,907	126,160	Six Flags	16,600	95,236	112,548
Earthlink	36,800	295,460	293,664	Skillsoft	26,500	166,948	133,825
Ebookers.com	3,700	35,676	59,392	Solectron	66,800	222,015	249,832
Elan Corp	24,800	132,099	139,872	Stanley Works	11,600	250,541	320,160
Electronics Boutique	5,700	92,236	130,758	THQ INQ	8,500	117,733	153,170
Enzon Pharmaceuticals	32,900	440,400	412,895	Tech Data	11,700	273,773	312,975
Expressjet Holdings	26,300	287,077	397,130	Terex	15,800	234,794	308,416
Fairchild Semiconductors	20,800	250,350	266,032	Tesoro Petroleum	26,300	191,261	180,944
Finlay Enterprises	10,200	142,002	168,810	Tidewater	6,500	211,212	190,905
Flextronics	30,100	241,473	313,943	Timken	11,000	182,740	192,610
Flowsolve	23,800	403,269	468,146	Titan Corp	16,800	160,995	172,872
FMC	4,700	112,897	106,361	Tommy Hilfiger	20,700	173,994	191,268
Furniture Brands	4,800	101,401	125,280	Too Inc	15,000	259,812	303,750
G & K Services	2,400	74,527	70,656	Triad Hospitals	9,400	216,498	233,308
Gamestop	8,200	79,609	105,944	Trico Marine Services	64,800	568,467	251,424
Global Ind	26,700	178,120	128,694	Triquint Semiconductor	42,900	439,760	175,890
Globespan Virata	39,300	191,539	328,548	Ultratech Stepper	3,200	35,660	59,232
Goodrich	7,600	119,625	159,600	United States Steel	24,600	400,258	402,702
Graitech Intl	53,500	499,542	291,575	UNUMProvident	27,500	319,124	368,775
Grant Prideco Inc	18,700	281,939	219,725	Valassis Comm	3,700	84,610	95,164
Great Lakes Chemical	5,200	109,096	106,080	Ventiv Health	29,600	133,466	121,390
IMC Global	41,300	490,485	277,123	Veritas DGC	15,300	143,954	175,950
Interstate Bakeries	10,600	152,766	134,620	Verity Inc	10,000	129,955	127,000
Intertape Polymer	14,300	122,999	85,085	WebSense	9,400	160,013	147,298
Intervoice	16,300	147,656	77,914	Wellman	6,500	70,567	72,800
Intrawest	9,300	108,023	122,574	Western Wireless	23,400	320,820	270,270
Invitrogen	3,800	118,417	145,920	Wet Seal	10,400	95,596	109,512
Iona Tech	52,000	694,265	114,920	York Intl	4900	132437.05	114660
Ivax	13,400	151,843	239,190	Young Broadcasting	7000	118306.74	147560
Kennametal Inc	3,300	115,571	111,672				
Key Energy Services	29,300	254,106	314,096	SUBTOTAL The Boston Company		\$ 31,643,420	\$ 27,756,682
Kforce	20,900	202,387	101,574	Cash & Cash Equivalents		160,152	160,152
				Accts Payable, Accts Rec, Accruals		(820)	(820)
<i>Continued ...</i>				TOTAL The Boston Company		\$ 31,802,752	\$ 27,916,014

Active Domestic Equity Accounts
As of June 30, 2003

Paladin Investment Associates			
Name	Shares	Cost	Market
Aetna	4000	171,900	240,800
Alberto Culver	10000	414,810	511,000
Alliant Techsystems	6000	330,564	311,460
Allstate	10000	358,243	356,500
American Intl Group	4000	271,200	220,720
American Standard Cos	4000	255,939	295,720
Apache Corp	5250	289,310	341,565
Bemis	5000	278,857	234,000
C H Robinson Worldwide	10000	217,736	354,400
Cabot Microelectronics	8000	362,444	403,440
Citigroup	7500	283,350	321,000
Conoco Phillips	9000	553,460	493,200
Countrywide Financial	4000	211,254	278,280
Danaher Corp	7500	520,316	510,375
Diebold	9000	340,795	389,250
Donaldson Inc	10000	303,575	444,500
Entegris	30000	362,499	404,700
Exelon Corp	9500	607,040	568,195
Exxon Mobil	11000	448,898	395,010
FMC Technologies	10000	210,016	210,500
Fastenal	14000	509,643	477,120
Fiserve	17000	625,294	606,220
Fortune Brands	5000	265,300	261,000
Fox Entertainment	10000	268,670	287,800
General Mills	5000	232,390	237,050
Harley Davidson	9000	397,490	358,740
Hewlett Packard	18000	360,330	383,400
Illinois Tool Works	9000	548,761	592,650
Imation	6000	181,912	226,920
Johnson & Johnson	6000	298,439	310,200
Johnson Controls	5500	445,554	470,800
Kraft Foods	10000	335,473	325,500
L-3 Communications Holdings	6000	269,580	260,940
MDU Resources Group	11000	344,621	368,390
MGIC Investment	11000	547,786	513,040
Marshall & Ilsley	12000	344,309	366,960
Medtronic	10000	367,004	479,700
Microsoft	16000	455,133	410,240
Nasdaq 100 Shares	20000	552,364	599,000
Northern Trust	11000	361,214	457,600
Patterson Dental	10000	407,378	454,000
Pfizer	11000	349,610	375,650
Principal Financial Group	10000	296,796	322,500
Regis	14000	400,250	406,700
St Jude Medical	5000	190,017	287,500
Stericycle	9,500	343,078	364,420
Sungard Data Systems	15,000	364,390	388,650
Symantec	6,000	282,828	263,460
TCF Financial	14,000	583,275	557,760
Target	17,000	601,696	643,280
Techne	10,000	284,878	303,500
Teva Pharmaceutical	5,000	187,925	284,500
US Bancorp	23,000	498,403	563,500
Union Pacific	7,000	381,241	406,140
Unitedhealth Group	11,000	436,086	552,750
Valspar	7,000	302,021	295,540
Varian	12,000	393,592	412,163
Verizon	9,500	522,090	374,775
Walgreens	13,000	383,112	391,300
Wells Fargo	5,000	232,223	252,000
Wrigley Wm Jr Co	6,000	275,365	337,380
Zebra Technologies	5,000	295,830	376,250
Zimmer Holdings	5,000	224,970	225,250
SUBTOTAL Paladin Investment Assoc	\$ 22,740,523	\$ 24,116,853	
Cash & Cash Equivalents		372,183	372,183
Accts Payable, Accts Rec, Accruals		19,214	19,214
TOTAL Paladin Investment Associate	\$ 23,131,920	\$ 24,508,250	

Wellington Management Company			
Name	Shares	Cost	Market
Adobe Systems	5,500	178,098	176,385
Albany Molecular Research	44,700	861,672	673,182
Ambac Financial Group	9,600	518,471	636,000
American Eagle Outfitters	14,200	244,879	261,280
Anthem	3,500	211,829	270,025
Aramark	14,200	324,433	318,364
Bank Hawaii	10,800	343,039	358,020
Banknorth Group	22,600	558,582	576,752
Beazer Homes USA	1,400	119,019	116,900
Bisys Group	16,100	357,389	295,757
Cabot Microelectronics	9,700	500,249	489,171
Cadence Design	28,500	474,869	343,710
Caremark RX	16,100	293,267	413,448
Catalina Marketing	17,000	319,072	300,050
CDW Computer	3,200	166,801	146,592
Checkfree Corp	13,000	338,421	364,000
Chesapeake Energy	60,700	445,241	613,070
Chicos FAS	23,600	437,761	496,780
CINergy Corp	8,400	288,352	309,036
Comverse Tech	17,800	338,595	267,178
Constellation Brands	25,200	541,398	791,280
Cooper Co	5,800	188,955	201,666
Countrywide Credit	12,200	599,016	848,754
Cox Radio	3,600	74,591	83,196
D R Horton	22,850	404,189	642,085
Darden Restaurants	15,000	279,474	284,700
Diagnostic Products	3,600	125,004	147,780
E Trade	27,600	179,395	234,600
EGL Inc	35,500	582,088	539,600
Edwards Lifesciences	27,100	598,926	870,994
Fairchild Semiconductor	31,500	616,045	402,885
Gallagher Aruthur J & Co	17,000	565,884	462,400
Global Santafe Corp	9,200	226,929	214,728
Health Net	7,000	198,719	230,650
Henry Schein	7,500	332,417	393,825
IDEC Pharmaceuticals	6,500	221,126	220,740
Integrated Circuit	12,000	252,014	376,920
Int'l Game Technology	4,550	377,403	465,602
ITT Educational Services	17,200	455,425	503,100
Ivax	5,300	70,877	94,605
Jabil Circuit	7,200	155,743	159,120
Jetblue Airways	8,400	281,427	352,632
King Pharmaceuticals	34,300	560,663	506,268
Laboratory Corp	9,300	341,201	280,395
Lattice Semiconductor	16,800	138,472	139,272
Legg Mason	8,500	404,598	552,075
Liz Claiborne	17,400	433,249	613,350
Manhattan Assoc	8,100	200,007	210,519
Michaels Stores	19,500	658,839	742,170
Mohawk Industries	6,000	365,333	333,180
Novellus	5,900	158,738	216,235
O'Reilly Automotive	18,100	486,967	605,807
Oxford Health	10,550	395,966	443,417
Pacific Sunwear	15,600	342,506	375,648
Pactive Corp	40,600	656,108	800,226
Pharmaceutical Prod Dev	16,800	428,423	482,328
Pinnacle West Cap	10,300	334,677	385,735
Polaris	4,900	304,750	300,860
Providian	46,000	301,247	425,960
Respironics	3,200	118,314	119,136
Sanmina Corp	51,500	567,475	325,480
Siebel Systems	22,300	209,937	211,471
Sovereign Bancorp	29,900	356,706	467,935
Sungard Data Systems	13,300	249,071	344,603
Swift Energy	33,100	614,048	364,100
Tekelec	34,700	429,854	390,722
Triad Hosps	29,800	893,537	739,636
Verisign	21,000	188,953	289,590
Verity	17,200	252,136	218,440
Waters Corp	16,900	449,612	492,297
Watson Pharmaceuticals	13,000	364,234	524,810
SUBTOTAL Wellington Management Com	\$ 25,852,706	\$ 27,849,226	
Cash & Cash Equivalents		338,068	338,068
Accts Payable, Accts Rec, Accruals		11,266	11,266
TOTAL Wellington Management Compan	\$ 26,202,040	\$ 28,198,559	

Indexed Fixed Income Fund

As of June 30, 2003

<i>Name</i>	<i>Cost</i>	<i>Market</i>
Barclays Global Investors—Government/Corp Index	\$ 64,907,827	\$ 100,806,426
Barclays Global Investors—US Debt Index	37,628,472	45,495,456
TOTAL Indexed Fixed Income Fund	\$ 102,536,299	\$ 146,301,882

Indexed Equity

As of June 30, 2003

<i>Name</i>	<i>Cost</i>	<i>Market</i>
Barclays Global Investors—S & P 500 Index	\$ 82,661,388	\$ 115,881,924
Barclays Global Investors—Russell 2000 Index	6,827,776	6,662,238
Barclays Global Investors—Extended Market Index	30,854,498	35,021,242
TOTAL Indexed Equity	\$ 120,343,662	\$ 157,565,404

International Equity

As of June 30, 2003

<i>Name</i>	<i>Cost</i>	<i>Market</i>
Capital Guardian Trust, Co.	\$ 21,788,876	21,238,257
Capital International, Inc.	25,457,388	21,154,003
Morgan Stanley Asset Management	96,616,855	99,710,045
TOTAL International Equity	\$ 143,863,119	\$ 142,102,305

Commingled Equity Fund

As of June 30, 2003

<i>Name</i>	<i>Cost</i>	<i>Market</i>
Dimensional Fund Advisors, Inc.	\$ 23,900,000	\$ 37,436,152
TOTAL Comingled Equity Fund	\$ 23,900,000	\$ 37,436,152

Alternative Investment

As of June 30, 2003

<i>Name</i>	<i>Cost</i>	<i>Market</i>
RWI Group	1,550,583	1,419,347
TOTAL Alternative Investment	\$ 1,550,583	\$ 1,419,347

Benefits Section

Pre-Retirement Topics

Allowable Service Credit

A full year's service credit equals 170 days worked. Partial years are calculated based on the ratio of days worked to 170 days. No more than one year of service credit is allowable during any fiscal year.

Definition of Salary

Minnesota Statutes Section 354A and the Association Articles and Bylaws define salary. Salary is the entire compensation upon which member contributions are required and made.

Refund of Contributions

In lieu of a monthly retirement benefit, a member who resigns from the place of their employment may apply for a refund of employee contributions, plus interest of 6% compounded annually. Coordinated Plan members have access to a refund of contributions at any age. Basic Plan members must be ineligible for a pension to receive a refund of contributions.

Repaying a Refund of Contributions

A member who received a refund may reinstate previous Saint Paul service by repaying the amount refunded plus 8.5% interest compounded annually from the date the refund was taken. The repayment can only be made after the member has accumulated at least two years of allowable service since the last refund was taken.

Purchasing Service

Members may purchase service during a "window period" scheduled to expire on May 16, 2004 if they have the following eligible outside service: military service, out-of-state teaching service, maternity leave, maternity break in service, private or parochial school teaching service, Peace Corps service, VISTA service, and previously-uncredited charter school, part-time, or substitute teaching service. The cost to purchase service is actuarially calculated. As of January 1, 2002, active members are allowed to use tax-sheltered money to purchase service credit in SPTRFA.

Beneficiary

A beneficiary is the person or persons designated to receive a refund of employee contributions plus interest upon the death of the member if no survivor or family benefit is payable. If no valid beneficiary form is on file for a member, a refund of contributions plus interest, if applicable, will be paid to the member's estate.

Marriage Dissolution

Minnesota Statutes Section 518 covers marriage dissolutions and requires that SPTRFA receive a copy of the petition and summons, as well as a copy of the affidavit of service before information will be released. In the event that the court orders that future pension benefits be divided, a formula for splitting the benefit should be put into the dissolution decree. All inquiries are kept confidential.

Retirement Topics

Basic and Coordinated Plans

Basic Plan members are those hired prior to July 1, 1978, who do not contribute to Social Security. Basic Plan members are vested once they have five years of retirement service credit.

Coordinated Plan members are those hired since July 1, 1978 and contribute both to SPTRFA and Social Security. Coordinated Plan members are vested once they have three years of retirement service credit.

Steps to Retirement

When planning to retire, members should contact SPTRFA to set up an appointment to apply for pension benefits. All inquiries are kept confidential.

A member may apply for retirement benefits up to 90 days after the last date of employment provided that the member has not returned to employment. The retirement benefits would be retroactive to the first eligible retirement date after the termination of employment.

Deferred Pension

A deferred pension is available to members who terminate employment after they are vested. A deferred benefit may begin to be paid at age 55.

The benefit is computed by applying the normal retirement formula at the time of termination. It will be augmented by 3% each year until the member is age 55 and augmented by 5% each year thereafter starting from the January 1 after age 55. This augmentation continues until the member chooses to begin receiving his/her monthly benefit. If the member begins to receive a benefit before normal retirement age, applicable discounts will apply.

Combined Service

The Combined Service Law provides for the combination of a member's service in all public funds in Minnesota to determine benefits at the time of retirement, as long as the member has at least six months of retirement credit with each eligible retirement fund.

The total credited years of service in all funds will be considered when determining eligibility for benefits. Benefit payments will be made by each fund in which the member has credited service.

Retirement Topics, Continued

Disability Benefit

A disability benefit is payable to members who become totally and permanently disabled. Members must be vested to be eligible for a disability benefit. Members may not have more than 60 sick days remaining at the time of application for the benefit, and they must have used all sick days prior to beginning the benefit.

A Basic Plan member's disability benefit is calculated to be 75% of the member's earnings for the last full year of service, less any benefits received from Workers' Compensation or Social Security.

In the Coordinated Plan, the disability benefit is calculated as the unreduced pension benefit amount using the member's years of service and final average salary at the time of the disability, less any benefits received from Workers' Compensation. The member may also apply for a disability benefit from Social Security.

Basic Plan Retirement Options

Basic Plan members receive a formula benefit payable for life. An automatic survivor benefit is based on the ages of the member and spouse at the time of retirement. The survivor benefit does not cause a reduction in the member's benefit.

Coordinated Plan Retirement Options

At the time of retirement, Coordinated Plan members select one from the five benefit annuity options below:

- | | |
|--------------------------------------|---|
| C-1 No Refund | Formula benefit payable for life to the member, with no refund payable to a beneficiary. |
| C-2 Guaranteed Refund | Formula benefit payable for life to the member that is reduced by use of actuarial tables to provide reduced benefit payments for life to the member and a guaranteed refund of unused member contributions to the beneficiary. |
| C-3 15-Year Certain | Formula benefit reduced by use of actuarial tables to provide reduced benefit payments for life to the member with the guarantee that payments will be made for at least 15 years. If the retiree dies before receiving payments for the guaranteed 15 years, the beneficiary will be paid the same monthly annuity for the remaining years of the guarantee. |
| C-4 100% Joint & Survivor | Formula benefit that is reduced by use of actuarial tables to provide reduced payments for life to the member and the same amount payable to the survivor for life with no refund. |
| C-5 50% Joint & Survivor | Formula benefit that is reduced by use of actuarial tables to provide reduced payments for life to the member and 50% of the reduced amount payable to the survivor for life with no refund. |

If a Coordinated Member elects a joint and survivor option, and the spouse dies before the member, the member benefit will be increased to the C-1 amount.

Post-Retirement Topics

Teaching After Retirement

Prior to age 65, if a retired member of SPTRFA is reemployed by Saint Paul Public Schools (SPPS) or by Saint Paul College (SPC), earnings are limited to the amount that causes a reduction in the primary Social Security benefit for that calendar year. If the retiree earns more than the allowable amount, the following year's pension will be reduced by one dollar for every three dollars the member earns over the limit. The amount of the reduction will be placed into a savings account for the retiree, earning 6% interest compounded annually. When the retiree has terminated service for one year or reaches age 65, whichever is later, the retiree will receive the amount in the savings account, including interest.

After age 65, retired members can be reemployed by SPPS or SPC without an earnings limitation.

Retired members can work for any other employer without losing pension benefits.

Period of Separation

A member of SPTRFA shall not be considered to be retired until there exists a complete and continuous separation from employment for a covered employer as a "Teacher" for a period of not less than 30 calendar days.

Post-Retirement Increase

The post-retirement increase is an annual guaranteed 2% compounding increase. An "excess investment earnings increase" will be paid in addition to the guaranteed 2% increase in years when SPTRFA's five year annualized rate of return exceeds 8.5%.

Members must be receiving a benefit for one full year at the end of SPTRFA's fiscal year (July 1 – June 30) to qualify for the post retirement increase. Eligible members receive adjustments on January 1st of each year.

Pre-78 Supplemental Bonus Incorporated into Monthly Benefit in 2002

The annual supplemental bonus payment paid to retirees who retired before July 1, 1978 is no longer paid as an annual lump sum but is divided by 12 (months) and incorporated into the monthly payments of eligible members as of January 1, 2002.

Basic Plan - Summary of Tier Benefits

Vested members of the Basic Plan are eligible to receive a lifetime monthly pension based on the member's Final Average Salary (**FAS**), Years of Service (**YOS**) and Applicable Service Factor (**ASF**).

The following chart provides an overview of the Tier 1 and Tier 2 retirement benefits:

Benefit	Minimum Age	Minimum Service	Computation of Benefit
Tier 1			
<i>Normal Unreduced Benefit</i>	60	25	Formula = FAS x YOS x 2.0% ASF . The Rule of 90 will also produce an unreduced benefit in Tier 1.
<i>Normal Reduced Benefit</i>	55	25	Formula reduced by discount of 0.25% for each month a member's age is under 60.
Tier 2			
<i>Normal Unreduced Benefit</i>	65	5	Formula = FAS x YOS x 2.5% ASF .
<i>Normal Reduced Benefit</i>	55	5	Formula reduced by the use of actuarial tables.

Coordinated Plan - Summary of Tier Benefits

Vested members of the Coordinated Plan are eligible to receive a lifetime monthly pension based on the member's Final Average Salary (**FAS**), Years of Service (**YOS**) and Applicable Service Factor (**ASF**). Members first hired after June 30, 1989 are only eligible for Tier II benefits.

The following chart provides an overview of the Tier 1 and Tier 2 retirement benefits:

Benefit	Minimum Age	Minimum Service	Computation of Benefit
Tier 1			
<i>Normal Unreduced Benefit</i>	62	30	Formula = FAS x [YOS (10) x 1.2% ASF + YOS (in excess of 10) x 1.7% ASF]. The Rule of 90 will also produce an unreduced benefit in Tier 1.
<i>Normal Reduced Benefit</i>	Any Age	30	Formula reduced by discount of 0.25% for each month a member's age is under 62.
Tier 2			
<i>Normal Unreduced Benefit</i>	65 if first employed before July 1, 1989. 65-66 if first employed after June 30, 1989.	3	Formula = FAS x YOS x 1.7% ASF .
<i>Normal Reduced Benefit</i>	55	3	Formula reduced by the use of actuarial tables.

2004 Administrative Service Charge

As part of the 1993 increased funding package, all SPTRFA members may be required to pay an "administrative service charge" to be applied to the fund's administrative expenses.

The Administrative Service Charge applies if expenses increase at a rate higher than CPI and expenses as a percent of payroll are greater than the comparable expense return for the State of Minnesota Teachers Retirement Association (TRA).

Again this year, members will not be assessed any additional service charge because our administrative expenses for the fiscal year 2002-03 remained well below the trigger points set in State law.

Retirement History Record

Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid (\$)	Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid (\$)
June 1910	15	13	\$ 4,860	December 1975	52	778	\$ 3,765,322
June 1931	8	125	69,024	December 1976	77	883	4,393,513
June 1932	8	130	72,961	December 1977	63	919	5,050,507
June 1933	2	126	74,190	December 1978	48	946	5,523,548
June 1934	6	127	74,120	December 1979	40	946	6,240,309
June 1935	9	131	74,001	December 1980	47	963	6,623,804
June 1936	14	135	75,864	December 1981	47	981	7,139,037
June 1937	19	151	80,747	December 1982	61	996	7,725,617
June 1938	17	160	89,709	December 1983	72	1,042	8,555,099
June 1939	11	161	93,184	December 1984	64	1,061	9,466,664
June 1939 to				January 1985 to			
December 1939	0	158	23,870	June 1985	59	1,103	5,324,727
December 1940	71	222	170,685	June 1986	66	1,134	11,267,144
December 1941	35	246	210,257	June 1987	117	1,191	12,478,180
December 1942	27	266	234,217	June 1988	70	1,210	14,690,455
December 1943	38	286	253,031	June 1989	67	1,236	15,506,957
December 1944	34	311	282,299	June 1990	67	1,270	17,382,410
December 1945	56	350	308,113	June 1991	80	1,309	18,811,677
December 1946	51	378	337,512	June 1992	83	1,357	20,509,335
December 1947	28	387	360,571	June 1993	120	1,426	22,763,806
December 1948	42	413	375,912	June 1994	92	1,469	25,044,494
December 1949	42	441	419,618	June 1995	113	1,539	26,792,534
December 1950	30	461	450,641	June 1996	119	1,595	29,446,215
December 1951	27	476	472,670	June 1997	179	1,720	32,056,967
December 1952	28	486	508,923	June 1998	129	1,789	37,852,099
December 1953	32	487	525,959	June 1999	114	1,861	41,724,751
December 1954	10	482	529,429	June 2000	144	1,964	47,121,179
December 1955	38	509	666,994	June 2001	130	2,050	53,851,893
December 1956	46	529	750,146	June 2002	127	2,136	58,738,724
December 1957	59	560	840,883	June 2003	126	2,248	63,357,052
December 1958	41	579	1,019,502				
December 1959	30	585	1,084,506				
December 1960	38	600	1,144,380				
December 1961	39	611	1,230,715				
December 1962	49	624	1,352,779				
December 1963	42	647	1,467,461				
December 1964	33	653	1,545,252				
December 1965	40	668	1,631,554				
December 1966	43	676	1,770,083				
December 1967	36	682	1,862,249				
December 1968	45	695	1,969,760				
December 1969	53	726	2,319,186				
December 1970	31	719	2,385,868				
December 1971	47	731	2,522,350				
December 1972	51	745	2,742,660				
December 1973	36	744	3,039,253				
December 1974	46	754	3,372,453				

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