St. Paul Teachers' Retirement Fund Association

Annual Report
of the
Board of Trustees
for the
Fiscal Year Ended

June 30, 2004

St. Paul Teachers' Retirement Fund Association

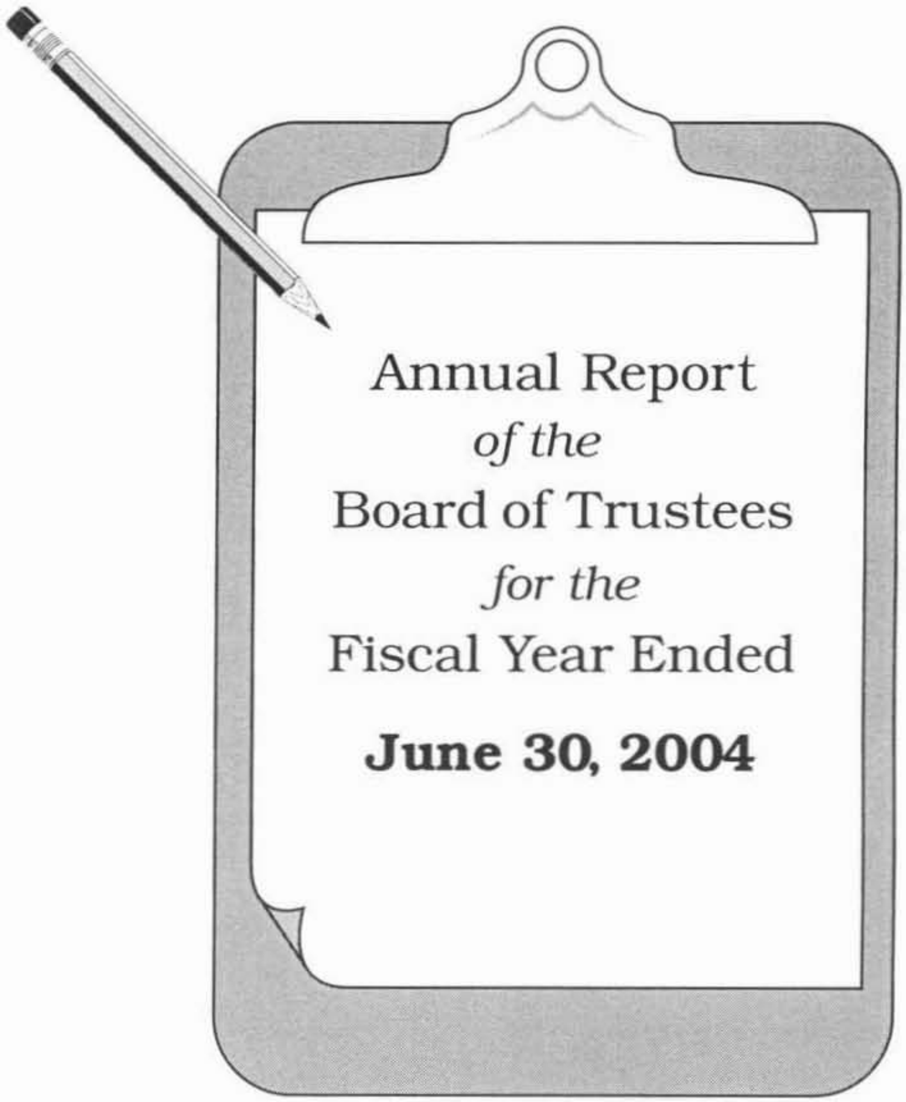

Table of Contents

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

St. Paul Teachers' Retirement Fund Association

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

Members of the Association:

The Board of Trustees of the St. Paul Teachers' Retirement Fund Association (SPTRFA) submits herewith the Annual Financial Report for the fiscal year ended June 30, 2004, in accordance with the provisions of Minnesota Statutes 356.20.

This is the complete Annual Report of the Board of Trustees, a copy of which is mailed to each school building or other location where members work. The complete Annual Report will be provided to anyone making such a request.

A summary version of this report has been sent to each member. In December of 2004, the SPTRFA also sent detailed individual benefit estimates to each active, vested member over age 40. All other members received a statement of account status, service credit and contributions of record.

CONSULTANTS

The financial statements of the Association were audited by the Office of the State Auditor. The Actuarial Valuation was provided by the Segal Company. Sections of this Report, are drawn from the audit report and actuarial valuation, and are so labeled. Copies of the full reports may be obtained by contacting the SPTRFA.

Special consulting actuarial work was performed by Gabriel, Roeder and Smith. Legal services were performed by our Legal Counsel, 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 payroll contributions, state aid and investment gains. During the fiscal year, total contributions amounted to $38,078,692. Net investment income, including unrealized net appreciation for the same period, was $145,366,944.

EXPENSES

Benefits to annuitants, disabilitants, survivors and dependent children paid in this fiscal year totaled $67,941,921. Refunds to members who left the Association totaled $938,407. Administrative expenses were $515,715.

INVESTMENTS

The total portfolio investment return was 20.1% for the year ending June 30, 2004, 11.6% greater than the 8.5% rate the actuaries assume when determining our funding status. Performance exceeded our composite benchmark by 1.0%. Net assets held in trust for pension benefits on June 30, 2004 was $871,902,589; a gain of $114,263,090 over the same figure from the previous year.

FUNDING
The actuary that produces the official valuations for Minnesota public pension funds, the Segal Company, determines the funding status of our Association. This year, the funding ratio is 71.82%, almost 4% below the same figure from the previous year. This decrease is attributable to adverse investment markets in the recent past, and the actuarial methods for recognizing their effect on funding requirements. The funded ratio should improve as the economy and investment markets return to more typical and stable growth patterns.

LEGISLATION
Laws 2004, Chapter 267, the Omnibus Pension Bill incorporated language from our IRS Conformity Bill, which placed in law changes necessary to renew our plans' tax-exempt status through the IRS. While the authority to purchase service for prior uncredited teaching service was allowed to sunset in May 2004, the sunset date for the authority to purchase service credit for prior military duty was extended to May 16, 2006. Thankfully, we did preserve language allowing members to use rollovers from other qualified plans to buy service time for leaves of absence and for the repayment of refunds.

MEMBERSHIP & RETIREMENTS
The SPTRFA covers 4,568 active instructors and licensed administrators for the Saint Paul Public Schools and Saint Paul College. The number of retirees, disabilitants, and survivors receiving benefits is 2,361. New retirements totaled 141 during the year, while 72 members and survivors passed away. For new retirees whose teaching career in Saint Paul ranged from 25 to 30 years, the average initial annual benefit is $33,847.

POST-RETIREMENT BENEFIT ADJUSTMENT
All members who have been retired for at least 18 months on January 1, 2005, will receive a permanent 2.0% increase in their monthly benefit. There is no addition for excess investment earnings payable in 2005 because the five-year annualized rate of return on fund investments as of June 30, 2004 was below the statutory 8.5% threshold.

On behalf of the members of the Board of Trustees we wish to express our gratitude to the Association staff, Saint Paul Public Schools, and to others who have helped assure our successful operation. As the SPTRFA enters its 96th year of operation, we pledge to continue to administer the affairs of this Association with the utmost diligence and efficiency.

Respectfully submitted,

Feryle Borgeson　Eugene R Waschbusch　Phillip Kapler

Feryle W. Borgeson
President

Eugene R. Waschbusch
Secretary-Treasurer

Phillip G. Kapler
Executive Director

St. Paul Teachers' Retirement Fund Association

MEMBERS: Active, Retired, Survivors & Beneficiaries

BOARD OF TRUSTEES

Feryle W. Borgeson, President
John R. Kunz, Vice President
Eugene R. Waschbusch, Secretary-Treasurer
Carol J. Adams
W. Matthew Bogenschultz
F. Michael McCollor
Erma E. McGuire
Al Oertwig
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

St. Paul Teachers' Retirement Fund Association

Professional Listing
(as of June 30, 2004)

Actuaries
Segal Company
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.
The Clifton Group
Dimensional Fund Advisors, Inc.
Morgan Stanley Asset Management
Fifth Third Bank Investment Advisors
RWI Group
Voyageur Asset Management
Wellington Management Company, LLP

Investment Consultant
Callan Associates

Legal Counsel
Oppenheimer, Wolfe & Donnelly, LLP

Financial Section

PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@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, 2004 and 2003, 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, 2004 and 2003, 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 other 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 ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: November 5, 2004

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004
(Unaudited)

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 years ended June 30, 2003 and 2004.

The following principle schedules are referenced throughout:

1) Fund basic 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

Organizational Structure

The SPTRFA is a non-profit organization formed in 1909, incorporated under Minn. Stat. ch. 317A. At the direction and oversight of a ten-member Board of Trustees, Association staff manage two tax-qualified, defined benefit pension programs covering licensed personnel for a single employer; Independent School District (ISD) No. 625, central administrative body for public schools within the City of Saint Paul.

Basic Plan members do not participate in Social Security through their 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 Saint Paul Public Schools; neither are the Fund's assets or liabilities included in District financial statements.

Investment Performance

The statutory, actuarial assumed return is 8.5 percent per year; an *absolute standard* of investment performance. Returns lower than this absolute target on an annualized basis over any five-year window will cause unfunded liabilities to increase. Excess returns reduce the unfunded liabilities of the plan, *ceteris paribus*. It is also vital to know how our assets are performing when compared to other public pension funds, or to the returns that would have occurred if all the assets were passively invested in index-matching portfolios. To assess *relative* investment performance, we compare returns to those of similar pension funds and the composite benchmark return that would have occurred if the assets had been distributed among passively-managed accounts according to the asset class targets selected by the trustees.

Comparison of Annualized Returns (%)

	1 Year	3 Year	5 Year
Actual Performance (net of fees)	19.7	5.6	4.6
Benchmark	19.1	5.3	3.5
Actuarial Target	8.5	8.5	8.5
Actual versus Benchmark	0.6	0.3	1.1
Actual versus Actuarial Target	11.2	(2.9)	(3.9)

After the longest bear market since the 1930s, the year ending June 30, 2004 witnessed a very welcome turnabout. The 2004 total fund return (net of fees) rose to 19.7 percent, or about 11 percent more than the absolute actuarial target needed to offset the rate of liability accumulation. This is very positive news, especially after the weak returns of 2002 and 2003 (respectively, -3.7 percent and +2.9 percent). The most recent year helped to pull our three and five-year absolute returns closer to the long-term performance goal.

When *relative returns* are considered, our performance was likewise, very positive. Data from Callan Associates, our general investment consultant, indicate that on a net of fees basis, the Association beat its composite benchmark by 6/10ths of one percent over the fiscal year. On a five-year basis, the fund outperformed the composite by 1.1 percent. Among all plans included in the Callan Public Funds Universe, our overall performance in 2003-04 ranked in the top three percent, which attests to superior strategic placement of assets by the trustees, and strong performance from active managers under contract.

This is a good time to remind ourselves of the standard mutual fund prospectus disclaimer: "Past performance is no guarantee of future returns."

(Unaudited)

Recent absolute gains may be hard to repeat over the next few years. Much of the excess return in fiscal 2004 accrued in the first two quarters (the last half of calendar 2003). Near record returns in domestic and international equities were the primary drivers. Since January of 2004, the market has given way to concerns over energy prices and rekindling inflation, weak job creation in core industries, interest rate pressures, and the continued conflict in Iraq. Such risks, real or perceived, contribute to weakened investor confidence, and could again hold overall returns below the absolute 8.5 percent target. As regards to future *relative* performance, our stated goal is to generally exceed the median public fund total return. That goal is both reasonable and attainable. Any presumption, however, that we can indefinitely sustain top-decile relative performance could only be child to unbridled hubris.

The reader might well ask at this point, "So, what's the bottom line?" Well, it so happens that our financial statements actually provide a "bottom line," and what follows is a discussion of the summary statistics drawn from those very schedules.

Summary Information from the Fund Financial Statements

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

Plan Net Assets
(In Thousands of Dollars)

	Year Ended June 30	
	2004	2003
Assets		
Cash	$ 8,929	$ 9,703
Receivables	4,394	5,326
Investments at fair value	860,404	746,015
Securities lending collateral	79,012	66,203
Fixed assets, less depreciation	36	42
Total Assets	$ 952,775	$ 827,289
Liabilities		
Accounts payables	$ 772	$ 619
Securities purchases payable	1,053	2,827
Variation margins payable	35	-
Securities lending collateral	79,012	66,203
Total Liabilities	$ 80,872	$ 69,649
Net Assets Held in Trust for Pension Benefits	$ 871,903	$ 757,640

(Unaudited)

Changes in Plan Net Assets
(In Thousands of Dollars)

	Year Ended June 30	
	2004	2003
Additions		
Employer and employee contributions	$ 34,686	$ 34,208
State of Minnesota amortization aids	3,393	3,384
Investment activity, less management fees	145,367	15,772
Net securities lending income	213	151
Total Additions	$ 183,659	$ 53,515
Deductions		
Benefits, withdrawals, and refunds	$ 68,880	$ 64,333
Administrative expenses	516	474
Total Deductions	$ 69,396	$ 64,807
Net Increase (Decrease)	$ 114,263	$ (11,292)
Net Assets in Trust for Benefits - Beginning of the Year	757,640	768,932
Net Assets in Trust for Benefits - End of the Year	$ 871,903	$ 757,640

Two important observations can be drawn from the Statement of Changes in Net Assets:

1) Investment had a very positive effect on the fund's bottom line, generating approximately $146 million in additional assets; and

2) the SPTRFA manages a mature defined benefit program, for which annual benefit expenditures typically exceed payroll contributions by a significant amount.

These two facts underscore the importance of a sound investment management program. Annual benefit expenditures are about double the level of annual contributions. This is not unusual for a fund such as that administered by the SPTRFA. However, this relationship exposes a certain structural erosion of the asset base, naturally at work on the operating side of the budget.

A key actuarial assumption underlying our forecast of full funding by the year 2021 is that invested assets will earn 8.5 percent each year. Any year that the absolute return of 8.5 percent is not achieved amplifies the effect of this structural operating budget imbalance. The implication is that the long-term required rate of return, all else remaining the same, must actually *exceed* the assumed return by some percentage factor. While we do not know with any degree of accuracy what that necessary "excess return" might be, it most certainly increases any time the fund misses its absolute actuarial assumed overall rate of return.

(Unaudited)

Administrative costs, as can be seen above, are a small part of program expenditures. The Board of Trustees nevertheless must be diligent to monitor and control those costs, since any dollar spent to administer the program affects the total assets available to pay benefits. The change in administrative expenses from 2003 to 2004 is almost entirely attributable to the filling of a staff vacancy in the pension fund office.

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 which the SPTRFA participates in through its custodian, The Bank of New York. By state law, securities on loan must be at least 100 percent collateralized at all times.

5. Describes how funds are accumulated through contributions.

6. Describes the risk management policies of the Association.

Actuarial Valuation Summary

The financial statements can tell the reader whether, on a certain date, a plan is solvent, or how certain critical financial variables are moving over narrow time frames. They do not, however, tell the reader whether current financing mechanisms 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.

The July 1, 2004, valuation is a forecast and, as such, indicates the funded status of the defined benefit plans administered by the Association, provided that key assumptions driving the forecast results are valid. An experience study is conducted every four or five years in order to test whether important assumptions are consistent with real data over time. If the demographic and economic assumptions governing the valuation process are, in fact, relatively accurate, then policymakers may focus on those factors that may be directly influenced; namely, contribution rates and investment performance.

(Unaudited)

There were no changes to assumptions governing the plan valuation methodology in the most recent year. In 2002, the fund adopted a number of changes to demographic, mortality, and salary progression assumptions to facilitate more accurate estimation of plan liabilities over time. There were no changes to the key economic valuation assumptions. No other changes have been solicited or adopted since.

The 2004 actuarial valuation reflects a deterioration in our overall funded status compared to the previous year. The accrued liability funding ratio decreased from 76 percent to 72 percent. Given the significant excess investment gain in 2004, this decline in the funded ratio appears counterintuitive. The lower funded ratio occurs because the actuary is required to "smooth out" the effect of investment gains and losses over a five-year window, with each year allowed an additional 20 percent in the weighting formula. Hence, while investment gains for 2004 were impressive, only 20 percent of the excess is allowed to affect the asset base, while the relative weight for *negative* years (2001-03) *increased* relative to the previous year valuation. In time, the bad years will drop out of the current asset equation, and the funded ratio should reflect gains driven by more recent and more positive years.

In the near term, most of the factors that exercise the greatest leverage over changes in the funded ratio of the program are not easily changed or influenced, such as benefits and, consequently, plan liabilities. Investment returns to a large, well-diversified pension fund should track fairly close with the composite benchmark. Hence, the single factor under the greatest control for policymakers is the level of annual contributions.

Contributions can be isolated as a dependent variable, as in the formula model below, and through the amortization target window (now June 30, 2021), the optimal contribution rate can be derived as follows:

Where PV = "Present Value,"

Then,	PV [Benefit Liabilities + Administrative Expenses]
Minus:	PV [Assets + Investment Earnings]
Equals:	PV [Current and Future Payroll Contributions Required]

This is a very simplified model of how the actuaries for the fund determine whether contributions are adequate to ensure that sufficient assets are on hand to satisfy all liabilities as of the amortization target date. The result is converted into a level percent of current and future payrolls. If the fixed, combined, employer/employee statutory contribution rates exceed the required level of contributions, the actuary would report a "sufficiency," meaning assets will accumulate faster than needed. If, on the other hand, actual contributions turn out to be *less than* the required level, a "deficiency" in contributions exists. A deficiency that persists when other actuarial factors are relatively stable must be addressed by adjustment of the contribution rates.

(Unaudited)

The July 1, 2004, valuation reflects a contribution deficiency of 4.97 percent, which is worse than the 3.46 percent deficiency reported one year previous. The deterioration in the adequacy of the contribution rate is, like the funded ratio, driven largely by investment returns, and how they are recognized under the smoothing formula applied by the actuary. As cautioned in last year's report, however, this is a funding parameter that must be monitored very closely. If investments continue to perform well, and the deficiency is not reduced, then correction action by the Minnesota Legislature will be required.

Collectively, the schedules, accompanying notes, and discussions in this report provide comprehensive information as of June 30, 2004, 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
Facsimile:	(651) 642-2553
Website:	http://www.sptrfa.org
Email:	info@sptrfa.org

(Unaudited)

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

COMPARATIVE STATEMENT OF PLAN NET ASSETS
JUNE 30, 2004 AND 2003

	2004	2003
Assets		
Cash	**$ 8,929,050**	**$ 9,703,457**
Receivables		
Employer and employee contributions	$ 1,610,919	$ 2,380,131
Interest	799,129	882,044
Dividends	133,722	145,237
Sales of securities	1,644,423	1,908,370
Variation margins receivable	201,952	-
Other	3,610	10,002
Total receivables	**$ 4,393,755**	**$ 5,325,784**
Investments, at fair value		
Commercial paper	$ -	$ 1,995,932
U.S. government securities	33,455,875	28,348,900
TBA's	15,923,677	18,547,891
Corporate bonds	41,495,682	43,026,586
Corporate stocks	207,837,914	164,766,746
Commingled investment funds		
Pooled international equity trust	125,273,964	99,710,045
Government/credit bond index fund	84,002,136	100,806,426
Equity index fund	138,046,203	115,881,924
U.S. debt index fund	45,645,859	45,495,456
Extended equity index fund	45,433,238	35,021,242
Russell 2000 equity index fund	10,481,928	6,662,238
International emerging markets growth fund	43,037,299	21,154,003
Mutual fund	50,053,997	37,436,152
International small capital fund	-	21,238,257
Money market funds	17,753,610	4,894,878
Limited partnership	1,962,256	1,028,457
Total investments, at fair value	**$ 860,403,638**	**$ 746,015,133**
Invested securities lending collateral	**$ 79,011,573**	**$ 66,202,787**
Furniture and fixtures (at cost, less accumulated depreciation of $82,948 and $71,514 in 2004 and 2003, respectively)	**$ 36,205**	**$ 41,639**
Total Assets	**$ 952,774,221**	**$ 827,288,800**

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, 2004 AND 2003

	2004		2003	
Liabilities				
Accounts payable	$	771,671	$	619,424
Security purchases payable		1,052,963		2,827,090
Variation margins payable		35,425		-
Securities lending collateral		79,011,573		66,202,787
Total Liabilities	**$**	**80,871,632**	**$**	**69,649,301**
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress is Presented on Page 24)	**$**	**871,902,589**	**$**	**757,639,499**

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, 2004 AND 2003

	2004	2003
Additions		
Contributions		
Employer	$ 20,378,315	$ 19,986,168
Members	14,307,616	14,222,154
Other sources		
State of Minnesota	3,392,761	3,383,761
Total contributions	**$ 38,078,692**	**$ 37,592,083**
Investment income (loss)		
From investing activity		
Net appreciation (depreciation) in fair value of investments	$ 140,284,854	$ 10,460,860
Interest	4,707,243	5,284,831
Dividends	3,259,964	2,750,727
Other	174,795	49,675
Total investing activity income (loss)	**$ 148,426,856**	**$ 18,546,093**
Less: investing activity expense	(3,059,912)	(2,774,231)
Net income (loss) from investing activity	**$ 145,366,944**	**$ 15,771,862**
From securities lending activity		
Securities lending income	**$ 989,050**	**$ 853,395**
Less: securities lending expense		
Borrower rebates	$ (700,639)	$ (657,233)
Management fees	(74,914)	(45,578)
Total securities lending expense	**$ (775,553)**	**$ (702,811)**
Net income from securities lending activity	**$ 213,497**	**$ 150,584**
Net investment income (loss)	**$ 145,580,441**	**$ 15,922,446**
Total Additions	**$ 183,659,133**	**$ 53,514,529**

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, 2004 AND 2003

		2004		2003
Deductions				
Benefits to participants				
Retirement	$	61,039,171	$	57,029,658
Disability		1,006,552		841,567
Survivor		5,844,799		5,431,992
Dependent children		51,399		53,835
Withdrawals and refunds		938,407		975,685
Total benefits, withdrawals, and refunds	**$**	**68,880,328**	**$**	**64,332,737**
Administrative expenses		515,715		473,934
Total Deductions	**$**	**69,396,043**	**$**	**64,806,671**
Net Increase (Decrease)	**$**	**114,263,090**	**$**	**(11,292,142)**
Net Assets Held in Trust for Pension Benefits Beginning of Year		**757,639,499**		**768,931,641**
End of Year	**$**	**871,902,589**	**$**	**757,639,499**

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, 2004 AND 2003

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, 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

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

The Association is 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.

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 of five 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.

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, 2004 and 2003, the Association's membership consisted of:

	2004	2003
Retirees and beneficiaries currently receiving benefits	2,361	2,248
Terminated employees entitled to but not yet receiving benefits	1,261	858
Terminated, non-vested	1,664	1,966
Current active plan members (including members on leave)	4,568	4,515
Total Membership	9,854	9,587

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.

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, 2004, the carrying amount of the Association's deposits was $8,928,850, and the bank balance was $8,939,667. 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, 2003, the carrying amount of the Association's deposits was $9,703,257, and the bank balance was $9,779,421.

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, 2004 and 2003, insurance and collateral as it relates to the Association's custodial credit risk for its deposits.

	Bank Balance	
	2004	2003
Covered Deposits		
Insured, or collateralized with securities held by the Association or its agent in the Association's name	$ 8,939,667	$ 9,779,421
Uncollateralized	-	-
Total	$ 8,939,667	$ 9,779,421

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

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, 2004 and 2003, and the level of custodial credit risk for these investments.

2004	Risk Category	Carrying and Fair Value
U.S. government securities	1	$ 18,787,138
TBA mortgage-backed securities	1	15,923,677
Corporate bonds	1	38,701,509
Corporate stocks	1	147,967,506
Invested securities lending collateral		
Corporate bonds	3	38,337,320
Repurchase agreements	3	32,157,999
Certificates of deposit	3	8,516,254
Total		$ 300,391,403
Add		
Investments held by broker-dealers under securities loans		
U.S. government securities		14,668,737
Corporate bonds		2,794,173
Corporate stocks		59,870,408
Mutual fund		50,053,997
Commingled investment funds		509,674,237
Limited partnership		1,962,256
Total Investments		$ 939,415,211

3. Deposits and Investments

Investments (Continued)

2003	Risk Category	Carrying and Fair Value
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	11,005,682
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		1,028,457
Total Investments		$ 812,217,920

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.

4. Securities Lending Program

The Association participates in a securities lending program. On June 30, 2004 and 2003, 27 and 27 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, 2004, the fair value of collateral received was $79,295,270, of which $79,011,573 was cash collateral which is included in the Statement of Plan Net Assets as an asset and offsetting liability. On 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. Cash collateral is invested in corporate obligations, repurchase agreements, and certificates of deposit which have an average weighted maturity of 22 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.

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, 2004 and 2003, 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 $2,962,000 and $2,827,000, for each of the fiscal years 2004 and 2003, respectively.

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 $430,761 and $556,761 for fiscal years 2004 and 2003, 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 2004 and 2003.

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, 2004 and 2003, $10,912,689 and $7,092,999, 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 Accrued 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)
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
2004	898,860	1,251,460	352,600	71.82	221,685	159.05

(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 (%)
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
2004	30,828	66.10	3,393	11.01

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, 2004
(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, 2004.
- 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, 2004, is 17 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).
- 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.

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:

Assumptions	Prior	Revised
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% x (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.

Significant Plan Provision and Actuarial Methods and Assumption Changes

2002 (Continued)

Assumptions	Prior	Revised
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

DIRECT DIAL NUMBER
303-714-9936

E-MAIL ADDRESS
lthompson@segalco.com

SEGAL

THE SEGAL COMPANY
6300 S. Syracuse Way Suite 750 Englewood, CO 80111-7302
T 303.714.9900 F 303.714.9990 www.segalco.com

December 20, 2004

Mr. Phillip Kapler
St. Paul Teachers' Retirement Fund Association
1619 Dayton Avenue, Room 309
Saint Paul, MN 55104-6206

Dear Mr. Kapler:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2004. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2005 and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by the Fund and the financial information was provided by the Fund. That assistance is gratefully acknowledged. The actuarial calculations were completed under our supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

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

Wally Malles, ASA, MAAA, EA
Associate Actuary

Susan M. Hogarth
Actuarial Associate

cc: Legislative Commission on Pensions and Retirement (3 copies)
Minnesota Legislative Reference Library (6 copies)
Minnesota Department of Finance (2 copies)

Summary of Key Valuation Results

	2004	2003
Contributions (% of payroll) for plan year beginning July 1:		
Statutory – Chapter 354A	16.62%	16.90%
Required – Chapter 356	21.59%	20.36%
Sufficiency/(Deficiency)	-4.97%	-3.46%
Funding elements for plan year beginning July 1:		
Normal cost	$21,479,177	$22,076,000
Market value of assets	871,902,590	757,640,000
Actuarial value of assets (AVA)	898,859,732	898,760,000
Actuarial accrued liability (AAL)	1,251,460,084	1,189,361,000
Unfunded/(Overfunded) actuarial accrued liability	352,600,352	290,601,000
Funded ratios:		
Accrued Benefit Funded Ratio	74.90%	79.00%
Current assets (AVA)	$898,859,732	$898,760,000
Current benefit obligations	1,200,070,893	1,137,675,000
Projected Benefit Funded Ratio	88.95%	91.56%
Current and expected future assets	$1,304,887,865	$1,282,863,000
Current and expected future benefit obligations (Present Value of Benefits)	1,467,063,988	1,401,096,000
GASB 25/27 for plan year beginning January 1:		
Annual required employer contributions	$30,827,547	$23,948,000
Accrued Liability Funded Ratio (AVA/AAL)	71.82%	75.57%
Covered actual payroll	$221,685,475	$205,655,000
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	2,361	2,248
Number of vested terminated members	1,261	858
Number of other non-vested terminated members	1,664	1,966
Number of active members	4,435	4,331
Number of members on leave of absence*	133	184
Total projected payroll**	$230,777,730	$218,898,000
Average annual payroll (projected dollars)**	50,521	50,542

* *For 2004, members on leave of absence treated as active members. For 2003, members on leave of absence treated as vested terminated members and liability included in active liability.*

** *Includes members on leave of absence for 2004.*

FINANCIAL INFORMATION

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Minnesota Statutes require an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Both the actuarial value and market value of assets are representations of the Fund's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Fund's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Determination of Actuarial Value of Assets for Year Ended June 30, 2004

The chart shows the determination of the actuarial value of assets as of the valuation date.

	Original Amount	% Not Recognized	
1. Market value of assets available for benefits			$871,902,590
2. Calculation of unrecognized return			
(a) Year ended June 30, 2004	$82,512,072	80%	$66,009,658
(b) Year ended June 30, 2003	-56,015,000	60%	-33,609,000
(c) Year ended June 30, 2002	-96,072,000	40%	-38,428,800
(d) Year ended June 30, 2001	-104,645,000	20%	-20,929,000
(e) Total unrecognized return			-$26,957,142
3. Actuarial value of assets: (1) - (2e) ("Current Assets")			$898,859,732

Accounting Balance Sheet for Year Ended June 30, 2004

	Market Value	Cost Value
Assets		
Cash, equivalents, short-term securities	$9,078,897	$9,078,897
Investments:		
Fixed income	$175,398,207	$146,760,746
Equity	668,698,126	500,155,718
Real estate	0	0
Alternative	17,848,296	17,991,569
Other assets*	1,682,593	1,682,593
Total assets	$872,706,119	$675,669,523
Amounts currently payable	$803,529	$803,529
Assets available for benefits		
Member reserves	$122,808,137	$122,808,137
Employer reserves	749,094,453	552,057,856
Total assets available for benefits	$871,902,590	$674,865,993
Total amounts currently payable and assets available for benefits	$872,706,119	$675,669,522
Net assets at Market/Cost value	$872,706,119	$675,669,522

* *Other Assets:*	
Accounts Receivable:	
Employer contribution	$1,081,569
Employee contribution	98,590
Commission recapture	3,610
MN amortization match	430,761
RWI management fee	31,858
Total accounts receivable	$1,646,388
Fixed assets	36,205
Total other assets	$1,682,593

Change in Assets Available for Benefits for Year Ended June 30, 2004

		Market Value	Cost Value
A.	Assets available at beginning of period	$757,639,499	$665,876,000
B.	Operating revenues		
	1. Member contributions	$14,307,616	$14,307,616
	2. Employer contributions	20,378,315	20,378,315
	3. Supplemental contributions	3,392,761	3,392,761
	4. Investment income	8,142,002	8,142,002
	5. Investment expenses	-2,846,415	-2,846,415
	6. Net realized gain/(loss)	34,834,326	34,834,326
	7. Other	177,431	177,431
	8. Net change in unrealized gain/(loss)	105,273,098	0
	9. Total operating revenues	$183,659,134	$78,386,036
C.	Operating expenses:		
	1. Service retirements	$61,039,171	$61,039,171
	2. Disability benefits	1,006,552	1,006,552
	3. Survivor benefits	5,896,198	5,896,198
	4. Refunds	938,407	938,407
	5. Administrative expenses	515,715	515,715
	6. Total operating expenses	$69,396,043	$69,396,043
D.	Change in accounting method	0	0
E.	Assets available at end of period	$871,902,590	$674,865,993

F.	Determination of current year gross asset return	
	1. Average balance:	
	(a) Assets available at BOY: (A)	$757,639,499
	(b) Assets available at EOY: (E)	871,902,590
	(c) Average balance [(a) + (b) – Net Investment Income] / 2 [Net Investment Income: (B.4) + (B.5) + (B.6) + (B.7) + (B.8)]	741,980,824
	2. Expected return: 8.50% x (F.1)	$63,068,370
	3. Actual return: (B.4) + (B.5) + (B.6) + (B.7) + (B.8)	145,580,442
	4. Current year gross asset return: (F.3) – (F.2)	$82,512,072

Actuarial Balance Sheet

A. Current Assets				$898,859,732
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions				$190,424,229
2. Present Value of Future Normal Costs				215,603,904
3. Total Expected Future Assets				$406,028,133
C. Total Current and Expected Future Assets				$1,304,887,865
D. Current Benefit Obligations	**Non-Vested**	**Vested**	**Total**	
1. Benefit recipients:				
(a) Retirement annuities	$0	$676,334,117	$676,334,117	
(b) Disability benefits	0	8,322,941	8,322,941	
(c) Beneficiaries	0	53,305,006	53,305,006	
2. Vested terminated members	0	31,232,331	31,232,331	
3. Other non-vested terminated members	0	2,055,239	2,055,239	
4. Active members:				
(a) Retirement benefits	$2,091,132	$401,501,385	$403,592,517	
(b) Disability benefits	73,599	6,485,760	6,559,359	
(c) Death benefits	67,330	6,330,492	6,397,822	
(d) Withdrawal benefits	533,566	11,737,995	12,271,561	
5. Total Current Benefit Obligations	$2,765,627	$1,197,305,266	$1,200,070,893	
E. Expected Future Benefit Obligations				$266,993,095
F. Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E)				$1,467,063,988
G. Current Unfunded Actuarial Liability (D.5 -A)				$301,211,161
H. Current and Future Unfunded Actuarial Liability (F - C)				$162,176,123

Summary of Actuarial Valuation Results

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. Determination of Actuarial Accrued Liability			
1. Active members:			
(a) Retirement benefits	$649,799,904	$185,209,030	$464,590,874
(b) Disability benefits	11,639,382	5,297,496	6,341,886
(c) Death benefits	11,694,121	4,966,177	6,727,944
(d) Withdrawal benefits	22,680,947	20,131,201	2,549,746
(e) Total	$695,814,354	$215,603,904	$480,210,450
2. Vested terminated members	$31,232,331	$0	$31,232,331
3. Other non-vested terminated members	2,055,239	0	2,055,239
4. Annuitants	737,962,064	0	737,962,064
5. Total	$1,467,063,988	$215,603,904	$1,251,460,084

B. Determination of Unfunded Actuarial Accrued Liability	
1. Actuarial Accrued Liability	$1,251,460,084
2. Actuarial Value of Assets	898,859,732
3. Unfunded Actuarial Accrued Liability: (1) – (2)	$352,600,352

C. Determination of Supplemental Contribution Rate	
1. Present value of future payrolls through the amortization date of June 30, 2021	$2,925,635,082
2. Supplemental contribution rate: (B.3) / (C.1)	12.05%

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2004

1.	Unfunded/(Overfunded) actuarial accrued liability at beginning of year			$290,601,000
2.	Normal cost at beginning of year, including expenses			22,591,715
3.	Total contributions			38,078,692
4.	Interest			
	(a)	For whole year on (1) + (2)	$26,621,380	
	(b)	For half year on (3)	1,618,344	
	(c)	Total interest: (4a) – (4b)		25,003,036
5.	Expected unfunded/(overfunded) actuarial accrued liability			$300,117,059
6.	Changes due to (gain)/loss from:			
	(a)	Investments	$43,646,529	
	(b)	Demographics*	8,836,764	
	(c)	Total changes due to (gain)/loss		$52,483,293
7.	Unfunded/(Overfunded) actuarial accrued liability at end of year			$352,600,352

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

Determination of Contribution Sufficiency – Total

A. Statutory Contributions – Chapter 354A	**July 1, 2004** Percent of Payroll	Dollar Amount
1. Employee contributions	5.80%	$13,393,204
2. Employer contributions	8.74	20,171,429
3. Supplemental contributions		
(a) 1996 Legislation	0.80	1,850,000
(b) 1997 Legislation	1.28	2,953,000
4. Administrative expense assessment	0.00	0
5. Total	16.62%	$38,367,633
B. Required Contributions – Chapter 356	**Percent of Payroll**	**Dollar Amount**
1. Normal Cost:		
(a) Retirement	8.08%	$18,653,171
(b) Disability	0.22	515,998
(c) Death	0.20	454,448
(d) Withdrawal	0.80	1,855,560
(e) Total	9.30%	$21,479,177
2. Supplemental contribution amortization	12.05%	$27,808,716
3. Allowance for administrative expenses	0.24	553,867
4. Total	21.59%	$49,841,760
C. Contribution Sufficiency / (Deficiency): (A.5) – (B.4)	-4.97%	-$11,474,127
Projected annual payroll for fiscal year beginning on the valuation date		$230,777,730

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy Pre-Retirement:

Male:	1983 Group Annuity Mortality Table for males set back 7 years
Female:	1983 Group Annuity Mortality Table for females set back 5 years

Healthy Post-Retirement:

Male:	1983 Group Annuity Mortality Table for males set back 3 years
Female:	1983 Group Annuity Mortality Table for females set back 1 year

Disability:

Male:	1977 Railroad Retirement Board Mortality Table for Disabled Lives
Female:	1977 Railroad Retirement Board Mortality Table for Disabled Lives

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 ten-year select period, 0.30% x (10-T) where T is completed years of service is added to the ultimate rate.

Age	Ultimate Rate of Annual Salary Increases
Less than 22	6.90%
25	6.75
30	6.50
35	6.25
40	6.00
45	5.75
50	5.50
55	5.25
60 & Over	5.00

Retirement Age:	
Active Members:	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.
Deferred Members:	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.
Other Non-Vested Members:	Return of contributions is assumed to occur immediately.
Unknown Data for Members:	The submitted participant data has been reviewed for reasonableness and consistency 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: July 1, 1960 Sex: Male Deferred Benefit: Calculate estimate using service at termination date. Salary at termination is estimated based on assumed termination date if not available.
Percent Married:	85% of male members and 60% of female members are assumed to be married. Married members are assumed to have two children.
Age of Spouse:	Female four years younger than male.
Net Investment Return:	
Pre-Retirement:	8.50% per annum
Post-Retirement:	8.50% per annum
Administrative Expenses:	Prior year administrative expenses (excluding investment expenses) expressed as a percentage of prior year payroll.
Allowance for Combined Service Annuity:	7.00% load on liabilities for active members and 30.00% load on liabilities for former members.
Return of Contributions:	All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.

Special Consideration:	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.
Benefit Increases After Retirement (COLA):	2.00% per annum.
Optional Benefit Forms:	Married members assumed to elect the following forms of benefit:

	Males	Females
Life Annuity Option	45%	80%
50% J&S Option	10%	10%
100% J&S Option	45%	10%

Asset Valuation Method:	Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during the fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).
Actuarial Cost Method:	Entry Age Normal Cost Method. Entry age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level percentage of payroll, with Normal Cost determined as if the current benefit accrual rate had always been in effect.
Payment on the Unfunded Actuarial Accrued Liability:	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.

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:

Year	State	School
06/30/03+	$1,050,000	$800,000

1997 Legislation:

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

Changes in Actuarial Assumptions and Cost Methods:

There have been no changes made to the actuarial assumptions and cost methods since the prior valuation.

Investment Section

St. Paul Teachers' Retirement Fund Association
Investment Returns
For the Period Ended June 30, 2004

	Assets Under Management (Market Value)	Investment Performance
Domestic Equity	**$ 454,741,004**	**28.1%**
Alliance Capital	29,359,500	17.21
Barclays Global Investors—S & P 500 Index	138,046,182	19.13
Barclays Global Investors—Russell 2000 Index	10,481,928	33.51
Barclays Global Investors—Extended Market Index	45,433,238	29.73
Barrow, Hanley, Mewhinney & Strauss, Inc.	72,599,317	24.48
The Boston Company Asset Management	41,687,255	50.16
Dimensional Fund Advisors, Inc.	50,053,997	50.56
Fifth Third Bank Investment Advisors	30,856,862	26.68
Wellington Management Company, LLP	36,222,725	29.35
International Equity	**$ 168,311,263**	**32.61%**
Capital Guardian Trust, Co. (Int'l Small Cap) *	[31,151,797]	[11.77]
Capital International, Inc. —Emerging Market (Net)	43,037,299	27.88
Morgan Stanley Asset Management	125,273,964	32.31
Fixed Income	**$ 221,044,066**	**(0.05)%**
Barclays Global Investors—Government/Corp Index	84,002,136	(0.69)
Barclays Global Investors—US Debt Index	45,645,859	(0.33)
Voyageur Asset Management	91,396,071	(0.46)
Alternative	**$ 17,848,296**	**10.00%**
Clifton Group *	14,386,040	2.13
RWI Group	1,962,256	10.00
Turin Network +	1,500,000	0.00
Short Term	**$ 8,928,850**	**1.02%**
In-House Cash & Cash Equivalents	8,928,850	1.02
Total Fund	**$ 870,873,480**	**20.09%**

* Management for less than one year. [Bracketed figures indicate account terminated before June 30th.]
+ Direct equity investment – not publicly traded security: Market = Cost
*** note: values in (parenthesis) are negative.*

Active Fixed Income Accounts

As of June 30, 2004

Voyageur Asset Management					
Name	***Rate***	***Maturity***	***Par***	***Cost***	***Market***
ACE INA Holdings	6.000	04/01/2007	625,000	624,900	660,200
AOL Time Warner	6.125	04/15/2006	120,000	127,480	125,710
American Electric Power	6.125	05/15/2006	240,000	247,200	251,945
American General Finance Corp	5.375	10/01/2012	620,000	635,971	620,955
Americredit Automobile	4.610	01/12/2009	1,100,000	1,099,809	1,122,723
Banc America Coml Mtg	4.907	05/15/2035	577,262	608,741	591,918
Banc America Mort Secs	5.000	05/25/2019	950,911	971,713	959,326
Bank America Corp	3.875	01/15/2008	490,000	497,100	489,211
Bear Stearns	7.800	08/15/2007	515,000	615,904	574,305
CHAMT 2003-2A	1.349	07/15/2010	575,000	576,168	576,051
Chile Republic	5.625	07/23/2007	605,000	655,040	632,346
CitiGroup	6.625	06/15/2032	135,000	136,623	139,820
Clear Channel Communications	4.625	01/15/2008	420,000	426,871	424,431
College Ln Corp Tr 1	1.010	01/25/2012	905,000	905,000	905,923
Comcast Cable	7.125	06/15/2013	285,000	313,819	311,522
Commercial Credit	6.750	07/01/2007	425,000	482,826	460,573
Conoco Funding	6.350	10/15/2011	705,000	798,850	767,082
Conseco Fncl Securitizations	7.870	02/15/2031	17,657	17,652	17,801
Continental Airlines	7.707	10/02/2022	351,276	358,566	342,118
Core Investment	4.727	11/30/2007	730,000	759,979	745,593
Countrywide Home Loans	4.000	03/22/2011	515,000	512,883	480,341
CRH America	5.300	10/15/2003	320,000	319,200	313,779
CWALT 04-12CB	5.000	07/01/2018	1,820,255	1,839,027	1,844,823
DaimlerChrysler Auto	2.880	10/08/2009	998,000	997,878	991,108
Daimler Chrylser North America	4.050	06/04/2008	620,000	621,711	607,929
Deutsch Telecom	8.500	06/15/2010	360,000	436,583	420,682
DLJ Commercial Mortgage	7.120	09/10/2009	491,907	553,097	522,217
FHLM 00469	6.500	12/01/2011	228,030	224,102	241,433
FHLM 00853	7.000	01/01/2028	168,496	171,782	178,685
FHLM 00541	7.000	06/01/2026	128,009	130,699	135,874
FHLM G10952	6.500	09/01/2014	157,524	155,073	166,555
FHLMC C41471	7.500	08/01/2030	87,436	86,148	94,206
FHLMC C01050	7.500	09/01/2030	116,237	115,131	125,236
FHLMC C50907	7.500	05/01/2031	75,743	77,404	81,607
FHLMC E83737	6.500	05/01/2016	269,764	272,560	285,065
FHLMC C01197	6.500	07/01/2031	318,693	314,026	332,678
FHLMC C72604	5.500	10/01/2032	812,474	824,153	811,791
FHLMC C73205	6.000	11/01/2032	877,614	899,417	897,975
FHLMC C76218	5.500	02/01/2033	1,121,332	1,131,057	1,119,875
FHLMC C79583	5.000	06/01/2033	491,567	490,338	476,034
FHLMC	4.500	07/15/2013	330,000	328,951	315,666
FHLMC #C01598	5.000	08/01/2033	566,782	551,992	548,871
FHLMC #C01646	6.000	09/01/2003	1,834,546	1,889,869	1,876,043
FHLMC #G01563	5.500	06/01/2033	1,405,635	1,414,640	1,403,808
FHLMC #A15090	5.500	10/01/2033	890,064	900,772	888,907
FHLMC	2.000	02/23/2006	975,000	973,538	963,117
FHLMC	5.200	03/05/2019	885,000	905,638	831,623
FHLMC #A20506	5.500	02/01/2034	800,331	788,451	798,034
FHLMC	3.500	04/01/2008	920,000	901,959	905,913
First Bank System (US Bancorp)	6.875	09/15/2007	385,000	440,748	420,116

Continued . . . (1 of 3)

Active Fixed Income Accounts

As of June 30, 2004

Voyageur Asset Management					
Name	***Rate***	***Maturity***	***Par***	***Cost***	***Market***
FNMA 501210	6.500	06/01/2029	133,737	127,767	139,555
FNMA 576329	8.000	04/01/2031	42,010	51,950	45,729
FNMA 580982	6.500	05/01/2031	518,971	518,554	541,214
FNMA 608780	6.000	10/01/2016	1,007,554	1,022,982	1,051,342
FNMA 575832	6.500	05/01/2031	61,241	60,943	63,866
FNMA 611467	6.500	11/01/2031	559,354	561,451	583,328
FNMA 625030	6.500	01/01/2032	810,607	822,893	845,350
FNMA 641093	5.500	05/01/2017	778,273	775,354	798,267
FNMA 702599	5.000	05/01/2018	597,613	611,433	599,741
FNMA 708870	4.500	06/01/2018	488,265	491,546	478,431
FNMA 710977	5.500	06/01/2033	2,197,095	2,244,470	2,192,920
FNMA Global	6.625	09/15/2009	615,000	730,182	680,344
FNMA #658481	4.238	09/01/2033	996,950	982,931	984,797
FNMA	3.750	09/15/2008	795,000	792,766	782,827
FNMA #724254	3.880	08/01/2033	1,513,702	1,514,057	1,508,616
FNMA #740288	5.000	06/01/2033	855,683	842,581	829,285
FNMA	2.750	08/11/2006	920,000	918,381	912,238
FNMA #555588	6.000	07/01/2033	1,192,599	1,213,244	1,218,943
FNMA #725187	4.727	07/01/2033	1,014,880	1,041,203	1,021,527
FNMA	6.625	11/15/2030	380,000	441,568	418,238
FNMA	3.125	03/16/2009	1,113,000	1,108,125	1,059,785
FNMA #620407	7.500	02/01/2032	782,933	838,105	839,116
FNMA Global	5.500	03/15/2011	860,000	893,294	899,506
FNMA #785946	5.000	07/01/2034	840,000	796,294	812,398
Ford Motor Credit	5.800	01/12/2009	655,000	652,925	661,157
General Electric Capital Corp	6.000	06/15/2012	645,000	697,756	680,662
GMAC COML MTG	6.411	11/15/2007	608,832	630,509	624,605
General Motors	7.700	04/15/2016	240,000	273,302	251,909
General Motors	8.250	07/15/2023	349,000	394,185	365,490
Genworth Financial	1.619	06/15/2007	395,000	395,237	394,664
Genworth Financial	5.750	06/15/2014	475,000	475,230	479,684
GNMA #491145	6.500	12/15/2028	430,864	433,722	451,490
GNMA #485453	6.500	05/15/2031	202,934	201,600	212,336
GNMA #557300	6.500	05/15/2031	105,990	105,283	110,901
GNMA #781176	7.000	12/15/2028	433,023	443,544	461,092
GNMA #781231	7.000	12/15/2030	125,404	128,457	133,431
GNR 2004-25 BA	4.930	11/16/2044	805,000	821,100	792,106
GNR 2002-35 B	5.283	11/16/2015	505,000	532,380	522,381
GNR 2003-72 B	4.356	02/16/2030	1,277,817	1,304,900	1,256,516
GNR 2001-44 B	6.114	11/15/2021	777,000	845,655	825,464
GNR 2001-58 B	5.158	12/16/2025	475,000	495,781	485,271
GNR 2002-83 A	3.313	04/16/2017	395,234	401,163	391,970
Goldman Sachs Cap 1	6.345	02/15/2034	435,000	435,000	408,495
HQI Transelectric Chile	7.875	04/15/2011	705,000	710,269	795,705
Household Finance	4.750	05/15/2009	705,000	710,541	708,906
Illinois Power	5.650	12/25/2010	910,000	998,618	962,917
ING Cap Funding	8.439	12/31/2010	275,000	291,204	319,404
Intl Lease Financial Corp	3.500	04/01/2009	495,000	493,936	470,691
Kinder Morgan Energy	7.750	03/15/2032	395,000	443,503	438,268
LB-USB Commercial Mtg	4.367	03/15/2014	435,000	437,149	404,353
Lennar Corp	1.860	03/19/2009	580,000	579,432	582,628

Continued . . . (2 of 3)

Active Fixed Income Accounts Continued

As of June 30, 2004

Name	Rate	Maturity	Par	Cost	Market
Voyageur Asset Management Continued					
MorganStanley	4.750	04/01/2014	752,000	744,217	693,810
National Rural Utilities Coop	5.750	08/28/2009	480,000	476,923	506,621
Nationsbank	8.250	04/15/2027	603,000	696,162	668,624
News America Holdings	7.700	10/30/2025	235,000	257,819	265,489
Norfolk Southern Corp	6.200	04/15/2009	400,000	454,120	428,260
North Fork Bancorp	5.000	08/15/2012	1,035,000	1,052,930	1,040,589
Peco Energy Transition	1.390	03/01/2009	510,000	510,638	510,311
Peco Energy Transition	6.520	12/31/2010	885,000	1,008,770	970,176
Pemex Finance	6.550	02/15/2008	348,485	391,038	366,066
Pemex Finance	9.030	02/15/2011	560,000	612,113	651,554
PHH Corp	7.125	03/01/2013	275,000	293,563	300,328
Praxair Inc	6.625	10/15/2007	700,000	801,423	762,069
Principal Life Income Funding	3.200	04/01/2009	555,000	553,829	529,004
RALI 2002-QS19	6.000	12/25/2032	845,899	863,081	865,057
RBS CAP TR II	6.425	01/03/2034	475,000	475,000	454,718
Residential Funding Mtg Sec	5.250	02/25/2034	923,889	890,506	917,992
Sempra Energy	1.740	05/21/2008	1,345,000	1,346,100	1,343,225
Science Application Intl	7.125	07/01/2032	215,000	248,202	234,875
Sprint	6.875	11/15/2028	450,000	415,917	432,563
Time Warner	8.375	07/15/2033	300,000	372,525	351,171
United States Cellular Corp	6.700	12/15/2033	297,000	299,610	280,861
US Treasury Bond	5.375	02/15/2031	425,000	464,018	428,586
US Treasury Inflationary Index	3.000	07/15/2012	1,233,678	1,265,627	1,333,915
US Treasury Inflationary Index	3.375	01/15/2007	385,606	414,201	413,080
US Treasury Note	3.000	11/15/2007	940,000	973,965	931,188
US Treasury Note	2.625	05/15/2008	700,000	714,109	678,125
US Treasury Note	4.000	11/15/2012	1,200,000	1,154,719	1,161,750
US Treasury Bond	5.250	11/15/2028	1,700,000	1,677,488	1,665,469
US Treasury Note	3.375	11/15/2008	220,000	221,298	217,594
US Treasury Note	4.250	11/15/2013	545,000	550,019	530,523
US Treasury Note	6.250	02/15/2007	400,000	448,000	432,250
US Treasury Note	2.625	11/15/2006	510,000	516,813	506,494
US Treasury Note	1.875	01/31/2006	1,270,000	1,258,838	1,258,094
US Treasury Note	4.000	02/15/2014	415,000	398,287	395,547
Verizon Maryland	6.125	03/01/2012	815,000	837,999	849,128
Viacom Inc	6.400	01/30/2006	630,000	675,946	662,691
Virginia Electric & Power	5.375	02/01/2007	900,000	967,590	938,214
WAMU Mortgage	3.180	09/25/2033	820,000	813,079	813,088
Washington Mutual	4.816	10/25/2032	398,629	412,427	402,421
Weyerhauser	6.950	10/01/2027	375,000	393,323	386,696
SUBTOTAL Voyageur Asset Management			$ 88,346,296	$ 90,785,720	$ 89,877,611
Cash & Cash Equivalents			751,624	751,624	751,624
Accts Payable, Accts Rec, Accruals			766,837	766,837	766,837
TOTAL Voyageur Asset Management			**$ 89,864,756**	**$ 92,304,180**	**$ 91,396,071**

Active Domestic Equity Accounts
As of June 30, 2004

Alliance Capital			
Name	***Shares***	***Cost***	***Market***
Alcon	6,935	396,161	545,438
Amazon	8,760	402,645	476,544
American Intl Group	12,720	856,100	906,682
Amgen	12,310	617,622	671,757
Anthem	2,730	253,159	244,499
Applied Materials	17,760	389,071	348,451
Avon Products	17,180	516,481	792,685
Bed Bath & Beyond	11,160	447,867	429,102
Boston Scientific	12,060	514,884	516,168
Broadcom Corp	10,150	336,302	474,716
Caremark RX	6,170	179,041	203,240
Cisco Systems	37,100	1,239,277	879,270
Citigroup	15,320	550,921	712,380
Coca Cola	3,300	169,319	166,584
Corning	11,470	147,275	149,798
Dell Computer	33,250	993,284	1,191,015
Disney, Walt	5,530	140,569	140,960
EBay	9,480	544,866	871,686
Electronic Arts	17,020	766,209	928,441
EMC Corp	18,140	248,648	206,796
Forest Labs	6,460	457,326	365,830
Franklin Research	2,640	144,287	132,211
General Electric	37,500	1,359,756	1,215,000
Gilead Sciences	6,760	371,202	452,920
Goldman Sachs	1,540	134,560	145,006
Hershey Foods	3,180	141,021	147,139
Intel	41,130	1,106,625	1,135,188
JP Morgan	11,580	465,810	448,957
Juniper Networks	23,440	606,817	575,921
Lowes	16,520	758,644	868,126
MBNA	26,660	572,721	687,561
Marvell Tech	6,680	269,174	356,712
Maxim Integrated Products	10,070	440,658	527,869
Medtronic	8,630	414,442	420,454
Merrill Lynch & Co	6,640	361,323	358,427
Microsoft	31,500	949,200	899,640
News Corp	8,560	251,998	281,453
Pfizer	26,030	1,027,490	892,308
Proctor & Gamble	8,000	356,700	435,520
Progressive Group	9,550	661,648	814,615
Qualcomm	5,720	367,425	417,446
Scripps	6,520	594,659	684,600
St Jude Medical	6,070	305,230	459,196
Starbucks	3,890	157,977	169,137
Symantec	9,690	407,796	424,228
Taiwan Semiconductor Mfg	23,740	262,344	197,279
Target	5,080	228,389	215,748
Teva Pharmaceutical	6,060	353,173	407,777
Time Warner	16,700	492,415	293,586
Unitedhealth Group	11,630	393,807	723,968
Univisions Communications	7,230	259,019	230,854
Veritas	16,640	480,520	460,928
Viacom Inc	9,110	407,237	325,409
Wal Mart Stores	14,100	743,236	743,916
Yahoo	33,780	671,494	1,227,227
Zimmer Holdings	3,570	285,282	314,874
SUBTOTAL Alliance Capital	741,145	$ 26,971,110	$ 29,313,241
Cash & Cash Equivalents		30,914	30,914
Accts Payable, Accts Rec, Accruals		15,345	15,345
TOTAL Alliance Capital		**$ 27,017,370**	**$ 29,359,500**

Barrow Hanley			
Name	***Shares***	***Cost***	***Market***
Allstate	49,600	1,719,018	2,308,880
Altria Group	41,600	1,444,919	2,082,080
American Electric Power	45,500	1,798,673	1,456,000
Anthem	22,800	1,664,435	2,041,968
BP Amoco	44,300	2,212,282	2,373,151
Bank America Corp	30,222	1,843,487	2,557,386
Baxter In'tl	65,100	1,744,761	2,246,601
Boeing	11,900	404,001	607,971
Brinker Intl	41,100	1,370,405	1,402,332
Bristol Myers Squibb	56,600	2,133,500	1,386,700
Burlington Northern Santa Fe	51,400	1,211,724	1,802,598
CIGNA Corp	20,900	1,741,334	1,438,129
Carnival Corp	42,000	1,044,208	1,974,000
CenterPoint Energy	46,000	1,167,924	529,000
Chevron Texaco	11,500	771,606	1,082,265
Citigroup	45,700	2,070,623	2,125,050
Conagra	56,100	1,344,257	1,519,188
Conoco Phillips	31,513	1,882,634	2,404,127
Crescent Real Estate Equities	34,000	717,056	548,080
Dollar General	75,700	1,062,154	1,480,692
Duke Energy	58,600	1,139,963	1,188,994
Emerson Electric	20,700	1,236,319	1,315,485
EnCana Corp	48,300	1,192,665	2,084,628
Entergy	38,500	1,441,747	2,156,385
Hartford Financial Services Gr	30,600	1,935,795	2,103,444
Honeywell	45,400	1,561,646	1,663,002
Imperial Tobacco	44,700	1,060,370	1,960,542
Lyondell Chemical	35,500	452,536	617,345
MGIC Invest	14,600	892,319	1,107,556
Mattel	79,600	1,417,528	1,452,700
Occidental Pete	48,900	1,046,146	2,367,249
PNC Financial Services	22,500	1,329,602	1,194,300
Pfizer	21,400	735,002	733,592
Pitney Bowes	31,600	1,045,579	1,398,300
SLM Corp	54,000	1,709,158	2,184,300
Schering Plough	81,300	2,312,474	1,502,424
Stanley Works	51,300	1,557,009	2,338,254
U S T Inc	59,800	1,502,377	2,152,800
Verizon Communications	16,100	735,478	582,659
Washington Mutual	52,100	1,650,083	2,013,144
Wells Fargo	28,600	1,471,123	1,636,778
Wendys International	47,500	958,949	1,654,900
XL Capital Ltd	26,900	2,023,770	2,029,874
SUBTOTAL Barrow Hanley		$ 59,756,641	$ 70,804,852
Cash & Cash Equivalents		1,696,094	1,696,094
Accts Payable, Accts Rec, Accruals		98,371	98,371
TOTAL Barrow Hanley		**$ 61,551,105**	**$ 72,599,317**

In-House Cash & Cash Equivalents	
Name	***Market***
Cash & Cash Equivalents	$ 8,928,850
TOTAL In-House Cash & Cash Equivalents	**$ 8,928,850**

Active Domestic Equity Accounts
As of June 30, 2004

The Boston Company Asset Management			
Stocks	***Shares***	***Cost***	***Market***
Abercrombie & Fitch	3,200	77,909	124,000
Action Performance Co	7,700	139,208	116,039
Advanced Digital Infl	20,600	193,304	199,820
Agco	27,100	467,616	552,027
Airgate	5,500	92,360	100,650
AK Steel Holdings	5,800	28,588	30,566
Alamosa Holdings	11,800	63,032	86,730
Allegheny Technologies	32,900	412,374	593,845
Anchor Glass	8,200	126,814	110,946
Apogee Enterprises	24,700	287,682	256,880
Arris Group	64,600	361,653	383,724
Art Technology Group	78,800	203,701	94,560
Artesyn Technologies	4,100	36,795	36,900
Ascential Software	16,800	257,904	268,632
Atlantic Coast Airlines	22,400	162,517	128,576
Atmel Corp	53,000	307,472	313,760
Axcelis Technologies	48,800	470,216	607,072
B E Aerospace	73,700	625,493	558,646
Barr Laboratories	8,000	267,542	269,600
Bearingpoint Inc	20,500	177,111	181,835
Biovail	14,200	308,915	269,516
Bombay Co	22,300	150,649	136,699
Bookham Tech	257,100	564,218	246,816
Borland Software	19,100	167,497	162,159
Bristol West Hldgs	3,500	70,000	63,665
Calpine	152,800	998,884	660,096
Central Freight Lines	12,300	169,168	98,400
Cephalon	2,300	107,838	124,200
Chesapeake Energy	37,000	310,605	544,640
Circuit City	51,400	485,376	665,630
Citadel Broadcasting	24,300	399,526	354,051
Clark inc	14,100	242,167	261,555
Collins & Aikman	75,600	366,962	422,604
Commscope	28,300	514,037	607,035
Conexant Systems	45,500	215,336	197,015
Conseco	19,400	385,991	386,060
Continental Airlines	26,100	309,860	296,757
Cooper Cameron Corp	5,200	219,398	253,240
Cumulus Media	9,200	158,651	154,652
Dobson Comm	172,100	638,040	561,046
Dollar Thrifty Automotive	9,100	236,950	249,704
Dollar Tree Stores	12,600	333,246	345,618
Donnelley & Sons, RR	5,080	137,491	167,742
Dupont Photomasks	12,800	390,480	260,224
Dycom Inds	10,700	285,744	299,600
E-Trade Group	61,800	552,072	689,070
Earthlink	35,600	296,457	368,460
EBookers.com	35,900	466,226	355,410
Emulex	13,200	219,702	188,892
Enterasys Networks	91,200	309,595	192,432
Enzon Pharmaceuticals	37,400	482,366	477,224
Expressjet Holdings	22,100	264,786	268,294
Fairchild Semiconductors	32,600	578,340	533,662
Finlay Enterprises	8,200	114,159	154,324
Fleetwood Enterprises	9,700	109,733	141,135
Flowserve	12,300	217,999	306,762
G & K Services	2,400	74,527	96,456
Gateway Inc	38,900	226,143	175,050
Global Industries	39,000	226,178	223,080
Graftech Intl	26,300	261,227	275,098
Grant Prideco Inc	22,100	302,006	407,966
Great Lakes Chemical	19,400	471,084	524,964
Hercules Inc	28,500	327,217	347,415
Hutchinson Tech	20,400	544,295	501,636
Ikon Office Solutions	32,100	358,044	368,187
Insight Enterprises	10,800	207,800	191,808
International Steel Group	20,500	696,004	609,875
Intertape Polymer	17,500	157,225	133,175
Continued ...			

The Boston Company Asset Management, Continued			
Stocks	***Shares***	***Cost***	***Market***
Iona Tech	36,100	420,270	147,288
Kellwood Co	8,300	345,491	361,465
Key Energy Services	63,100	587,059	595,664
Knight Trading Group	65,600	689,159	657,312
Krispy Kreme Doughnuts	16,400	368,630	313,076
Labranche	26,800	231,689	225,656
Lattice Semiconductor	28,600	240,756	200,486
Linens N Things	13,300	346,902	389,823
Lone Star Tech	12,100	201,595	333,476
LTX	69,500	712,280	751,295
Manugistics Group	69,400	359,448	226,938
Massey Energy	23,800	406,751	671,398
Mastec Inc	37,500	364,867	203,625
Maxtor	33,500	264,462	222,105
Mcdata Corp Cl B	52,200	448,302	280,836
Mcdata Corp	3,400	34,236	17,374
Mentor Graphics	12,500	202,744	193,375
Metris	42,500	281,602	369,325
MRO Software	26,300	290,737	357,943
Multimedia Games	7,900	206,185	211,878
Navistar Intl	11,400	467,673	441,864
Network Associates (McAfee)	20,900	336,695	378,917
Nuance Communications	30,700	174,762	139,992
Orbitz	23,800	553,463	514,556
Overnite Corp	3,500	76,591	102,900
PMI Group	22,400	822,053	974,848
Parametric Tech	106,500	569,677	532,500
Parker Drilling	87,700	455,062	335,014
Patterson-Uti Energy	16,100	416,278	537,901
Performance Food Group	14,800	461,458	392,792
Pharmaceutical Prod Develop	4,300	111,332	136,611
Phoeniz Cos	11,700	143,369	143,325
Photonics	32,100	520,776	607,974
Pinnacle Airlines	5,500	74,932	62,150
Polyone Corp	37,800	374,985	281,232
Primus Telecommunications	93,300	734,470	473,964
Proquest	6,400	129,349	174,400
Quality Distr	27,000	394,240	297,810
Quanta Services	47,500	294,476	295,450
Quidel	34,900	271,456	205,561
Remec	36,900	288,759	233,208
Safenet	17,600	468,217	487,168
Sanmina SCI	21,600	140,892	196,560
Savient Pharmaceuticals	91,300	380,916	226,424
Scottish Annuity & Life	12,300	253,224	285,975
Shaw Group	46,100	515,390	466,993
Six Flags	31,200	178,206	226,512
Sotheby's Holdings	6,900	94,125	110,124
Swift Transportation	21,300	351,492	382,335
Terex	11,100	287,558	378,843
Tetra Tech	3,600	57,606	58,752
Tidewater	9,500	300,842	283,100
Timken	8,600	145,780	227,814
Too Inc	3,600	57,882	60,120
Trizetto Group	9,400	58,717	62,980
Ubiquitel	68,100	250,767	287,382
United States Steel	19,000	399,741	667,280
UNUMProvident	32,700	438,920	519,930
Verity Inc	8,200	108,573	110,782
W Holding Inc	4,100	78,069	70,397
Wabtec Corp	19,900	295,753	358,996
Watson Pharmaceuticals	8,300	228,999	223,270
Webmethods	7,900	88,764	67,703
Yellow Roadway Corp	16,600	459,342	661,676
York Intl	10,400	357,718	427,128
SUBTOTAL The Boston Company	$	41,062,012	$ 41,175,458
Cash & Cash Equivalents		197,140	# 197,140
Accts Payable, Accts Rec, Accruals		314,658	# 314,658
TOTAL The Boston Company	**$**	**41,573,809**	**$ 41,687,255**

Active Domestic Equity Accounts
As of June 30, 2004

Fifth Third Investment Associates			
Name	***Shares***	***Cost***	***Market***
3 M	4000	327,950	360,040
Alberto Culver	10000	414,810	752,100
Alliant Techsystems	6000	330,564	380,040
Allstate	10000	358,243	465,500
American Standard Cos	4000	191,954	362,790
Apache Corp	4000	289,310	457,275
Associated Banc Corp	5250	344,191	400,005
Beckman Coulter	5000	349,611	366,000
Boston Scientific	10000	338,800	428,000
Brunswick	8000	427,638	448,800
C H Robinson Worldwide	7500	295,096	550,080
CDW	9000	515,135	573,840
Citigroup	4000	188,900	232,500
Conoco Phillips	7500	491,964	610,320
Danaher Corp	9000	381,565	570,350
Deere & Co	10000	438,055	420,840
Diebold	30000	407,215	528,700
Entegris	9500	362,499	347,100
Exelon Corp	11000	607,040	632,510
Exxon Mobil	10000	448,898	488,510
FMC Technologies	14000	258,230	345,600
Fastenal	17000	436,837	681,960
Fiserve	5000	625,294	661,130
Fortune Brands	10000	307,292	422,408
General Electric	5000	435,856	453,600
General Mills	9000	392,035	404,005
Harley Davidson	18000	543,600	743,280
Hewlett Packard	9000	360,330	379,800
Illinois Tool Works	6000	487,788	767,120
Invacare	6000	321,305	313,040
ITT Industries	5500	290,322	307,100
Johnson & Johnson	10000	353,526	389,900
Johnson Controls	6000	364,544	480,420
MDU Resources Group	11000	344,621	396,495
MGIC Investment	11000	199,195	303,440
Marshall & Ilsley	12000	344,309	469,080
Medtronic	10000	610,166	730,800
Meredith	16000	382,396	384,720
Microsoft	20000	570,293	571,200
Nasdaq 100 Shares	11000	386,655	528,920
Nextel	10000	278,200	266,600
Northern Trust	11000	361,214	465,080
Pfizer	10000	502,490	514,200
Principal Financial Group	14000	296,796	347,800
Regis	5000	400,250	624,260
St Jude Medical	9,500	257,385	453,900
Stericycle	15,000	428,836	569,140
Symantec	6,000	188,552	350,240
Target	14,000	530,908	637,050
Techne	17,000	142,439	217,250
Teva Pharmaceutical	10,000	322,655	471,030
Toro	5,000	324,889	420,420
US Bancorp	23,000	491,290	633,880
Union Pacific	7,000	275,849	297,250
Unitedhealth Group	11,000	487,476	747,000
Valspar	7,000	372,101	428,315
Varian	12,000	327,993	421,500
Varian Medical Systems	9,500	330,816	436,425
Walgreens	13,000	453,992	543,150
Wells Fargo	5,000	232,223	286,150
Wrigley Wm Jr Co	6,000	430,330	535,925
Zebra Technologies	5,000	167,637	369,750
Zimmer Holdings	5,000	224,970	441,000
SUBTOTAL Fifth Third Bank Inv. Advisors		$ 23,353,322	$ 29,586,633
Cash & Cash Equivalents		1,240,207	1,240,207
Accts Payable, Accts Rec, Accruals		30,023	30,023
TOTAL Fifth Third Investment Associates		**$ 24,623,551**	**$ 30,856,862**

Wellington Management Company			
Name	***Shares***	***Cost***	***Market***
Airtran Holdings	9,000	126,120	127,260
Albany Molecular Research	6,400	121,803	82,752
Ambac Financial Group	10,500	591,157	771,120
American Power Conversion Corp	31,300	612,320	615,045
Ameritrade Holding Corp	33,100	478,916	375,685
Aramark	16,000	369,233	460,160
Ask Jeeves	5,800	195,093	226,374
Biovail	23,000	453,946	436,540
Cadence Design	22,600	362,444	330,638
Caremark RX	6,100	128,681	200,934
Career Education	5,900	331,429	268,804
CDW Computer	8,800	544,553	561,088
Cephalon	2,300	112,337	124,200
CheckFree Corp	9,400	247,809	282,000
Chesapeake Energy	80,500	696,592	1,184,960
Chicos FAS	13,200	325,323	596,112
Coach Inc	8,000	248,931	361,520
Columbia Sportswear	15,000	828,743	819,300
Constellation Brands	4,500	97,910	167,085
Cooper Co	6,700	244,214	423,239
Countrywide Credit	14,549	362,449	1,022,067
CoventryHealth Care	9,400	404,864	459,660
D R Horton	22,575	333,948	641,130
Dendrite Intl	9,900	137,785	183,942
Diagnostic Products	17,200	666,163	755,768
DST Systems	8,600	366,973	413,574
Dycom Industries	3,200	87,957	89,600
E Trade	53,800	507,279	599,870
Edwards Lifesciences	13,700	322,868	477,445
Engineered Support Systems	6,100	289,308	356,911
Ensco Intl	21,500	638,705	625,650
Fairchild Semiconductor	19,000	372,949	311,030
Fastenal	5,800	289,011	329,614
Federated Invs	29,400	851,396	891,996
Fisher Scientific Intl	16,700	687,922	964,425
Gallagher Arthur J & Co	33,000	1,006,083	1,004,850
Graco	10,300	301,175	319,815
Hain Celestial Group	30,100	563,779	544,810
Health Net	24,700	768,798	654,550
Ingram Micro	29,300	467,904	423,971
Int'l Game Technology	2,000	41,473	77,200
Int'l Rectifier Corp	8,800	400,434	364,496
ITT Educational Services	15,700	532,630	596,914
King Pharmaceuticals	38,700	623,388	443,115
Krispy Kreme Doughnuts	8,700	344,866	166,083
Lear Corp	9,100	506,435	536,809
Legg Mason	6,500	317,104	591,565
Liz Claiborne	15,600	413,991	561,288
Medco Health Solutions	9,500	320,881	356,250
Michaels Stores	17,400	641,736	957,000
Novellus	10,800	329,327	339,552
Odyssey Healthcare	29,900	699,201	562,718
OReilly Automotive	19,900	633,496	899,480
Pacific Sunwear	39,850	731,805	779,865
Pactive Corp	48,600	838,735	1,212,084
Petco Animal Supply	21,900	635,510	705,399
Plains Exploration & Production	11,900	222,344	218,365
Polycom	16,200	337,563	363,042
Precision Castparts	7,100	335,027	388,299
Sandisk	13,700	407,611	297,153
Standard Pacific Corp	7,100	398,180	350,030
Sungard Data Systems	7,200	134,835	187,200
Tekelec	29,300	407,434	532,381
THQ	9,900	216,754	226,710
Triad Hosps	17,000	505,444	632,910
UTStarcom	12,800	418,980	387,200
Varian Semiconductors	19,200	749,856	740,352
Viasys Healthcare	16,100	367,380	336,651
Waste Connection	17,400	478,178	516,084
Waters Corp	8,700	240,965	415,686
Watson Pharmaceutical	5,600	193,235	150,640
Wellcare Health Plan	1,000	17,000	17,000
Williams Sonoma	11,200	371,573	369,152
Yellow Roadway	17,400	561,538	693,564
SUBTOTAL Wellington Management Company	$	30,919,782	$ 35,457,731
Cash & Cash Equivalents		466,047	466,047
Accts Payable, Accts Rec, Accruals		298,947	298,947
TOTAL Wellington Management Company	**$**	**31,684,776**	**$ 36,222,725**

Indexed Fixed Income Fund
As of June 30, 2004

Name		*Cost*		*Market*
Barclays Global Investors—Government/Corp Index	$	54,456,566	$	84,002,136
Barclays Global Investors—US Debt Index		37,628,472		45,645,859
TOTAL Indexed Fixed Income Fund	**$**	**92,085,038**	**$**	**129,647,995**

Indexed Equity
As of June 30, 2004

Name		*Cost*		*Market*
Barclays Global Investors—S & P 500 Index	$	82,661,367	$	138,046,182
Barclays Global Investors—Russell 2000 Index		8,058,537		10,481,928
Barclays Global Investors—Extended Market Index		30,854,498		45,433,238
TOTAL Indexed Equity	**$**	**121,574,401**	**$**	**193,961,348**

International Equity
As of June 30, 2004

Name		*Cost*		*Market*
Capital International, Inc.		41,519,591		43,037,299
Morgan Stanley Asset Management		91,749,676		125,273,964
TOTAL International Equity	**$**	**133,269,267**	**$**	**168,311,263**

Commingled Equity Fund
As of June 30, 2004

Name		*Cost*		*Market*
Dimensional Fund Advisors, Inc.	$	21,232,966	$	50,053,997
TOTAL Comingled Equity Fund	**$**	**21,232,966**	**$**	**50,053,997**

Alternative Investment
As of June 30, 2004

Name		*Cost*		*Market*
RWI Group		2,272,491		1,962,256
Clifton EAFE		14,219,078		14,386,040
Turin Network		1,500,000		1,500,000
TOTAL Alternative Investment	**$**	**17,991,569**	**$**	**17,848,296**

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. Members are allowed to use tax-sheltered money to repay refunds.

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.

Military Service

Members may purchase prior military service during a "window period" scheduled to expire on May 16, 2006. The cost to purchase service is actuarially calculated. Members are allowed to use tax-sheltered money to purchase service credit in SPTRFA for leaves of absence, or to repay refunds of contributions.

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 inquires 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. 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.

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			
Normal Unreduced Benefit	60	25	Formula = **FAS** x **YOS** x 2.0% **ASF**. The Rule of 90 will also produce an unreduced benefit in Tier 1.
Normal Reduced Benefit	55	25	Formula reduced by discount of 0.25% for each month a member's age is under 60.
Tier 2			
Normal Unreduced Benefit	65	5	Formula = **FAS** x **YOS** x 2.5% **ASF**.
Normal Reduced Benefit	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			
Normal Unreduced Benefit	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.
Normal Reduced Benefit	Any Age	30	Formula reduced by discount of 0.25% for each month a member's age is under 62.
Tier 2			
Normal Unreduced Benefit	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**.
Normal Reduced Benefit	55	3	Formula reduced by the use of actuarial tables.

2005 Administrative Service Charge Test

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 2003-04 remained well below the trigger points set in State law.

Retirement History Record

Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid ($)
June 1910	15	13	$ 4,860
June 1931	8	125	69,024
June 1932	8	130	72,961
June 1933	2	126	74,190
June 1934	6	127	74,120
June 1935	9	131	74,001
June 1936	14	135	75,864
June 1937	19	151	80,747
June 1938	17	160	89,709
June 1939	11	161	93,184
June 1939 to			
December 1939	0	158	23,870
December 1940	71	222	170,685
December 1941	35	246	210,257
December 1942	27	266	234,217
December 1943	38	286	253,031
December 1944	34	311	282,299
December 1945	56	350	308,113
December 1946	51	378	337,512
December 1947	28	387	360,571
December 1948	42	413	375,912
December 1949	42	441	419,618
December 1950	30	461	450,641
December 1951	27	476	472,670
December 1952	28	486	508,923
December 1953	32	487	525,959
December 1954	10	482	529,429
December 1955	38	509	666,994
December 1956	46	529	750,146
December 1957	59	560	840,883
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

Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid ($)
December 1975	52	778	$ 3,765,322
December 1976	77	883	4,393,513
December 1977	63	919	5,050,507
December 1978	48	946	5,523,548
December 1979	40	946	6,240,309
December 1980	47	963	6,623,804
December 1981	47	981	7,139,037
December 1982	61	996	7,725,617
December 1983	72	1,042	8,555,099
December 1984	64	1,061	9,466,664
January 1985 to			
June 1985	59	1,103	5,324,727
June 1986	66	1,134	11,267,144
June 1987	117	1,191	12,478,180
June 1988	70	1,210	14,690,455
June 1989	67	1,236	15,506,957
June 1990	67	1,270	17,382,410
June 1991	80	1,309	18,811,677
June 1992	83	1,357	20,509,335
June 1993	120	1,426	22,763,806
June 1994	92	1,469	25,044,494
June 1995	113	1,539	26,792,534
June 1996	119	1,595	29,446,215
June 1997	179	1,720	32,056,967
June 1998	129	1,789	37,852,099
June 1999	114	1,861	41,724,751
June 2000	144	1,964	47,121,179
June 2001	130	2,050	53,851,893
June 2002	127	2,136	58,738,724
June 2003	126	2,248	63,357,052
June 2004	141	2,361	67,941.921

St. Paul Teachers'
Retirement Fund
Association

1619 Dayton Avenue
Room 309
St. Paul, MN 55104-6206
PHONE: 651-642-2550
FAX: 651-642-2553
E-MAIL: info@sptrfa.org
INTERNET: www.sptrfa.org