



MTRFA

Minneapolis Teachers' Retirement Fund Association

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Drawing by Callaryah Flowers, Second Grade, Tuttle School

Ninety-Fifth Annual Report of the Board of Trustees

For the Year End — Minn. Stat. 356.215 Subd. 3 —

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Minneapolis Teachers' Retirement Fund Association

2003-2004 Annual Report

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INTRODUCTORY SECTION**Letter of Transmittal**

December 29, 2004

To the Members of the Minneapolis Teachers' Retirement Fund Association:

On behalf of the Board of Trustees of the Minneapolis Teachers' Retirement Fund Association (MTRFA), we are pleased to submit the Ninety-Fifth Annual Report for the fiscal year ended June 30, 2004. This Annual Report has been prepared in accordance with Minnesota Statute 356.20.

During the 2004 fiscal year, the MTRFA saw its investment portfolio start to rebound after several years of poor investment markets. Even with a net outflow of \$63 million (benefit payments in excess of contributions), the assets of the MTRFA increased from approximately \$720 million to over \$763 million.

Although the funding situation of the MTRFA continued to erode because of unfunded liabilities created by insufficient funding for decades, the Board of Trustees continued to pursue every avenue available to remedy this situation and keep the costs of operation contained.

Retirees continued to receive their full benefits plus a 2.00% increase. These retirees consist mainly of MTRFA basic members. (The basic fund was closed to new members as of June 30, 1978 and only a few hundred basic members are still active.)

Legislation

The 2004 legislative session might as well not have taken place, not only for the MTRFA but for the State as well, since nothing seemed to get accomplished.

The efforts of the MTRFA, along with the other public pension funds in the State, to have the legislature extend the date for service credit purchases was not accomplished so the ability to make these purchases expired on May 16, 2004. There will continue to be efforts made to try to reinstitute these service credit purchases.

The main legislative agenda for the MTRFA during the 2004 session was to solve the funding problems facing the Association. A proposal was made by the Fund, and passed by the Senate as an amendment to the Omnibus Pension Bill, that would have consolidated the MTRFA into the Minnesota Teachers Retirement Association (TRA) by utilizing pension obligation bonds. Low interest rates made issuing pension obligation bonds very attractive and poor investment markets for the last several years left TRA's funding level low enough to provide the MTRFA an opportunity to pay the total cost of consolidating its retired members into the TRA post fund and its active members into the active fund at a level that would have needed a fairly modest additional cash inflow on an annual basis.

Unfortunately, the MTRFA provision was taken out of the Omnibus Pension Bill before it was passed. The MTRFA was very disappointed with the results of its efforts during this session since this unique situation (lower funding levels of the TRA and the low interest rates for the pension obligation bonds) may not be available again.

MTRFA Membership

At June 30, 2004 the MTRFA had 13,465 members. The membership consisted of 5,074 active members, 4,627 separated members and 3,764 benefit recipients. Active members make up 38% of the total membership. Of the active members, 94% are members of the coordinated plan. Over 83% of the coordinated members (including reserve teachers) were hired after June 30, 1989 which means they are not eligible for the rule of 90 and their normal retirement age is 66.

Revenues

MTRFA revenues consist of employer and employee contributions and investment earnings on fund assets. Fiscal year 2004 employer and employee contributions totaled \$41,003,084 and \$15,461,562, respectively.

INTRODUCTORY SECTION

The employer contribution included required contributions based on a percentage of payroll (\$19,801,636) paid by the employers of MTRFA members and additional contributions required by Minnesota State Statute which were paid by the State of Minnesota (16,771,302), the Minneapolis Public Schools (2,250,000) and the City of Minneapolis (2,180,146).

The MTRFA had net investment income of \$106,912,346 in fiscal 2004. This income resulted from net appreciation of investment assets, interest, dividends and securities lending income netted with investment expenses.

Expenses

MTRFA expenses for the fiscal year ended June 30, 2004 totaled \$119,886,604. Benefit payments to retirees, disabilitants, survivors and refund payments to separated members made up 99.4% (\$119,155,712) of the total expenses. The remaining expenses consisted of administrative expenses which totaled \$730,892. The MTRFA continues to work hard on controlling investment and administrative expenses by renegotiating various contracts and through operating efficiencies.

Investments

The MTRFA investment portfolio is dominated by high-quality and diversified assets that emphasize a long-term investment approach. In 2004, working in conjunction with the Investment Advisory Committee, the MTRFA hired BlackRock to manage a core-plus fixed income portfolio.

Net assets increased from \$719,598,888 at June 30, 2003 to \$763,089,276 as of June 30, 2004. For the year ended June 30, 2004, the MTRFA time weighted rate of return was 15.48%.

The five-year investment return for the period ended June 30, 2004 was 0.41%. Since this five year return was below the MTRFA assumed rate of return (8.50%) there was no surplus investment increase payable at January 1, 2005. During the last five years (including the 2004 increase of 2.00%) retirees' annuities have been increased by 18.13%.

Funding


The accrued liability funding ratio of the MTRFA at July 1, 2004, was 50.75%, which was a decrease from 57.23% at July 1, 2003.

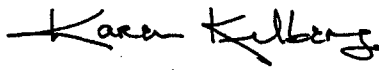
The MTRFA actuary report showed a contribution deficiency of 15.24% at July 1, 2004 compared to a deficiency of 9.47% at July 1, 2003. The contribution sufficiency (deficiency) indicates whether the projected revenues for the coming year are sufficient to cover the cost of benefits earned by members in the coming year and also provide sufficient dollars to cover the current year contribution required to fully fund the MTRFA by the year 2020. The contribution deficiency is expressed as a percentage of the projected annual active teacher payroll (\$249,070,000 for the 2005 fiscal year).

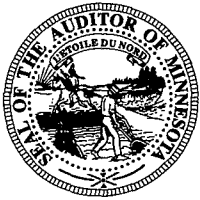
Acknowledgments

This report is the result of the combined efforts of the MTRFA staff under the leadership of the Board of Trustees. It is intended to provide reliable information on the operation of the Fund for the year ended June 30, 2004. On behalf of the Board of Trustees, we wish to express our gratitude to the staff, advisors, and others who help ensure the successful operation of the MTRFA.

Respectfully Submitted,


Ann M. Downing
President


Karen U. Kilberg
Executive Director

FINANCIAL SECTION

PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Minneapolis Teachers' Retirement Fund Association

We have audited the basic financial statements of the Minneapolis 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 Minneapolis 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 made 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

FINANCIAL SECTION

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 15, 2004

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

We are pleased to provide this overview and analysis of the financial activities of the Minneapolis Teachers' Retirement Fund Association (the Association) for the fiscal year ended June 30, 2004. The Association's Board of Trustees is entrusted with the responsibility of providing retirement benefits to its members and their beneficiaries in a fully responsive and effective manner. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes, and current known facts, please read it in conjunction with the financial statements and required supplementary information.

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. These statements include the Statement of Plan Net Assets, the Statement of Changes in Plan Net Assets, and the Notes to the Basic Financial Statements for the fiscal year ended June 30, 2004.

The Statement of Plan Net Assets shows the financial position of plan assets and liabilities by investment and accounting categories. The excess of assets over liabilities is reported as "Plan Net Assets Held in Trust for Pension Benefits." Over time, increases or decreases in Plan Net Assets Held in Trust for Pension Benefits may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Changes in Plan Net Assets itemizes additions, deductions, and net changes, showing how the Association's assets have decreased or increased during the years ended June 30, 2004, and June 30, 2003. All activities were recorded using the accrual basis of accounting. Transactions are recognized when earned or incurred regardless of the timing of cash flows.

FINANCIAL HIGHLIGHTS

- The Association's total assets exceeded its liabilities by \$763.1 million at the close of fiscal year 2004.
- The Association's net assets held in trust for pension benefits increased by \$43.5 million, or 6.0 percent, from the closing balance of net assets in fiscal year 2003.
- Benefit payments for the year totaled \$119.2 million, compared to \$114.3 million in fiscal year 2003.
- Total contributions for the year totaled \$56.5 million, compared to \$58.9 million in fiscal year 2003.

FINANCIAL SECTION

FINANCIAL ANALYSIS

The Statement of Plan Net Assets at the close of fiscal year 2004 showed assets exceeding total liabilities by \$763.1 million. This amount represents the total plan assets held in trust for pension benefits. The entire amount is available to cover the Association's obligation to pay benefits to its members and their beneficiaries.

This amount represents an increase in net assets of \$43.5 million, or 6.0 percent, from fiscal year 2003. This increase was due to the increase in the value of the investment portfolio, net of benefit payments exceeding contributions. Benefit payments (annuity payments and refunds) exceeded contributions (member, employer, and supplemental contributions) by \$62.7 million.

Additions to Plan Assets

The overall activities of the Association's accounts, shown in the Statement of Changes in Plan Net Assets and reflected in the difference between total additions and total deductions, resulted in a net increase of \$43.5 million for fiscal year 2004. Additions and deductions are the major segments of the Statement of Changes in Plan Net Assets. Additions include employer contributions of \$19.8 million, member contributions of \$15.5 million, supplemental contributions of \$21.2 million, and net gains of the Association's investment portfolios of \$106.9 million.

Employer contributions totaled \$19.8 million in fiscal year 2004. This was a decrease of \$1.3 million, or 6.2 percent. Member contributions totaled \$15.5 million. This was a decrease of \$1.2 million, or 7.2 percent. Supplemental contributions totaled \$21.2 million, representing a \$0.1 million or 0.6 percent increase from fiscal year 2003.

Over the long term, the investment portfolio has been a major component in additions to income. In 2004, the investment portfolio showed a net gain of \$106.9 million from its investment portfolio. This net investment gain was an increase of \$101.5 million or 1,889.8 percent from fiscal year 2003. The gain was a clear improvement over 2003 and reversed three years which showed a small gain in 2003 and large net losses in 2001 and 2002.

The table below shows a list of revenues by source for fiscal years 2000 through 2004.

(Dollars in Millions)

Year Ended June 30	Net Member Contribution	Employer Contribution	Supplemental Contribution	Net Investment Income/Loss	Total
2000	\$ 16.2	\$ 21.9	\$ 20.6	\$ 128.1	\$ 186.8
2001	16.3	22.0	20.9	(126.3)	(67.1)
2002	17.7	21.7	20.4	(110.9)	(51.1)
2003	16.7	21.1	21.1	5.4	64.2
2004	15.5	19.8	21.2	106.9	163.4

FINANCIAL SECTION**Deductions**

Deductions from the Association's net assets consist of benefit payments to members and their beneficiaries and administrative expenses. For fiscal year 2004, deductions totaled \$119.9 million. Payments to members and their beneficiaries totaled \$119.2 million, and administrative expenses totaled \$0.7 million. The total deductions of \$119.9 million represented an increase of 4.1 percent from the prior year.

Investments

The Association's Board of Trustees recognizes the Association's obligation to provide present and future benefits to the members. To this end, the Board of Trustees has set its investment objective to attain investment returns that are competitive with returns achieved by the broader measures of market performance. This objective is addressed by a strategy of investing in high-quality and diversified assets that emphasize a long-term investment approach.

Summary Information from the Fund Financial Statements

The following two tables summarize data found later in this report. Detailed information can be found in statements with corresponding names under the financial section.

**Plan Net Assets
(Dollars in Thousands)**

	June 30	
	2004	2003
Assets		
Cash	\$ 62,328	\$ 50,881
Receivables	15,139	9,464
Investments at fair value	713,695	662,336
Securities lending collateral	55,823	18,655
Fixed assets less depreciation	32	31
Total Assets	\$ 847,017	\$ 741,367
Liabilities		
Payables	\$ 933	\$ 768
All other liabilities	82,995	21,000
Total Liabilities	\$ 83,928	\$ 21,768
Net Assets in Trust of Benefits	\$ 763,089	\$ 719,599

FINANCIAL SECTION

Changes in Plan Net Assets
(Dollars in Thousands)

	Year Ended June 30	
	2004	2003
Additions		
Contributions		
Employer, employee, and other sources	\$ 56,465	\$ 58,859
Investments activity	109,194	7,357
Investment management expenses	(2,407)	(2,106)
Net securities lending income	125	122
Total Additions	\$ 163,377	\$ 64,232
Deductions		
Benefits, withdrawals, and refunds	\$ 119,156	\$ 114,318
Administrative expenses	731	804
Total Deductions	\$ 119,887	\$ 115,122
Net Increase (Decrease)	\$ 43,490	\$ (50,890)
Net Assets in Trust for Benefits - Beginning of Year	719,599	770,489
Net Assets in Trust for Benefits - End of Year	\$ 763,089	\$ 719,599

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****EXHIBIT 1****COMPARATIVE STATEMENT OF PLAN NET ASSETS
JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 62,328,195	\$ 50,880,969
Receivables		
Employer and employee contributions	\$ 1,405,387	\$ 2,397,646
Direct contribution aid		
State of Minnesota	2,230,313	2,254,472
Special School District No. 1	1,125,000	1,125,000
City of Minneapolis	1,066,185	1,066,785
Sales of securities	7,555,585	1,838,723
Variation margin receivable	451,988	-
Dividends and interest	1,304,870	781,405
Total receivables	\$ 15,139,328	\$ 9,464,031
Investments, at fair value		
Government and corporate bonds	\$ 152,030,017	\$ 79,025,413
Common and preferred stock	261,286,249	204,904,176
Commingled investment funds		
Equity index fund	158,487,206	150,338,325
International equity fund	31,249,419	37,369,725
Bond index fund	104,435,002	183,590,993
Other investments	4,933,357	4,929,804
Options contracts	1,273,505	2,177,790
Total investments, at fair value	\$ 713,694,755	\$ 662,336,226
Invested securities lending collateral	\$ 55,822,921	\$ 18,654,476
Furniture and fixtures (at cost, less accumulated depreciation of \$264,634 and \$246,665 in 2004 and 2003, respectively)	\$ 32,314	\$ 31,062
Total Assets	\$ 847,017,513	\$ 741,366,764
<u>Liabilities</u>		
Accounts payable	\$ 933,115	\$ 767,598
Security purchases payable	26,929,686	2,311,862
Deferred premiums on options contracts	242,515	33,940
Securities lending collateral	55,822,921	18,654,476
Total Liabilities	\$ 83,928,237	\$ 21,767,876
Net Assets Held in Trust for Pension Benefits (a Schedule of Funding Progress is presented on page 24)	\$ 763,089,276	\$ 719,598,888

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

FINANCIAL SECTION
**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**
EXHIBIT 2
**COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Additions		
Contributions		
Employer	\$ 19,801,636	\$ 21,104,320
Members	15,461,562	16,672,305
Other sources		
State of Minnesota	16,771,302	16,791,942
Special School District No. 1	2,250,000	2,175,000
City of Minneapolis	2,180,146	2,115,328
Total contributions	\$ 56,464,646	\$ 58,858,895
Investment income (loss)		
From investing activity		
Net appreciation (depreciation) in fair value of investments	\$ 87,955,874	\$ (12,857,092)
Interest and dividends	21,238,606	21,334,382
Rental income	-	2,368
Net gain (loss) on sale of rental property	-	(1,122,546)
Total investing activity income (loss)	\$ 109,194,480	\$ 7,357,112
Less: investing activity expense	(2,406,830)	(2,106,092)
Net income (loss) from investing activity	\$ 106,787,650	\$ 5,251,020
From securities lending activity		
Securities lending income	\$ 321,131	\$ 322,383
Less: securities lending expense		
Borrower rebates	\$ (129,305)	\$ (134,866)
Management fees	(67,130)	(65,624)
Total securities lending expense	\$ (196,435)	\$ (200,490)
Net income from securities lending activity	\$ 124,696	\$ 121,893
Net investment income (loss)	\$ 106,912,346	\$ 5,372,913
Total Additions	\$ 163,376,992	\$ 64,231,808

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

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****EXHIBIT 2
(Continued)****COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Deductions		
Benefits to participants		
Retirement, beneficiary, and disability annuities	\$ 118,352,032	\$ 113,648,867
Death benefits	86,651	53,752
Withdrawals and refunds	<u>717,029</u>	<u>615,137</u>
Total benefits, withdrawals, and refunds	\$ 119,155,712	\$ 114,317,756
Administrative expenses	<u>730,892</u>	<u>804,173</u>
Total Deductions	\$ 119,886,604	\$ 115,121,929
Net Increase (Decrease)	\$ 43,490,388	\$ (50,890,121)
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	<u>719,598,888</u>	<u>770,489,009</u>
End of Year	\$ <u>763,089,276</u>	\$ <u>719,598,888</u>

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

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, 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 Minneapolis Teachers' Retirement Fund (the Fund) is a single-employer defined benefit pension fund administered by the Minneapolis Teachers' Retirement Fund Association (the Association). The Association was originally incorporated under 1909 Minn. Laws ch. 343 and is now governed by Minn. Stat. chs. 354A and 317A and applicable sections of Minn. Stat. chs. 356 and 356A. The Fund's membership consists of eligible employees of the Minneapolis Special School District No. 1, employees formerly employed by Special School District No. 1, and the employees of the Association. The Association is governed by a seven-member Board of Trustees.

The Association's financial statements include the consolidated accounts of the Association; MRT Properties, Inc.; Minntex Foods, Inc.; and Minntex Foods, Ltd. MRT Properties, Inc., is a wholly-owned subsidiary of the Association whose principal activity consists of investing in real estate in the State of Minnesota. Minntex Foods, Ltd., is a limited partnership for which the Association is the sole limited partner and Minntex Foods, Inc., (a Texas corporation) is the general partner. Minntex Foods, Ltd., invests in real estate in the State of Texas. Minntex Foods, Inc., and the limited partnership were organized to allow the Association's real estate acquisitions to qualify as tax-exempt transactions in Texas. MRT Properties, Inc., Minntex Foods, Inc., and Minntex Foods, Ltd., were dissolved as of June 30, 2003, after its last real estate holdings were sold.

The Association is tax exempt as an organization under Section 501(c)(11) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. The Association had no unrelated business income during the years ended June 30, 2004 and 2003.

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 Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)**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.

Contributions

Member employee contributions are recognized when withheld or when paid directly by the member employee. Required contributions from the employer are based upon a specific formula applied to teacher compensation used to fund all teachers' retirement plans in the State of Minnesota and are recognized as covered payroll is paid. Supplemental contributions from the State of Minnesota, the City of Minneapolis, and Special School District No. 1 are recognized by the Association when the related tax from levies becomes due to the City of Minneapolis and Special School District No. 1. (The State of Minnesota is required to match some of these tax levies.)

Investment Income

Interest income is recorded when earned on an accrual basis. Dividend income is recorded on the ex-dividend date. Rental income from investments in real estate is recorded when earned.

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 venture capital funds are determined by reference to financial information of the funds adjusted for subsequent distributions from the funds. Investments that do not have an established market are reported at estimated fair value.

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

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies**Investments (Continued)**

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

Accounting for Derivatives

The Minneapolis Teachers' Retirement Fund Association invests in various derivative instruments, including futures contracts and options, with the investment objective of exceeding the total return of the S&P 500 index by using arbitrage strategies. In addition, the Association invests in forward currency exchange contracts.

Futures Contracts

Upon entering into a futures contract, each party is required to deposit with the broker an amount, referred to as an initial margin, equal to a percentage of the purchase price indicated by the futures contract. In lieu of a cash initial margin, the Association holds certain investments in its account for the broker as collateral. Subsequent deposits, referred to as variation margins, are received or paid each day by each party as unrealized gains and 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 enters into contracts only on exchanges or boards of trade where the exchange or board of trade acts as the counterparty to the transaction. 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.

Options

The Association's investment in options gives it the right, but not obligation, to buy (call) or sell (put) such options at a fixed price (exercise or strike price) during a specified period. The Association pays a nonrefundable fee (the premium) to the seller (the writer). Option contracts are valued daily. Unrealized gains or losses are recorded based upon the last sales price on the principal exchange on which the option is

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies**Accounting for Derivatives****Options (Continued)**

traded. A realized gain or loss is recognized upon expiration or closing of the contract. When an option is exercised, the proceeds on sales for a written call option, the purchase cost of the security for a written put option, or the cost of the security for a purchased put or call option is adjusted by the amount of the premium received or paid.

The risk in buying an option is that the premium is paid whether or not the option is exercised. The risk in writing a call option is the lost opportunity for profit if the market price of the security increases and the option is exercised. The risk in writing a put option is that a loss may be incurred if the market price of the security decreases and the option is exercised. Risks may also arise from an illiquid secondary market or from the inability of counterparties to meet the terms of the contract.

Forward Currency Exchange Contracts

A forward currency exchange contract is an agreement between two parties to pay or receive specific amounts of a currency at a future date in exchange for another currency at an agreed-upon exchange rate. Forward currency exchange contracts are valued at an estimate of the exchange rate on the settlement date. These amounts fluctuate daily, and the fluctuation is captured in the market value as an unrealized gain/loss. On the settlement date, the difference between the contract exchange rate and the actual exchange rate on that day is recorded as a realized gain/loss. Risks may arise from an illiquid secondary market or from the inability of counterparties to meet the terms of the contract.

Benefits and Refunds

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

Furniture and Equipment

Furniture and equipment is carried at cost less accumulated depreciation. Depreciation has been provided using the straight-line method over estimated useful lives of five years.

FINANCIAL SECTION

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

2. Description of Plans**General**

The Minneapolis Teachers' Retirement Fund 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 Minneapolis public school system.

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

Membership

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

	<u>FY 2004</u>	<u>FY 2003</u>
Retirees and beneficiaries currently receiving benefits	\$	\$ 3,642
Terminated employees entitled to but not yet receiving benefits		1,123
Terminated, non-vested		3,057
Current active plan member (including members on leave)		<u>5,437</u>
Total Membership	<u>\$</u>	<u>13,259</u>

Pension Benefits

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

Disability Benefits

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

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****2. Description of Plans (Continued)****Other Benefits**

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

3. Deposits and Investments**Deposits**

Minn. Stat. § 356A.06 authorizes the Association to deposit its cash in financial institutions designated by the Board of Trustees. Minnesota statutes require that all Association deposits be covered by insurance, surety bond, or collateral.

At June 30, 2004 and 2003, bank deposits were \$629,528 and \$986,969, respectively. The carrying value of these deposits on the Association's books at June 30, 2004 and 2003, were \$550,087 and \$859,439, respectively.

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	\$ 423,158	\$ 986,969
Collateralized with securities held by the pledging financial institution's trust department or agent in the Association's name	206,370	-
Uncollateralized	-	-
Total	\$ 629,528	\$ 986,969

FINANCIAL SECTION

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

3. Deposits and Investments (Continued)

Investments

The Association's investments are authorized by state law and its own Articles of Incorporation. Permissible investments include, but are not limited to: government and corporate bonds, foreign and domestic common stock, real property, venture capital investments, and notes. Generally accepted accounting principles have determined three levels of custodial credit risk for investments:

- (1) insured or registered, or securities held by the Association or its agent in the Association's name;
- (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Association's name; and
- (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Association's name.

The following are the Association's investments at June 30, 2004 and 2003, and the level of custodial credit risk for these investments:

<u>2004</u>	<u>Credit Risk Category</u>	<u>Carrying and Fair Value</u>
Government and corporate bonds	1	\$ 125,937,718
Individual stock holdings	1	233,151,911
Options contracts	1	<u>1,273,505</u>
Total		<u>\$ 360,363,134</u>

FINANCIAL SECTION

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

3. Deposits and InvestmentsInvestments (Continued)

<u>2004</u>	<u>Credit Risk Category</u>	<u>Carrying and Fair Value</u>
Add		
Investments held by broker-dealers under securities loans		
Government and corporate bonds		\$ 26,092,299
Individual stock holdings		28,134,338
Commingled investment funds		
Equity index fund		158,487,206
International equity index fund		31,249,419
Bond index fund		104,435,002
Other investments		4,933,357
Short-term investment fund		61,777,958
Invested securities lending collateral		55,822,921
Total deposits and cash on hand		<u>550,237</u>
 Total Cash and Investments		 <u>\$ 831,845,871</u>
 <u>2004</u>	 <u>Credit Risk Category</u>	 <u>Carrying and Fair Value</u>
Government and corporate bonds	1	\$ 78,006,364
Individual stock holdings	1	188,187,147
U.S. Treasury bills	1	6,382,769
Options contracts	1	<u>2,177,790</u>
 Total		 <u>\$ 274,754,070</u>

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

3. Deposits and Investments

Investments (Continued)

2003	Credit Risk Category	Carrying and Fair Value
Add		
Investments held by broker-dealers under securities loans		
Government and corporate bonds		\$ 1,019,049
Individual stock holdings		16,717,029
Commingled investment funds		
Equity index fund		150,338,325
International equity index fund		37,369,725
Bond index fund		183,590,993
Other investments		4,929,804
Short-term investment fund		43,638,611
Invested securities lending collateral		18,654,476
Total deposits and cash on hand		859,589
Total Cash and Investments		\$ 731,871,671

On the Statement of Plan Net Assets, cash and investments are:

	2004	2003
Cash and cash equivalents	\$ 62,328,195	\$ 50,880,969
Total investments	713,694,755	662,336,226
Invested securities lending collateral	55,822,921	18,654,476
Total Cash and Investments	\$ 831,845,871	\$ 731,871,671

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

4. Securities Lending

The Association participates in a securities lending program. On June 30, 2004 and 2003, 13.1 and 6.2 percent, respectively, of its U.S. government securities, corporate bonds, and corporate stocks were loaned out.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****4. Securities Lending (Continued)**

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 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 domestic securities for collateral of 102 percent and international securities for cash collateral of 105 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 investments, 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.

All of the collateral at June 30, 2004 and 2003, was provided in cash. 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 requires the trust company to indemnify the Association if borrowers fail to return the securities (and, if the collateral is inadequate, to replace the securities lent) or fail to pay the system for income distributions by the securities' issuers while the securities are on loan.

All securities loans may be terminated on demand by either the Association or the borrower. The average term of loans is 80 days. Cash collateral is invested in a short-term investment pool with a weighted average maturity of 40 days and 18 days for June 30, 2004 and 2003, respectively.

5. Contributions and Reserves**Funding**

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

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 2020. The requirement to reach full funding by the year 2020 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

FINANCIAL SECTION

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

5. Contributions and Reserves**Funding (Continued)**

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 year ended June 30, 2004 and 2003, the contribution rates required by statute are as follows:

	Percentage of Members' Salaries	
	Basic Plan	Coordinated Plan
Employee contribution	8.50%	5.50%
Employer contribution	12.14	8.14

Other Contributions

Minn. Stat. § 354A.12, subd. 3b, authorizes Special School District No. 1 and the City of Minneapolis to each levy for the benefit of the Association. Actual contributions to the Association from the levy will be dependent upon the actual amount of the levy. The State of Minnesota was authorized to match, up to \$1,250,000 per year each, the total contributions of the School District and the City. This direct contribution aid will be allowed to continue until the Association reaches the same funded status as the Minnesota Teachers' Retirement Association (TRA). Direct contribution aid as of June 30 follows:

	2004	2003
State of Minnesota	\$ 2,461,192	\$ 2,472,832
Special School District No. 1	1,250,000	1,250,000
City of Minneapolis	1,211,192	1,222,743

Minn. Stat. § 423A.02, subd. 3, requires the state to annually provide certain aid to the Association until it is fully funded provided that the School District and the City make additional annual contributions. The state amortization aid contribution was \$1,005,110 and \$1,005,110 for fiscal years 2004 and 2003, respectively. In fiscal year 2004, the School District and the City made additional contributions of \$1,000,000 and \$968,954, respectively.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

5. Contributions and Reserves**Other Contributions (Continued)**

Minn. Stat. § 354A.12 requires the state to provide the Association with additional funding. This aid was \$13,305,000 and \$13,314,000 in fiscal years 2004 and 2003, respectively, and will continue to be paid annually until the Association reaches the same funded status as the TRA.

Statutes also require active and retired members of the Association to provide contributions for the relative difference between the administrative expenses incurred by the Association and the TRA. No additional contributions were required in fiscal year 2004 or 2003.

Reserves

The Association maintains the following funds as required by its Articles of Incorporation and state statute:

Retirement Deposit Fund

All amounts received for deposit by or on behalf of members, plus interest at a rate of six percent annually for Basic members only, are held in the Retirement Deposit Fund for providing benefits until withdrawal, death, or retirement. Funds to the members' credit in the Retirement Deposit Fund are transferred to the Annuity Reserve und when members begin receiving annuity payments.

Annuity Reserve Fund

The Association's Articles (Article 12) require that the Association annually determine the net present value of the prospective benefit payments chargeable to the Annuity Reserve Fund. Accordingly, the Annuity Reserve Fund is presented as a component of net assets as the actuarially determined accrued liability of benefits by or on behalf of persons eligible to receive those benefits, adjusted so total of reserves does not exceed the "Net Assets Held in Trust for Pension Benefits."

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA5. Contributions and ReservesReserves (Continued)Balance and Funded Status

	Retirement Deposit Fund	Annuity Reserve Fund
Balance - June 30, 2004	\$ 187,379,252	\$ 553,455,284
Balance - June 30, 2003	\$ 214,308,519	\$ 488,594,252

Neither reserve was fully funded in either year.

In addition, at June 30, 2004 and 2003, respectively, \$22,254,740 and \$16,696,117 of the total net assets is considered reserved as it represents the amount of state amortization aid which, pursuant to Minn. Stat. § 423A.02, subd. 3, must be separately accounted for and may not be used in determining benefit increases. This reserve is considered to be fully funded in both years.

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.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, 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	\$ 939,459	\$ 1,394,357	\$ 454,898	67.38	\$ 230,189	197.62
2000	1,027,633	1,544,358	516,725	66.54	242,072	213.46
2001	1,061,983	1,610,364	548,381	65.95	254,100	215.81
2002	1,027,883	1,659,512	631,629	61.94	248,304	254.38
2003	956,913	1,671,982	715,069	56.85	247,418	289.01
2004	877,764	1,729,551	851,787	50.75	232,386	366.54

(Unaudited)

**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, 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 (%)	City Contributions	City Percentage Contributed (%)
1999	\$ 44,464	49.03	\$ 17,129	38.52	\$ 1,557	3.50
2000	41,638	56.83	17,183	41.27	1,710	4.11
2001	47,839	42.90	17,166	30.81	1,835	3.29
2002	45,478	52.27	16,409	36.08	1,927	4.24
2003	55,202	42.17	16,792	30.42	2,115	3.83
2004	58,809	37.50	16,771	28.52	2,180	3.71

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.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****NOTES TO SCHEDULE 1 AND SCHEDULE 2
AS OF AND FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Unaudited)**

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on July 1. Significant methods 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 closed.
- The remaining amortization period at July 1, 2004, is 16 years.
- Actuarial value of assets is determined using market value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the unrecognized asset return determined at the close of each of the four preceding fiscal years. Unrecognized asset return is the difference between actual net return on market value of assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 actuarial valuation of the fiscal year). Transition rules apply between July 1, 2000, and July 1, 2003, when the method is fully in effect.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Actuarial Methods and Assumptions (Continued)

Significant actuarial assumptions are as follows:

- Investment rate of return is 8.5 percent. However, the annual 2 percent increase in benefits is accounted for by using a 6.5 percent post-retirement interest rate.
- Payroll increase is five percent. Salary increase varies by age and ranges from 5 to 6.5 percent.
- Post-retirement benefit increase is two percent.
- Mortality assumptions:
 - Pre-Retirement
 - Male: 1983 Group Annuity Mortality Table male rates set back 12 years
 - Female: 1983 Group Annuity Mortality Table female rates set back ten years
 - Post-Retirement
 - Male: 1983 Group Annuity Mortality Table male rates set back four years
 - Female: 1983 Group Annuity Mortality Table female rates set back one year
 - Post-Disability
 - Male: 1977 Railroad Retirement Board Mortality for Disabled Lives
 - Female: 1977 Railroad Retirement Board Mortality for Disabled Lives

Significant Plan Provision and Actuarial Methods and Assumption Changes2000

- 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).

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

Significant Plan Provision and Actuarial Methods and Assumption Changes (Continued)
2002

Assumption	Prior	Revised
Salary increases	Merit table that ranges from 7.5% at age 20 down to 5.0% at age 70.	Ten-year select and ultimate table. During the select period, $0.4\% \times (10 - T)$ where T is completed years of service is added to the ultimate rate. Ultimate table ranges from 6.5% at ages 20 to 45 down to 5.0% at age 60 and over.
Male Pre-Retirement Mortality	1983 GAM (Male - 6)	1983 GAM (Male - 12)
Female Pre-Retirement Mortality	1983 GAM (Female - 4)	1983 GAM (Female - 10)
Male Post-Retirement Mortality	1983 GAM (Male - 4)	1983 GAM (Male - 4)
Female Post-Retirement Mortality	1983 GAM (Female - 2)	1983 GAM (Female - 1)
Retirement Age	Graded rates. Different sets of rates apply to Basic and Coordinated Plan members.	Graded rates. Different sets of rates apply to Basic and Coordinated Plan members. Revised rates are generally higher before age 60 and lower thereafter.
Separation Decrement	Graded rates.	Select and ultimate table. Ultimate rates are generally higher than prior rates.
Disability Decrement	Graded rates.	Graded rates. Revised rates are higher than prior rates.
Form of Annuity Selected - Male	80% married 15% elect 50% J&S option 20% elect 75% J&S option 40% elect 100% J&S option	80% married 15% elect 50% J&S option 20% elect 75% J&S option 40% elect 100% J&S option
Form of Annuity Selected - Female	60% married 15% elect 50% J&S option 5% elect 75% J&S option 10% elect 100% J&S option	60% married 15% elect 50% J&S option 5% elect 75% J&S option 15% elect 100% J&S option
Combined Service Annuity Load Factor	None assumed.	4.0% load on liabilities for active members and 30% load on liabilities for former members.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

Significant Plan Provision and Actuarial Methods and Assumption Changes**2002 (Continued)**

- Charter schools are no longer covered by the Association. Active charter school teachers retain their rights to benefits earned in this Association through June 30, 2002, as if they were former members with a termination of employment on June 30, 2002. Effective July 1, 2002, these 174 charter school members were transferred to the Minnesota Teachers' Retirement Association.
- The Supplemental Administrative Expense Assessment otherwise payable under law will not be assessed if the administrative expenses of the Association do not exceed the July 1, 2001, administrative expense amount adjusted for inflation.
- A change in the amount of state-aid has occurred with the Association. 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 an increase in the amount of state-aid for this fund.

ACTUARIAL SECTION

The Segal Company
6300 S. Syracuse Way, Suite 750 Englewood, CO 80111
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December 16, 2004

Ms. Karen U. Kilberg
Minneapolis Teachers' Retirement Fund Association
730 Second Avenue South, Suite 815
Minneapolis, Minnesota 55402

Dear Ms. Kilberg:

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 2004 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.

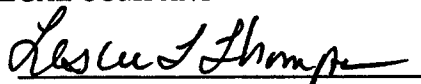
This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate.

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

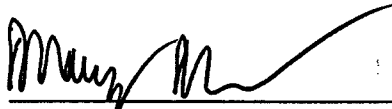
Sincerely,

THE SEGAL COMPANY

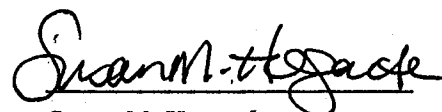
By:



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)

ACTUARIAL SECTION**Valuation Summary for the Minneapolis Teachers' Retirement Fund Association****Summary of Key Valuation Results**

	2004	2003
Contributions (% of payroll) for plan year beginning January 1:		
Statutory – Chapter 354A	22.87%	22.49%
Required – Chapter 356	38.11%	31.96%
Sufficiency/(Deficiency)	-15.24%	-9.47%
Funding elements for plan year beginning July 1:		
Normal cost	\$23,889,438	\$27,426,000
Market value of assets	763,089,276	719,599,000
Actuarial value of assets (AVA)	877,763,977	956,913,000
Actuarial accrued liability (AAL)	1,729,551,327	1,671,982,000
Unfunded/(Overfunded) actuarial accrued liability	851,787,350	715,069,000
Funded ratios:		
<u>Accrued Benefit Funded Ratio</u>	52.44%	58.97%
Current assets (AVA)	\$877,763,977	\$956,913,000
Current benefit obligations	1,673,999,414	1,622,719,000
<u>Projected Benefit Funded Ratio</u>	72.96%	79.63%
Current and expected future assets	\$1,425,914,880	\$1,532,096,000
Current and expected future benefit obligations (Present Value of Benefits)	1,954,384,577	1,924,098,000
GASB 25/27 for plan year beginning January 1:		
Annual required employer contributions	\$58,809,150	\$55,202,000
Accrued Liability Funded Ratio (AVA/AAL)	50.75%	57.23%
Covered actual payroll	\$232,386,459	\$247,418,000
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	3,764	3,642
Number of vested terminated members	1,243	1,123
Number of other non-vested terminated members	3,384	3,057
Number of active members	5,023	5,381
Number of members on leave of absence*	51	56
Total projected payroll**	\$249,069,999	\$264,766,000
Average annual payroll (projected dollars)**	49,088	49,204

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

** Includes members on leave of absence for 2004.

ACTUARIAL SECTION

Supplemental Information for the Minneapolis Teachers' Retirement Fund Association

Accounting Balance Sheet for Year Ended June 30, 2004

	Market Value	Cost Value
Assets		
Cash, equivalents, short-term securities	\$118,151,117	\$118,146,078
Investments:		
Fixed income	\$252,706,658	\$255,950,983
Equity	456,054,739	406,294,933
Real estate	0	0
Other assets	<u>20,104,999</u>	<u>27,063,981</u>
Total assets	\$847,017,513	\$807,455,975
Amounts currently payable	\$83,928,237	\$83,928,237
Assets available for benefits		
Member reserves	\$187,379,252	\$187,379,252
Employer reserves	<u>575,710,024</u>	<u>536,148,486</u>
Total assets available for benefits	\$763,089,276	\$723,527,738
Total amounts currently payable and assets available for benefits	<u>\$847,017,513</u>	<u>\$807,455,975</u>
Net Assets at Market/Cost Value	\$847,017,513	\$807,455,975

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

1. Market value of assets available for benefits			\$763,089,276
	Original Amount	% Not Recognized	
2. Calculation of unrecognized return			
(a) Year ended June 30, 2004	\$48,441,874	80%	\$38,753,499
(b) Year ended June 30, 2003	-57,727,000	60%	-34,636,200
(c) Year ended June 30, 2002	-187,993,000	40%	-75,197,200
(d) Year ended June 30, 2001	-217,974,000	20%	<u>-43,594,800</u>
(e) Total unrecognized return			-\$114,674,701
3. Actuarial value of assets: (1) - (2e) ("Current Assets")			<u>\$877,763,977</u>

ACTUARIAL SECTION**Supplemental Information for the Minneapolis Teachers' Retirement Fund Association****Statement of Change in Assets Available for Benefits for Year Ended June 30, 2004**

	Market Value	Cost Value
A. Assets available at beginning of period	\$719,598,888	\$739,591,208
B. Operating revenues		
1. Member contributions	\$15,461,562	\$15,461,562
2. Employer contributions	19,801,636	19,801,636
3. Supplemental contributions*	21,201,448	21,201,448
4. Investment income	21,559,737	21,559,737
5. Net realized gain/(loss)	28,402,016	28,402,016
6. Other	0	0
7. Net change in unrealized gain/(loss)	<u>59,553,858</u>	<u>0</u>
8. Total Additions	\$165,980,257	\$106,426,399
C. Operating expenses:		
1. Service retirements	\$110,425,898	\$110,425,898
2. Disability benefits	850,241	850,241
3. Survivor benefits	7,075,893	7,075,893
4. Refunds	803,680	803,680
5. Administrative expenses	730,892	730,892
6. Investment expenses	<u>2,603,265</u>	<u>2,603,265</u>
7. Total operating expenses	\$122,489,869	\$122,489,869
D. Change in accounting method	0	0
E. Assets available at end of period	\$763,089,276	\$723,527,738
F. Determination of current year unrecognized asset return		
1. Average balance:		
(a) Assets available at BOY: (A)		\$719,598,888
(b) Assets available at EOY: (E)		763,089,276
(c) Average balance [(a) + (b) - Net Investment Income] / 2		687,887,909
[Net Investment Income: (B.4) + (B.5) + (B.6) + (B.7) - (C.6)]		
2. Expected return: 8.50% x (F.1)		\$58,470,472
3. Actual return: (B.4) + (B.5) + (B.6) + (B.7) - (C.6)		<u>106,912,346</u>
4. Current year unrecognized asset return: (F.3) - (F.2)		\$48,441,874

* Includes contributions from School District #1, the City of Minneapolis, and matching State contributions.

ACTUARIAL SECTION

Supplemental Information for the Minneapolis Teachers' Retirement Fund Association

Reconciliation of Member Data

	Active Members	Leave of Absence	Vested Terminated Members	Other Non-Vested Terminated Members	Retired Participants	Disabled	Beneficiaries	Other Beneficiaries	Total
A. Number as of June 30, 2003	5,381	56	1,123	3,057	3,307	23	285	27	13,259
B. Additions	446	4	204	459	178	2	18	7	1,318
C. Deletions:									
1. Retirements	-131	-6	-39	-2	-	-	-	-	-178
2. Disability	-	-1	-	-	-1	-	-	-	-2
3. Died with beneficiary	-	-	-	-	-18	-	-	-	-18
4. Died without beneficiary	-3	-	-	-2	-64	-1	-11	-	-81
5. Terminated - deferred	-204	-	-	-	-	-	-	-	-204
6. Terminated - other non-vested	-459	-	-	-	-	-	-	-	-459
7. Refunds	-73	-1	-31	-87	-	-	-	-	-192
8. Rehired as active	70	-1	-26	-43	-	-	-	-	-
9. Leave of absence	-4	-	-	-	-	-	-	-	-4
10. Expired benefits	-	-	-	-	-	-	-22	-	-22
D. Data adjustments	-	-	12	2	13	-	21	-	48
E. Total as of June 30, 2004	5,023	51	1,243	3,384	3,415	24	291	34	13,465

ACTUARIAL SECTION**Reporting Information for the Minneapolis Teachers' Retirement Fund Association****Actuarial Balance Sheet**

A. Current Assets				\$877,763,977
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions				\$323,317,653
2. Present Value of Future Normal Costs				<u>224,833,250</u>
3. Total Expected Future Assets				\$548,150,903
C. Total Current and Expected Future Assets				\$1,425,914,880
D. Current Benefit Obligations		<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>
1. Benefit recipients:				
(a) Retirement annuities	\$0	\$1,170,023,931		\$1,170,023,931
(b) Disability benefits	0	8,049,353		8,049,353
(c) Beneficiaries	0	53,117,575		53,117,575
2. Vested terminated members	0	43,495,962		43,495,962
3. Other non-vested terminated members	0	4,439,210		4,439,210
4. Active members:				
(a) Retirement benefits	\$2,674,580	\$361,781,022		\$364,455,602
(b) Disability benefits	50,368	3,459,109		3,509,477
(c) Death benefits	60,110	4,444,124		4,504,234
(d) Withdrawal benefits	<u>1,076,360</u>	<u>21,327,710</u>		<u>22,404,070</u>
5. Total Current Benefit Obligations	\$3,861,418	\$1,670,137,996		\$1,673,999,414
E. Expected Future Benefit Obligations				<u>280,385,163</u>
F. Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E)				\$1,954,384,577
G. Current Unfunded Actuarial Liability (D.5 - A)				\$796,235,437
H. Current and Future Unfunded Actuarial Liability (F - C)				\$528,469,697

ACTUARIAL SECTION

Reporting Information for the Minneapolis Teachers' Retirement Fund Association

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	\$622,793,291	\$185,310,161	\$437,483,130
(b) Disability benefits	6,253,991	2,884,053	3,369,938
(c) Death benefits	8,303,378	3,421,131	4,882,247
(d) Withdrawal benefits	<u>37,907,886</u>	<u>33,217,905</u>	<u>4,689,981</u>
(e) Total	\$675,258,546	\$224,833,250	\$450,425,296
2. Vested terminated members	\$43,495,962	\$0	\$43,495,962
3. Other non-vested terminated members	4,439,210	0	4,439,210
4. Annuitants	<u>1,231,190,859</u>	<u>0</u>	<u>1,231,190,859</u>
5. Total	\$1,954,384,577	\$224,833,250	\$1,729,551,327
B. Determination of Unfunded Actuarial Accrued Liability			
1. Actuarial Accrued Liability			\$1,729,551,327
2. Actuarial Value of Assets			<u>877,763,977</u>
3. Unfunded Actuarial Accrued Liability: (1) - (2)			\$851,787,350
C. Determination of Supplemental Contribution Rate			
1. Present value of future payrolls through the amortization date of June 30, 2020			\$3,016,477,006
2. Supplemental contribution rate: (B.3) / (C.1)			28.24%

ACTUARIAL SECTION**Supplemental Information for the Minneapolis Teachers' Retirement Fund Association****Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2004**

1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year		\$715,069,000
2. Normal cost at beginning of year, including expenses		28,156,892
3. Total contributions		56,464,646
4. Interest		
(a) For whole year on (1) + (2)	\$63,174,200	
(b) For half year on (3)	<u>2,399,747</u>	
(c) Total interest: (4a) - (4b)		<u>60,774,453</u>
5. Expected unfunded/(overfunded) actuarial accrued liability		\$747,535,699
6. Changes due to (gain)/loss from:		
(a) Investments	\$94,369,236	
(b) Demographics*	<u>9,882,415</u>	
(c) Total changes due to (gain)/loss		<u>\$104,251,651</u>
7. Unfunded/(Overfunded) actuarial accrued liability at end of year		<u>\$851,787,350</u>

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

ACTUARIAL SECTION

Reporting Information for the Minneapolis Teachers' Retirement Fund Association

Determination of Contribution Sufficiency – Total

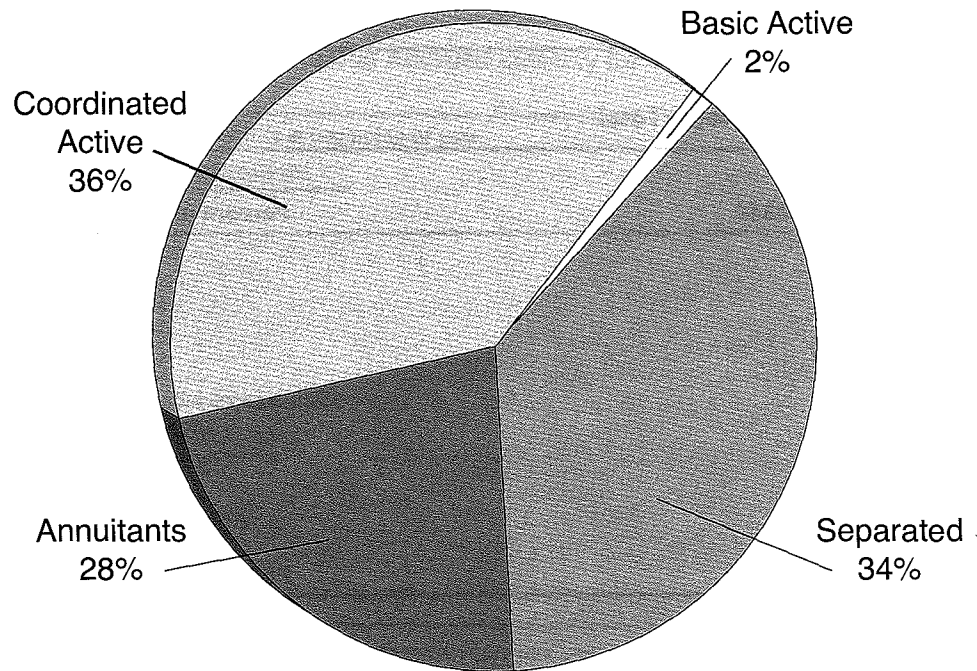
July 1, 2004		
A. Statutory Contributions – Chapter 354A	Percent of Payroll	Dollar Amount
1. Employee contributions	5.78%	\$14,405,402
2. Employer contributions	8.52	21,216,367
3. Supplemental contributions*		
(a) 1993 Legislation	2.01	5,000,000
(b) 1996 Legislation	1.21	3,015,000
(c) 1997 Legislation	5.35	13,314,000
4. Administrative expense assessment	0.00	0
5. Total	<u>22.87%</u>	<u>\$56,950,769</u>
B. Required Contributions – Chapter 356	Percent of Payroll	Dollar Amount
1. Normal Cost:		
(a) Retirement	8.09%	\$20,160,525
(b) Disability	0.12	286,700
(c) Death	0.14	350,246
(d) Withdrawal	1.24	3,091,967
(e) Total	<u>9.59%</u>	<u>\$23,889,438</u>
2. Supplemental contribution amortization	28.24%	\$70,337,368
3. Allowance for administrative expenses	0.28	697,396
4. Total	<u>38.11%</u>	<u>\$94,924,202</u>
C. Contribution Sufficiency / (Deficiency): (A.5) – (B.4)	-15.24%	-\$37,973,433
Projected annual payroll for fiscal year beginning on the valuation date		\$249,069,999

* Includes contributions from School District #1, the City of Minneapolis, and matching State contributions.

STATISTICAL SECTION

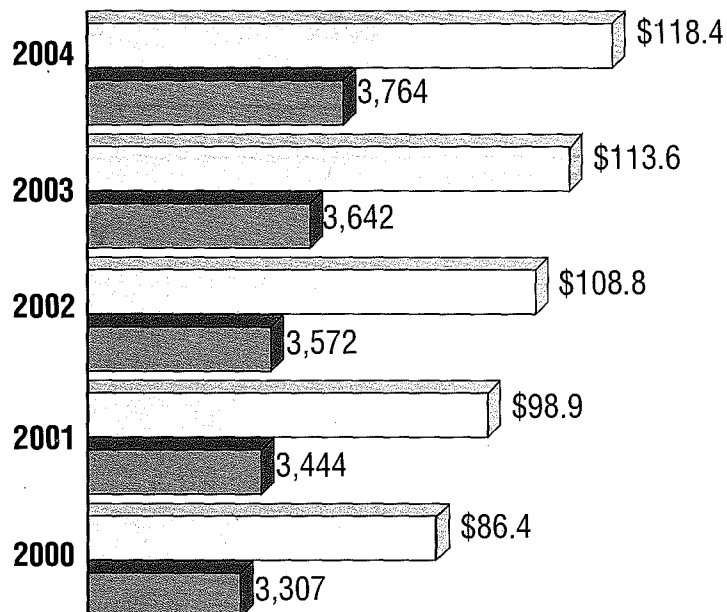
Current Membership

June 30, 2004

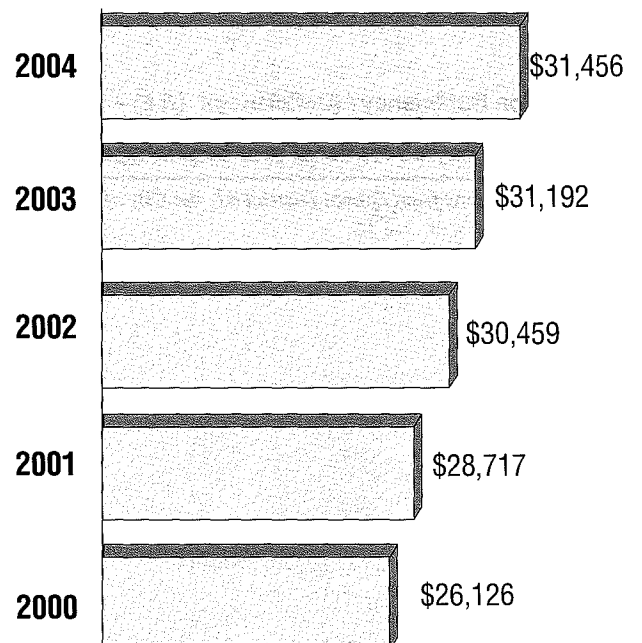


Total Annuity Payroll and Benefit Recipients

Five Year Trend
(Dollars in Millions)



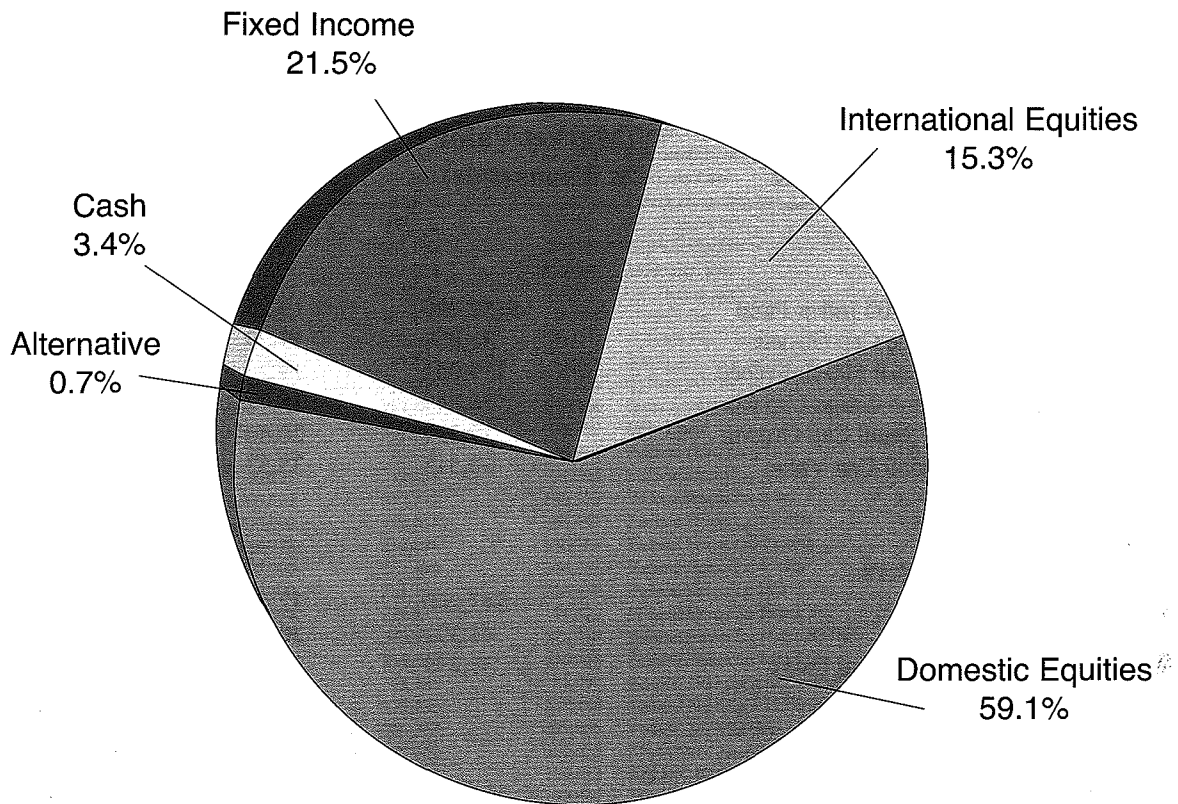
Average Annual Benefit (For Fiscal Year Ended June 30)



STATISTICAL SECTION

Asset Distribution

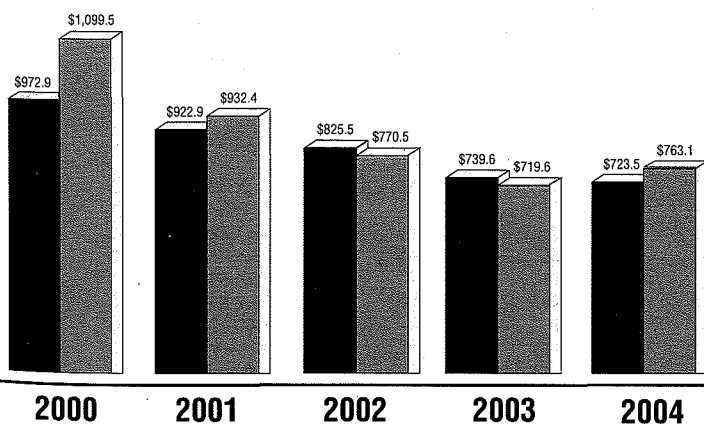
June 30, 2004



Net Assets

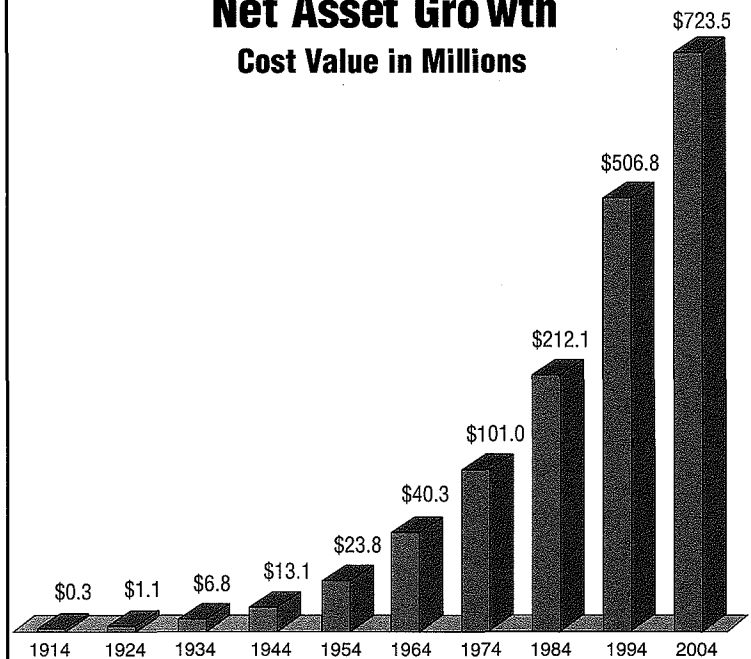
Five Year Trend
(In Millions)

■ Cost
■ Market



Net Asset Growth

Cost Value in Millions



STATISTICAL SECTION**Investment Managers
Assets Under Management and Performance**

Asset Category/Account Name	Assets Under Management (Market Value in Thousands)	Investment Performance (Year Ended 6/30/04)
Equity Managers		
Mellon Capital--S&P 500 Index Fund	\$158,490	19.25%
Alliance Capital--Large Cap Growth	38,866	19.29
The Clifton Group--S&P 500 Enhanced	139,001	19.23
GE Asset Management--Large Cap Core	50,849	15.72
Wasatch Advisors--Small Cap Growth	29,297	20.88
Sterling Capital--Small Cap Value	30,515	35.53
International Managers		
Templeton	\$43,200	32.65%
Capital Guardian	41,373	28.86
Mellon Capital International Index	31,249	33.40
Fixed Income Managers		
Mellon Capital--Lehman Bond Aggregate	104,435	0.20%
BlackRock Inc.--Core Plus Fixed Income	58,672	n/a#
Miscellaneous		
Venture Capital	\$5,078	(28.03)%
Short Term Investments (Cash)	25,524	(0.78)
Total Fund	\$756,549*	15.48%

* Includes accrued investment income, receivables from sales of securities and payables for purchase of securities, but not non-investment receivables and payables.

BlackRock inception date is April 1, 2004.

STATISTICAL SECTION

Cash Investments

Issue	Par	Book Value	Market Value at June 30, 2004	Issue	Par	Book Value	Market Value at June 30, 2004
STIF		\$ 62,076,458	\$ 62,076,458	CWMBS 12/25/2033	1,000,000	1,005,938	992,763
Deposits and Cash on Hand		251,737	251,737	CWMBS 8/25/2033	893,032	913,686	907,892
Total Cash Investment		\$ 62,328,195	\$ 62,328,195	CWMBS Var 5/19/2032	486,293	503,466	487,946

Government and Corporate Bonds

Issue	Par	Book Value	Market Value at June 30, 2004	Issue	Par	Book Value	Market Value at June 30, 2004
AES Corp	50,000	55,250	53,563	Daimlerchrysler	220,000	221,817	215,646
Allstate Life Gbl	50,000	49,898	50,305	Delta Fdg Home 6.5%	353,130	372,663	358,092
American Express	1,250,000	1,250,000	1,250,388	Delta Fdg Home Var Rt	172,477	171,534	172,510
Amerada Hess Corp 7.125%	55,000	55,243	54,828	Deutsche Telekom	110,000	141,850	133,890
Amerada Hess Corp 7.3%	35,000	34,880	35,536	Devon Energy	85,000	101,929	98,188
American Gen Fin	500,000	499,830	500,075	Diageo Cap	120,000	117,134	117,526
Amerquest Mtg	450,000	461,742	455,873	Diamond Offshore Drilling	4,000,000	2,200,000	2,315,000
Amgen Inc	1,200,000	808,620	882,000	Discover Card	566,123	566,941	566,654
Amresco Residential 6.4%	487,477	509,376	499,513	Ditech Home Owner	455,614	466,364	455,232
Amresco Residential Var Rt	108,581	107,122	108,602	DLJ Coml 6.4%	520,000	571,188	556,748
Anadarko Fin	85,000	102,540	96,780	DLJ Coml 6.8%	1,066,540	1,157,698	1,127,088
AOL Time Warner 6.875%	35,000	37,377	37,822	Dominion Res	50,000	50,252	50,859
AOL Time Warner 7.625%	185,000	217,020	200,203	DR Horton Inc 7.8%	30,000	34,988	32,775
ASIF Global Fing XXIII	350,000	357,487	345,734	Dresser Inc	5,000	5,463	5,350
Asset Backed Secs	500,000	507,813	503,305	E Trade Finl Corp	20,000	20,000	19,900
AT&T	40,000	46,411	46,956	EB Aggregate Bond Index	363,065	105,410,162	104,435,002
AXA Conv Bonds	70,125	79,357	92,090	El Paso Prodn Hldg	50,000	46,750	45,875
Banc Amer Coml 5.0%	300,000	317,777	295,179	Encana Hldgs Fin	170,000	172,130	172,948
Banc Amer Coml Var Rt	4,700,000	468,167	349,492	EOP Oper	125,000	122,881	115,156
Banc Amer Mtg 5.0%	554,726	568,074	560,184	Federal Hom Ln STEP	1,000,000	1,000,000	988,851
Bank Amer Corp 3.875%	265,000	263,490	264,553	Federal Home Ln 2.35%	550,000	532,453	535,938
Bank Amer Corp 4.375%	225,000	231,341	218,958	Federal Home Ln 2.4%	1,000,000	1,002,500	987,062
Bank Amer Corp 5.375%	75,000	74,312	74,522	Federal Home Ln 3.875%	1,080,000	1,095,808	1,062,210
Bankers Tr NY 8.25%	500,000	543,435	522,730	Federal Home Ln 4.125%	200,000	189,880	191,963
BB&T Corp	800,000	854,640	830,368	Federal Home Ln 4.75%	1,270,000	1,309,662	1,260,721
BE Aerospace	15,000	15,788	15,788	Federal Home Ln Bks 2.7%	750,000	750,000	741,236
Bear Stearns 5.46%	325,000	325,833	327,180	Federal Home Ln Bks 2.3%	1,200,000	1,199,250	1,175,399
Bear Stearns 6.8%	668,474	706,389	699,805	Federal Home Ln Mtg 6.875%	700,000	838,644	786,625
Brazos Student Var	960,022	960,022	960,022	Federal Home Ln Mtg 7.0%	1,210,000	1,362,265	1,364,658
Bristol Myers	105,000	115,939	109,413	Federal Ntl Mtg 3.125% 2007	875,000	860,036	864,019
British Telecom	75,000	99,492	92,531	Federal Ntl Mtg 3.125% 2009	210,000	198,191	199,884
Canadian National	50,000	58,030	54,117	Federal Ntl Mtg 6%	1,225,000	1,355,626	1,318,909
Charter Commun	45,000	45,000	43,538	FFCA Seed Lending	464,558	462,235	465,733
Chase Coml Mtg	1,106,731	1,184,202	1,154,487	FHLMC 01/2034 6.5%	145,285	152,686	151,682
Chase FDG 7.4% 10/25/2012	562,688	601,549	588,713	FHLMC 02/2032	295,420	304,468	301,493
Chase FDG Var 7/25/2029	1,000,000	1,072,188	1,046,160	FHLMC 04/2034 5.0%	894,277	884,077	864,619
Chase FDG Var 8/25/2030	312,936	327,850	322,650	FHLMC 04/2034 5.5%	199,755	202,096	199,139
Chase Manhattan Corp 7.125%	900,000	962,370	928,683	FHLMC 05/2019 4.5%	400,039	388,257	391,727
Chase Mtg 4%	906,303	928,960	915,602	FHLMC 07/01/2019-5.5%	500,090	503,984	510,703
Chase Mtg 6.5%	422,131	431,878	434,315	FHLMC 07/01/2034-6%	200,000	202,508	204,141
Chase Mtg Var 8/25/2018	468,421	466,225	468,618	FHLMC 09/2032	381,599	394,956	388,575
Cincinnati Bell 8.375%	20,000	18,156	17,800	FHLMC 10/2033	832,215	858,222	851,005
Citi Group Var 11/2005	1,700,000	1,702,567	1,702,652	FHLMC 12/2032	424,610	440,003	428,745
Citi Group Var 2/2005	500,000	500,000	500,545	FHLMC Multiclass 07/2032	729,166	750,130	732,105
Citifinancial Var 01/25/2033	800,000	819,750	807,875	FHLMC Multiclass 1/2030	154,569	157,854	154,994
Citigroup 3.625%	90,000	86,868	87,468	FHLMC Multiclass 12/2008	45,430	45,374	45,517
Citigroup 5.125%	90,000	88,108	88,171	FHLMC Multiclass 3%	311,221	315,695	311,701
Citigroup 5.5%	96,870	98,898	96,988	FHLMC Multiclass 3.5%	832,809	841,657	837,684
Citigroup Inc 6.0%	210,000	221,839	200,778	FHLMC Multiclass 4%	679,797	689,144	672,387
Citigroup Inc 7.25%	105,000	118,726	118,256	FHLMC Multiclass 4%	314,777	317,236	317,327
Columbia Rep	19,805	21,409	21,885	FHLMC Multiclass 4.5%	1,361,739	1,373,654	1,370,897
Comcast Corp	500,000	529,415	504,765	FHLMC Multiclass 4.5%	1,250,000	1,283,789	1,262,923
Commercial Mt 6.25%	766,831	814,758	792,175	FHLMC Multiclass 5%	752,158	768,847	763,748
Conoco	200,000	228,480	217,624	FHLMC Multiclass 5%	91,234	91,976	91,242
Conseco Fin 7.21%	583,645	610,547	590,147	FHLMC Multiclass 5%	125,000	125,820	126,956
Conseco Fin 7.52%	871	898	877	FHLMC Multiclass 5%	580,940	592,741	581,207
Consolidated Nat Gas	135,000	152,646	148,253	FHLMC Pool 4.5%	140,638	140,639	140,126
Credit Suisse FB 4.6%	230,000	233,666	234,276	FHLMC Pool 6%	27,101	28,545	28,290
Credit Suisse FB 6.0%	99,011	100,810	99,733	FHLMC Pool 6%	502,757	529,545	524,812
Credit Suisse FB Var 2/2031	1,000,000	1,002,812	1,008,300	FHLMC Pool Var Rt 03/2033	454,875	467,953	458,323
Credit Suisse Gp Conv	69,000	46,200	73,220	FHLMC Pool Var Rt 11/2030	292,882	300,658	304,597
Credit Suisse Var 9/2033	1,250,000	1,249,609	1,249,132	FHLMC Pool Var Rt 8/2030	243,115	251,016	251,373
Crown European Hldg	30,000	35,100	34,200	First Union Natl Bk	612,113	637,362	626,510
CSC Hldgs 6.75%	45,000	45,225	42,750	First USA	600,000	600,820	600,672
CWABS Var 11/25/2028	540,831	542,437	541,810	FirstEnergy Corp	165,000	173,322	171,986
				Florida Pwr Corp	80,000	76,318	76,137
				FNMA 07/01/2019-4%	300,000	284,766	285,750
				FNMA 07/01/2019-4.5%	400,000	386,393	390,750
				FNMA 07/01/2019-5%	2,500,000	2,478,219	2,501,953

STATISTICAL SECTION

Issue	Par	Market Value at		Issue	Par	Market Value at	
		Book Value	June 30, 2004			Book Value	June 30, 2004
FNMA 07/01/2019-5.5%	500,000	505,352	511,094	International Steel Grp	30,000	29,728	28,125
FNMA 07/01/2019-6%	800,000	826,797	832,875	Isreal St 5.5%	125,000	118,336	121,539
FNMA 07/01/2034-5%	1,700,000	1,639,486	1,641,961	JP Morgan Chase 3.5%	100,000	95,265	95,953
FNMA 07/01/2034-5.5%	4,400,000	4,337,010	4,377,313	JP Morgan Chase 6.75%	110,000	128,453	119,882
FNMA 07/01/2034-6%	1,000,000	1,020,156	1,020,313	Kraft Foods	160,000	170,332	168,474
FNMA 07/01/2034-6.5%	400,000	412,656	416,406	LB UBS Coml 4.0%	170,000	170,591	166,371
FNMA GTD Remic 0%2027	212,503	193,776	184,829	LB UBS Coml 4.6%	290,000	295,494	273,863
FNMA GTD Remic 2009	289,429	282,375	259,567	Lehman Bros Hldgs	175,000	181,221	174,796
FNMA GTD Remic 2026	543,809	505,063	469,683	Lockheed Martin Corp	100,000	133,900	125,437
FNMA GTD Remic 3.5%	577,355	590,706	578,843	M&I Auto Ln	634,506	638,174	636,257
FNMA GTD Remic 3.5%	503,958	511,124	500,419	MBNA	600,000	598,125	573,656
FNMA GTD Remic 3.65%	1,590,649	1,608,974	1,592,959	MBNA Cr Card 09/15/2009	475,000	474,598	464,164
FNMA GTD Remic 3.8%	92,669	93,248	92,781	MBNA Cr Card 11/15/2010	525,000	518,396	499,078
FNMA GTD Remic 4%	1,000,000	1,018,750	1,008,321	MCI Inc 05/01/2007	20,000	19,475	19,400
FNMA GTD Remic 4%	1,000,000	1,019,063	1,010,546	MCI Inc 05/01/2009	55,000	51,425	50,875
FNMA GTD Remic 4.25%	884,560	904,601	888,718	Merrill Lynch 11/15/2026	649,855	683,970	669,182
FNMA GTD Remic 4.5%	1,000,000	1,022,812	1,007,252	Midwest Generation	70,000	69,475	70,700
FNMA GTD Remic 5% 2027	142,164	143,862	143,786	Morgan JP Coml	613,970	661,552	643,987
FNMA GTD Remic 5% 2028	802,479	823,419	796,077	Morgan Stanley 4.3%	200,000	202,656	197,622
FNMA GTD Remic 5.25%	150,000	152,461	153,332	Morgan Stanley 5.3%	185,000	184,237	182,051
FNMA GTD Remic 5.5% 2015	519,710	531,566	527,069	Nalco	20,000	21,100	20,950
FNMA GTD Remic 6% 2026	3,711	3,786	3,708	Nationslink	23,180	24,462	23,159
FNMA GTD Remic 6% 2027	105,481	107,130	105,535	New Amer Inc 11/30/2028	50,000	56,751	56,234
FNMA GTD Remic 6.0%	584,052	606,137	596,499	New Century Home	147,261	152,876	148,258
FNMA GTD Remic 6.35%	659,470	684,406	667,654	New South Home Equity	515,285	526,558	525,028
FNMA GTD Remic Var Rt	241,594	241,556	241,210	New York Life	170,000	166,190	167,158
FNMA Ntl Remic 6.5% 2027	35,808	36,441	35,807	News Amer Hldgs	50,000	59,081	56,484
FNMA Pool 03/01/2034	1,347,246	1,324,038	1,304,987	Northrup Grumman	50,000	62,204	58,156
FNMA Pool 03/01/2034	994,013	1,012,030	982,100	NRG Energy	30,000	31,120	30,300
FNMA Pool 03/01/2038	769,091	784,953	775,945	OMI Corp	20,000	20,825	19,600
FNMA Pool 04/01/2033	1,334,616	1,416,987	1,411,044	Overseas Shipholding	35,000	35,350	32,375
FNMA Pool 04/01/2033	134,259	135,601	133,115	PNC Mtg	250,406	258,153	256,287
FNMA Pool 05/01/2019	595,994	605,679	583,236	Protective Life	80,000	79,594	78,513
FNMA Pool 06/01/2033	828,914	853,782	843,406	Prov of Quebec	375,000	423,015	407,869
FNMA Pool 07/01/2033	757,352	773,445	755,941	Qwest Comm	80,000	75,800	73,600
FNMA Pool 08/01/2018	196,187	194,961	197,099	Raytheon	75,000	77,634	74,438
FNMA Pool 09/01/2033	863,180	895,010	896,809	Residential Accredit 11/25/2031	700,000	721,328	712,699
FNMA Pool 09/01/2033	890,607	886,711	876,804	Residential Asset 06/25/2032	1,071,248	1,070,884	1,073,787
FNMA Pool 3.875%	749,676	756,703	744,879	Residential Asset 10/25/2028	171,764	182,687	174,419
FNMA Pool 4.5%	197,960	192,551	194,370	Residential Fdg 04/25/2018	901,416	901,979	901,862
FNMA Pool 6.19%	842,215	891,432	871,288	Residential Fdg 08/25/2017	314,137	322,874	318,509
FNMA Pool 7% 2030	17,972	19,081	18,954	Residential Fdg 11/25/2017	627,422	638,794	622,743
FNMA Pool 7% 2031	20,969	22,264	22,170	Residential Fdg 12/25/2032	523,352	528,422	523,293
FNMA Pool 7% 2032	12,782	13,571	13,514	Residential Sec 10/25/2030	696,122	735,714	723,793
FNMA Pool Var Rt 2021	489,691	505,607	494,517	SBA Gtd partn 09/10/2005	536,154	577,372	558,942
FNMA Pool Var Rt 2029	421,654	428,506	433,094	Sequoia Mtg 08/20/2032	293,984	297,383	295,281
FNMA Pool Var Rt 2032	731,453	752,254	743,981	SLM Corp Mtn 05/15/2014	75,000	73,318	73,904
FNMA Pool Var Rt 2032	1,243,851	1,281,559	1,259,546	SLM Corp Mtn 09/30/2006	75,000	74,942	75,386
FNMA Remic 6% 2029	150,000	152,156	154,051	SLM Corp Mtn 10/01/2013	100,000	102,532	96,562
France (Govt of)	525,000	628,197	637,783	SLM Corp Mtn 10/08/2008	550,000	550,000	540,628
Geenpoint MFD	436,379	449,061	442,339	SLM Private 06/15/2016	1,433,170	1,435,186	1,436,123
General Electric 02/15/2012	500,000	553,986	524,375	SMFG Finance	3,000,000	39,502	66,123
General Electric 06/15/2012	20,000	21,067	21,106	SMFG Finance 144A	15,000,000	111,053	329,927
General Mtrs Accep 05/15/2009	230,000	228,486	229,530	Standard Cr 04/07/2006	550,000	608,717	590,391
General Mtrs Accep 09/15/2011	250,000	269,803	256,328	Structured Asset 01/21/2009	314,988	313,955	314,988
Georgia PAC Corp 01/15/2024	60,000	63,975	60,000	Structured Mtg 3/25/2009	315,126	329,701	323,295
Germany (Fed Rep)	1,190,000	1,479,220	1,427,544	Suncor Energy	30,000	29,755	29,001
Glaxosmithkline Cap	55,000	54,581	51,236	Texas Instr	425,000	456,497	427,389
GMAC 6.15%	557,911	594,327	570,419	United Mexican Sts	315,000	354,591	329,175
GMAC 6.4%	487,065	519,660	499,685	US Treasury 11/15/2021	725,000	938,348	950,432
GMAC Coml 04/10/2040	300,000	314,145	293,979	US Treasury 02/15/2020	1,100,000	1,489,125	1,488,784
GMAC Coml 09/15/2035	300,000	351,926	332,853	US Treasury 02/15/2026	475,000	538,521	511,962
GNMA 01/15/2033	131,516	135,955	135,108	US Treasury 02/15/2031	815,000	876,102	822,131
GNMA 02/15/2032	299,970	310,844	313,558	US Treasury 04/30/2006	1,590,000	1,583,243	1,579,506
GNMA 05/15/2034	762,673	788,413	782,782	US Treasury 05/15/2007	1,995,000	1,991,469	1,995,599
GNMA 07/15/2033	299,130	308,665	299,691	US Treasury 05/31/2006	3,005,000	2,993,456	2,995,685
GNMA Remic 06/16/2024	540,009	548,278	536,040	US Treasury 06/15/2009	90,000	90,355	90,783
Goldman Sachs 02/15/2033	15,000	15,502	14,156	US Treasury 06/30/2006	3,560,000	3,561,692	3,563,204
Goldman Sachs 08/17/2005	3,500,000	3,878,840	3,678,255	US Treasury 08/15/2019	1,175,000	1,601,793	1,539,250
Green Tree	607,615	621,097	617,410	US Treasury 08/15/2026	710,000	834,901	834,694
GSR Mtg 08/25/2016	475,123	489,376	476,467	US Treasury 3/31/2006	180,000	178,161	176,796
Hanover Equip	25,000	27,125	26,750	US Treasury 5/15/2014	3,815,000	3,829,688	3,855,439
HSBC Bk	445,000	445,837	414,197	US Treasury Bd Strips	275,000	74,220	74,121
International Lease Finl	1,000,000	998,770	1,006,250	Verizon New Jersey 01/17/2012	420,000	452,117	431,218

STATISTICAL SECTION

Issue	Par	Market		Issue	Par	Market	
		Book Value	Value at June 30, 2004			Book Value	Value at June 30, 2004
Victory Markets	2,000,000	-	-	Daimlerchrysler	9,100	419,711	426,253
Vodafone Group	225,000	230,137	217,337	DBS Hldg	65,000	476,950	543,412
Wachovia Corp	45,000	45,648	43,650	Deutsche	29,730	481,832	640,950
Wamu Mtg	184,866	189,834	186,603	Deutsche Bank	1,000	60,987	78,656
Wells Fargo	110,000	114,572	114,640	Deutsche Boerse	2,893	172,271	147,021
Western & South Finl	25,000	22,038	22,594	Diageo	17,300	210,240	233,262
Williams Co	75,000	76,125	72,188	DNB Nor ASA	13,100	63,215	89,393
Wyeth Sr 5.5%	60,000	58,007	57,692	E.ON AG	10,310	550,231	743,839
Wyeth Sr 6.5%	45,000	45,953	42,501	East Japan Railway	134	646,712	751,574
Yamaha Mtr	1,000,000	1,004,219	1,008,027	Eni Eur	47,870	516,484	950,494
Total Bond Securities		259,235,706	256,465,019	Esprit Hldgs	14,000	53,891	62,643
Common and Preferred Securities				Essilor International	1,400	57,013	91,383
International Equities				Fanuc Co	2,600	145,688	155,121
Abbey National	5,850	55,241	54,451	Foreningssparbanken	10,050	167,838	192,116
ABN Amro	30,556	558,875	668,424	France Telecom	600	13,752	15,636
Accor Eur	13,320	545,647	562,178	Furukawa Electric	15,000	55,258	64,061
Ace LTD	11,240	408,536	475,227	Glaxosmithkline	23,700	502,245	479,656
Acom Co	1,800	137,335	116,959	Great West Lifeco	200	7,113	7,190
Adecco	1,638	95,336	81,612	Groupe Danone	3,200	223,822	279,148
Advantest	2,000	140,836	133,987	Hang Lung Properties	91,000	102,231	117,253
Aegon NV	49,624	1,197,173	598,317	Hang Seng Bank	8,100	90,909	103,849
Aeon Co	10,000	189,719	401,411	Hanson PLC	50,262	325,078	345,687
Aiful Corp	775	80,413	80,899	HBO's Ord	19,500	203,351	241,354
Air Liquide	2,007	242,746	331,843	Heineken Hldgs	1,468	34,694	43,008
Alkzo Nobel	12,060	404,544	443,559	Heineken NV	15,962	439,495	524,539
Alcan Inc	4,500	174,209	185,269	Hirose Electronics	2,100	128,108	230,757
Alcon Inc	4,090	246,848	321,679	Hitachi LTD	87,000	912,970	598,790
Alliance Unichem	45,190	477,444	534,737	Holcim	8,534	377,590	464,041
Allianz AG	2,400	348,255	259,964	Honda Motor	1,900	65,386	91,591
Alumina LTD	108,500	305,433	399,068	Hong Kong	36,000	66,891	56,160
Amcor Limited	16,000	95,211	77,685	Hoya Corp	1,700	114,788	177,922
AMP Limited	95,875	390,599	422,759	HSBC Hldgs	27,700	302,056	411,918
Anglo American	4,600	81,165	94,099	HSBC Hldgs	26,000	252,693	391,677
Assa Abloy	8,000	115,767	102,218	Hutchison Whampoa	36,300	274,161	247,824
Astrazeneca	5,000	209,570	224,330	IBERDROLA	32,240	367,565	680,550
Astrazeneca	23,702	906,539	1,076,084	IHC Caland	9,680	537,377	450,241
Atlas Copco	11,050	225,037	409,995	Infineon	9,300	201,215	124,803
Australia & New Zealand Bank	12,006	96,680	152,883	ING Groep	38,229	796,263	902,319
Australia Insurance Grp	6,200	19,987	21,595	Industria De Diseno	14,000	218,348	321,244
Aventis	10,550	380,496	796,453	ISS	9,140	452,319	451,820
AXA Eur	12,160	183,881	267,780	Johnson Elec	78,000	100,735	79,502
BAE Systems	164,869	882,924	655,535	Kansai Elec Power	10,000	162,964	182,285
Banco Popular	7,450	207,687	420,753	Keyence Corp	400	85,636	91,243
Barclays Ord	9,600	77,916	81,782	Komatsu	31,000	172,114	187,793
BASF	6,170	314,799	330,221	Konica Minolta	13,000	174,097	179,425
Bayer AG	13,120	528,487	378,310	Koninklijke	76,500	487,467	582,642
Bayerische Motoren	2,940	94,318	130,094	Koninklijke Philips Electronic	20,635	444,267	555,586
Bayerische Vereinbank	9,000	170,906	160,415	Kyocera	1,200	99,186	101,838
BBVA	39,500	514,141	527,673	Li&Fung	108,000	156,271	157,850
BCE Inc	21,000	375,261	418,199	Lloyds TSB	52,920	510,304	414,352
BG Group	88,200	381,025	543,433	Lonza Group	10,130	495,162	513,213
BHP Billiton	86,063	381,349	746,820	L'Oreal	2,200	148,042	175,721
BNP Paribas	12,000	488,365	738,020	Manulife Financial	2,700	87,452	108,846
Bombardier Inc	50,700	116,686	152,015	Marvell Technology	34,360	681,637	917,412
Bouygues	13,500	663,127	452,010	Mayne Group	188,410	480,808	447,550
BP PLC	78,360	549,914	692,056	Merck	8,070	285,378	487,973
Brambles Inds	8,300	45,235	34,691	Michelin	9,860	311,025	545,226
Brambles Inds	125,980	410,915	486,630	Millea Holdings	22	286,610	326,628
British Airways	50,840	323,903	254,006	Mistubishi Heavy	27,000	95,575	73,244
British Energy Deferred	49,700	18,421	-	Mitsubishi Corp	12,000	88,262	116,574
British Sky Brdcasting	16,500	187,223	186,120	Mitsubishi Estate	36,000	379,377	446,721
Cadbury Schweppes	69,900	375,072	603,078	Mitsubishi Motor	11,000	36,719	17,944
Canon Inc	2,000	81,534	105,393	Mitsubishi Tokyo Finl	27	191,207	249,920
Carrefour Eur	1,500	67,741	72,780	Mitsui Fudosan	11,000	118,994	131,861
Carter Hold Harvey	393,310	517,596	517,027	Mitsui Sumitomo	37,000	256,192	347,569
Celestica	8,890	236,895	176,971	Munchener Ruckversicherungs	3,128	501,543	339,086
Centrica Ord	33,600	126,895	136,796	Murata Mfg	1,300	44,512	74,105
Checkpoint Software Tech	20,140	308,697	543,579	Nabors Industries	2,976	127,288	134,575
Cheung Kong	64,900	546,033	478,442	National Grid Transco	34,500	278,876	266,217
Compagnie Financiere	20,579	340,256	537,315	Natl Australia Bank	22,016	443,045	457,637
Compass Group	11,500	85,451	70,178	NEC Corp	65,000	561,288	457,499
Credit Suisse Group	3,698	123,470	131,397	Nestle	4,750	959,981	1,266,768
CRH Ord Dublin	7,125	95,154	150,487	Nikko	13,000	79,642	63,025

STATISTICAL SECTION

Issue	Par	Book Value	Market Value at	Issue	Shares	Book Value	Market Value at
			June 30, 2004				June 30, 2004
Nikon	11,000	147,477	123,796	TDC	300	9,670	9,748
Nintendo	8,500	653,706	985,428	Telecom Corp	1,070	3,414	3,995
Nippon Tel	165	1,086,633	881,593	Telefonica	24,570	260,312	363,201
Nissan Motor	34,000	202,947	377,968	Telenor AS	59,980	419,456	417,087
Nitto Denko	2,300	81,207	117,619	Telus Corp	4,900	32,078	73,605
Nokia	5,900	137,200	85,136	Thomson Corp	11,680	343,839	387,925
Nomura Hldg	6,000	92,265	88,805	Tiers Prin Protected Cert DJIA	21,300	201,556	206,610
Nordea	81,817	360,076	587,923	Tiers Prin Protected Cert NASDA	202,800	1,916,496	1,997,580
Norsk Hydro ASA	2,400	98,408	155,984	Tiers Prin Protected Cert S&P 500	72,000	643,335	669,600
Norske Skogsindustrier	27,560	406,589	491,042	Tiers Prin Protected Ser 2002-1	16,800	155,247	154,980
Novartis	17,243	722,919	760,680	Tokyo Electron	6,000	218,976	336,526
Novo Nordisk	2,900	101,886	149,290	Tokyo Gas	26,000	100,639	92,215
Numico K	2,600	60,775	83,542	Toshiba Corp	114,000	871,846	458,654
O2Micro International Ltd	30,150	436,740	513,455	Total SA	2,836	140,185	540,681
Old Mutual	69,460	132,758	131,949	Toyota Motor	8,200	260,267	332,163
Omron Corp	3,300	77,717	77,272	TPG NV	5,300	111,049	121,098
Orix	3,300	261,585	378,042	TUI AG	1,600	45,732	30,562
Pearson Ord	65,160	785,142	791,723	UBS AG	10,668	455,539	751,718
Portugal Telecom	36,480	297,189	393,681	UCB SA	200	9,151	9,315
Promina Group	16,800	44,310	46,812	UFJ Hldgs	42	206,796	185,529
Qiagen NV	16,900	107,254	204,659	Uni-Charm	2,000	97,511	99,711
Ras	25,340	318,890	459,674	Unicredito Italian	26,500	131,373	130,899
Reckitt Benckiser	3,100	81,336	87,757	Unilever Ord	94,790	652,810	929,988
Reed Elsevier	42,220	494,499	592,775	UPM-Kymmene	4,100	58,942	78,016
Reed Elsevier	26,700	231,534	259,534	Venture Corp	9,000	72,446	94,052
Renault Regie Nationale	2,000	92,802	152,325	Verisity LTD	24,350	410,478	146,100
Rentokil Initial	136,920	528,572	358,800	Vestas Wind System	45,879	585,695	674,001
Repsol	27,500	552,750	602,242	Vivendi	8,000	241,076	221,917
Ricoh	4,000	72,114	85,048	VNU NV	4,413	199,148	128,160
Rio Tinto	5,400	121,371	129,854	Vodafone Group	808,641	1,218,120	1,770,763
Roche Hldg	1,500	119,388	148,515	Volkswagen	7,340	286,261	309,878
Rohm	1,400	157,848	167,566	Volvo	13,800	294,046	479,971
Rolls Royce Group	103,340	317,515	471,797	Wesfarmers Ord	3,200	61,577	65,536
Rolls Royce Group "B"	5,825,500	7,955	12,677	Woolworths Limited	10,800	54,821	85,765
Royal Bank Of Scotland	19,000	402,317	547,169	XL Cap	6,180	454,746	466,343
Royal Dutch	22,000	1,055,636	1,129,003	Xstrata	10,200	82,173	136,328
Samsung Electronic	1,925	176,733	395,106	Yahoo Japan	8	53,188	77,716
San Paolo	30,340	304,882	365,440	Yamanouchi Pharmaceutical	3,000	81,375	100,903
Sankyo	7,000	131,269	151,721	Yamato Transport	10,000	178,189	163,222
Sanofi-Synthelabo	16,980	673,798	1,076,319	Domestic Equities			
SAP AG	800	80,994	133,345	3MCo	2,553	132,641	229,796
Schneider Electric	1,100	50,646	75,079	99 Cents Only	8,553	207,426	130,128
Securitas	28,220	328,768	352,144	Abbott Labs	21,540	869,332	877,970
Seiko Epson	5,600	177,726	203,748	Accredo Health	11,987	374,394	466,894
Sekisui House	21,000	176,403	233,066	Acquity Brands	45,425	849,290	1,226,475
Serono	143	87,451	90,089	Alcoa Inc	9,939	326,620	328,285
Ses Global	11,000	134,808	93,013	Allstate Corp	12,392	474,720	576,848
Shell Trans & Trading	94,160	730,180	690,721	Altria Group	5,272	260,135	263,864
Shionogi & Co	19,000	346,239	326,665	Amazon.com	15,280	669,370	831,232
Shire Pharmaceuticals	51,380	443,580	448,650	America Movil	4,400	60,646	160,028
Siemens	3,800	197,008	273,466	American Elec Pwr	3,630	113,923	116,160
Singapore Telecommunications	488,000	482,624	637,464	American Express	3,823	166,016	196,426
SMC	1,300	142,892	140,586	American Healthways	21,250	294,306	565,675
Smith & Nephew	7,600	48,910	81,800	American Intl Group	37,969	2,586,501	2,706,430
Smiths Group	22,936	321,329	310,502	American Italian Pasta Co	7,150	214,278	217,932
Societe Generale	1,400	88,013	118,976	American Med Sys Hldg	4,925	79,666	165,973
Sompo Japan	16,000	124,701	163,497	Amerigroup Corp	11,945	322,097	587,694
Sony Corp	18,216	632,971	686,136	Amgen	20,000	1,158,932	1,091,400
Standard Chartered	13,100	152,264	213,337	Amgen Put	18	33,458	11,700
Statoil ASA	28,000	206,393	355,479	Amis Hldgs	12,575	204,556	212,769
Stmicroelectronics	4,700	79,220	103,100	AMN Healthcare	6,400	112,147	97,856
Stora Enso	49,010	480,080	664,852	Amsurg Corp	36,637	664,217	920,688
Suez	14,810	311,444	308,298	Analog	13,062	568,341	614,959
Sumitomo	41	230,382	281,061	Anheuser Busch	10,583	435,510	571,482
Sumitomo Chemical	29,000	107,354	135,279	Applied Mats	50,259	1,179,718	986,082
Suncor Energy	1,400	22,889	35,513	AT&T Corp	3,100	52,638	45,353
Suzuki Motor	21,000	214,433	369,903	Avatar Hldgs	13,075	360,405	543,920
Swire Pacific	9,600	54,695	62,155	Avery Dennison	1,770	95,331	113,298
Swiss Reinsurance	17,175	1,569,783	1,115,607	Avon Prod	14,726	476,642	679,458
Swisscom	1,426	424,227	471,386	Axcelis Technologies	49,300	640,974	613,292
Syngenta	679	55,031	56,927	Baker Hughes	3,652	135,770	137,498
Synthes	1,190	124,546	135,638	Bandag Inc	2,450	96,715	109,099
Takeda Pharmaceutical	3,300	140,463	144,866	Bandag Inc CL A	8,625	323,998	358,800
Taro Pharmaceuticals	7,900	270,922	343,650	Bank of America Corp	12,507	831,527	1,058,342

STATISTICAL SECTION

Issue	Shares	Book Value	Market Value at June 30, 2004	Issue	Shares	Book Value	Market Value at June 30, 2004
Barrick Gold	11,855	204,043	234,136	Eastman Kodak	6,500	166,075	175,370
Bed Bath & B beyond	22,350	890,732	859,358	Eaton Corp	3,651	117,579	236,366
Belden Inc	26,375	534,269	565,216	EB Intl Stock Index Fund	152,990	29,329,572	31,249,419
BHP Billiton	14,463	130,837	253,216	EB Stock Index Fund	130,815	139,931,403	158,487,206
Big 5 Sporting Goods	11,550	154,574	302,495	Ebay Inc	19,720	1,396,485	1,813,254
Black Box Corp	6,100	254,911	288,286	Electronics Art	26,660	1,167,477	1,454,303
BlackRock Inc	5,324	170,517	339,831	EMC Corp	52,448	568,114	597,907
Blue Nile	475	9,738	17,865	Emerson Elec	2,840	165,772	180,482
Blyth Inc	15,525	457,918	535,457	Encana Corp	10,644	227,085	459,395
BMC Software	13,129	194,306	242,887	Entergy Corp	4,594	195,672	257,310
Boston Scientific Corp	26,660	1,109,945	1,141,048	Exelon Corp	9,580	272,841	318,918
Brinks Co	16,875	334,736	577,969	Exide Technologies	21,725	423,207	444,276
Broadcom Corp	19,640	777,579	915,224	Expeditors Intl Wash	5,275	155,032	260,638
Brown & Brown	10,150	325,153	437,465	Exxon Mobil Corp	45,010	1,806,014	1,998,894
Burlington North Santa Fe	10,327	265,792	362,168	Factset Resh	7,475	255,513	353,343
Burlington Res	16,822	329,274	608,620	Family Dir Stores	1,709	57,964	51,988
Cabot Microelectronics Corp	17,475	890,172	534,910	Fannie Mae	10,650	726,966	759,984
CACI Intl	4,225	198,588	170,859	First Cmnty Bancorp	2,250	81,465	86,490
Callaway Golf	51,850	885,800	587,979	First Data Corp	17,187	433,236	765,165
Capital Automotive REIT	14,550	373,014	426,752	First Finl Bancorp	10,200	194,286	180,744
Cardinal Health Inc	4,969	180,155	348,078	Flir Sys	5,775	159,005	317,048
Caremark RX Inc	17,180	556,049	586,661	Forest Labs	14,180	1,017,662	803,013
Carnival Corp Paired	17,140	750,176	805,580	Forest Oil Corp	23,075	619,010	630,409
Carter Hldgs	4,825	125,901	140,456	Freddie Mac Corp	4,827	303,504	305,549
Catalina Mktg	60,575	1,056,620	1,107,917	Freds Inc CL A	8,475	203,866	187,213
Caterpillar	1,420	59,876	112,805	Freeport McMoran Copper	6,402	217,757	212,226
Cephalon	7,940	460,874	428,760	FTI Consulting	18,750	302,585	309,375
Certegy Inc	1,418	28,798	55,018	Gannett Inc	598	38,686	50,740
Charles RIV Assoc	9,625	164,973	297,894	Gartner Inc	56,675	646,851	749,244
Charles RIV Laboratories	6,000	178,040	293,220	Gartner Inc	8,450	100,394	108,921
Chicos FAS Inc	10,050	181,466	453,858	General Dynamics Corp	5,111	336,841	507,522
Chubb Corp	2,847	166,479	194,108	General Electric Co	84,091	3,594,333	2,724,548
Chunghwa Telecom	25,100	350,419	442,764	General Mills Inc	1,832	76,633	87,075
Cisco System	61,133	1,143,100	1,448,852	General Motors Corp	4,000	174,640	186,360
Citigroup Gbl Mkt Eq linked	41,200	325,846	350,200	Guitar Ctr	2,650	114,934	117,846
Citigroup Gbl Mkt Prin Protected	6,000	87,264	90,300	Haemonetics Corp	14,000	424,372	415,100
Citigroup Inc.	55,621	2,119,358	2,586,377	Harbor FLA	5,816	136,403	159,998
Clorox Co	13,526	608,802	727,428	Hartford Finl	5,317	268,766	365,491
Cognizant Tech Solutions	12,336	110,451	313,458	HCA Inc	5,690	239,358	236,647
Colgate Palmolive	6,531	361,672	381,737	HDFC Bk LTD	7,725	210,938	207,494
Comcast Corp	2,832	87,225	79,579	Hewlett Packard Co	11,657	242,451	245,963
Comcast Corp New Cl A Spl	12,802	449,308	353,463	Hibbett Sporting Goods	11,287	116,430	308,699
Commercial Fed Corp	24,650	706,766	668,015	Hill Rogal & Hobbs	3,700	119,269	132,016
Commonwealth Telephone	28,200	1,108,688	1,262,514	Hollinger Intl	28,450	364,406	477,676
Companhia Vale	800	20,193	38,040	Home Depot	2,661	103,250	93,667
Companhia Vale	11,290	303,917	441,439	Honeywell Intl	11,519	331,183	421,941
Conoco Phillips	12,849	658,416	980,250	Horace Mann Educators	28,000	440,122	489,440
Copart Inc	24,300	412,747	648,810	IBM Corp	10,189	964,264	898,160
Corgentech Inc	3,750	71,504	60,450	Icon Pub LTD	10,650	350,387	471,689
Corinthian Colleges	5,550	128,750	137,307	ICU Med	11,950	446,534	400,684
Corning Inc	67,270	821,047	878,546	Ilex Oncology	9,050	105,642	226,160
Costar Group	5,425	160,912	249,170	INCO LTD	5,400	167,581	186,624
Costco Whls	2,470	90,938	101,715	Infineon Technologies	1,200	82,656	16,320
Crane Co	26,125	714,105	820,064	Infinity PPTY	14,425	453,191	476,025
Cree Inc	6,125	82,210	141,794	Infosys Technologies	200	15,886	18,636
CSG Sys Int	54,350	986,851	1,125,045	Integrated Circuit	19,775	459,691	537,089
CTI Molecular Imaging	17,600	302,308	249,568	Intel Corp	82,466	2,457,209	2,276,062
Cyberonics Inc	5,475	160,334	182,646	International Paper	5,000	201,350	223,500
Cytex Inds	7,950	266,195	361,328	Intuit Com	1,775	64,906	68,480
Deere & Co	7,244	328,925	508,094	Inveresk Resh	14,425	211,285	444,867
Dell Inc	49,367	1,594,269	1,768,326	Investment Tech	29,300	436,927	374,747
Delta & Pine Land	48,650	1,075,291	1,067,868	Ipss Inc	25,550	307,686	270,575
Dendrite Intl	62,850	777,820	1,167,753	ITT EDL Svcs	7,125	211,941	270,893
Desarrolladora Homex	3,775	63,793	65,345	Johnson & Johnson	14,340	597,052	798,738
Devon Energy	2,270	118,787	149,820	Jos A Bank Clotheirs	2,050	66,797	64,350
Digital Theater Sys	8,050	188,864	210,266	JP Morgan Chase	34,231	1,193,991	1,327,136
Direct General	4,350	154,520	140,244	Juniper Networks	48,600	1,104,105	1,194,102
Dollar Tree	15,895	408,402	436,000	Kellogg Co	4,265	167,699	178,490
Dominion Res	10,233	610,903	645,498	Kimberly Clark	8,876	543,782	584,751
Doral Financial	6,543	110,365	225,734	Kinetic Concepts	2,925	107,150	145,958
Dow Chem	4,975	198,908	202,483	Knight Trans	29,825	643,044	856,872
Dreyers Grand Ice Cream	62,297	4,838,719	4,922,086	Knology Inc	5,850	52,650	29,075
DuPont E De Nemours	6,514	276,441	289,352	Kookmin Bk New	8,350	311,601	262,023
Earthlink	74,500	543,642	771,075	Korea Electric Pwr	37,340	522,178	342,034

STATISTICAL SECTION

Issue	Shares	Book Value	Market Value at	Issue	Shares	Book Value	Market Value at
			June 30, 2004				June 30, 2004
KT Corp	18,600	468,990	335,544	Peets Coffee	2,825	58,740	70,597
Leeg Corp	8,550	169,146	148,001	Pepsi Bottling	4,614	106,730	140,912
Lehman Brothers Hldgs	65,500	592,550	655,000	Pepsico	19,163	738,109	1,032,502
Liberty Media Corp	35,866	429,369	322,435	Pfizer Inc	92,072	3,290,498	3,156,228
Liberty Media Intl	1,739	75,561	64,517	PG&E Corp	6,061	170,336	169,344
Lifepoint Hosps	14,475	307,819	538,760	Pharmaceutical	9,150	246,085	290,696
Ligand Pharmaceutical	4,050	67,355	70,389	Phoneix Cos	59,850	817,791	733,163
Lincoln National Corp	2,615	125,155	123,559	Pitney Bowes	1,762	86,771	77,969
Lockheed Martin Corp	4,683	229,264	243,891	PLX Technologies	10,000	128,707	172,600
Lowe's Cos	36,759	1,664,286	1,931,685	Post Ppty	13,900	386,806	405,185
Macrovision Corp	7,050	124,628	176,462	Power Integrations	11,875	308,339	295,688
Madiacom Communications	14,775	143,119	115,541	Praxair Inc	11,216	331,605	447,631
Manhattan Assoc	8,800	222,844	271,744	Preveiw Systems	29,559	133,016	1,064
Marsh & McLennan	5,249	271,379	238,200	Principal Financial	4,283	149,723	148,963
MBNA Corp	24,724	469,872	637,632	Procter & Gamble	20,120	912,054	1,094,333
Meadwestvaco Corp	3,053	89,802	89,728	Progressive Corp	4,830	369,971	411,999
Medicines Co	2,375	66,036	72,461	Prosperity Bancshares	6,750	125,496	164,363
Medicis Pharmaceutical	7,825	174,522	312,609	Provident Finl	14,500	225,724	254,475
Mellon Finl	12,771	340,268	374,573	Prudential Finl	6,176	195,015	286,999
Meritage Corp	5,050	193,344	347,440	Qualcomm	11,470	765,782	837,081
Merrill Lynch & Co	44,300	482,583	524,955	Raymond James Finl	25,500	448,324	674,475
Merrill Lynch & Co Broadband	15,800	130,513	139,040	Rayonier Inc	29,388	1,032,394	1,306,297
Merrill Lynch & Co Dow Jones	15,000	151,800	153,000	Redwood Tr	4,325	204,265	240,816
Merrill Lynch & Co Internet Holde	7,200	60,018	65,088	Resources Connection	11,725	289,912	458,565
Merrill Lynch & Co Jones Indl	63,900	576,088	612,801	Rockwell Collins	4,045	88,985	134,779
Merrill Lynch & Co Nikkei	224,200	2,139,732	2,208,370	Rohm & Haas Co	7,099	243,643	295,176
Merrill Lynch & Co Nikkei	40,800	357,851	383,520	Royal Dutch	100	4,536	5,167
Merrill Lynch & Co Nikkei	15,200	128,783	137,104	Rudolph Technologies	7,675	131,467	139,608
Merrill Lynch & Co Nikkei	100,500	900,837	941,685	S&P 500 Mkt	98,100	940,363	985,905
Merrill Lynch & Co Progross	10,000	94,793	97,900	Salomon Smith Barney	4,700	44,323	45,120
Merrill Lynch & Co Russell 2000	16,000	162,250	162,240	Samsung Electronic	3,930	308,555	806,633
Merrill Lynch & Co S&P 500	27,400	274,670	275,370	Sara Lee Corp	4,709	108,034	108,260
Merrill Lynch & Co S&P 500	12,998	111,377	119,452	Satyam Computer Svcs	8,710	101,349	161,135
Merrill Lynch & Co Sector Sp	39,000	355,405	375,960	SBC Communications	15,004	511,183	363,847
Merrill Lynch & Co Semiconducto	20,800	178,244	187,200	Schlumberger	5,113	244,104	324,727
Merrill Lynch & Co Staples	9,200	82,890	87,768	Scripps Co	5,100	465,911	535,500
Merrill Lynch & Co Strategic	4,000	37,760	38,600	Semtech Corp	12,775	247,092	300,724
Merrill Lynch & Co Target	6,300	56,152	58,874	Sirf Technology	7,150	102,044	93,451
Merrill Lynch & Co Target Term	6,743	61,166	60,754	SK Telecom Ltd	17,040	365,776	357,670
Merrill Lynch & Co Global	35,400	336,929	349,752	SLM Corp	4,545	172,686	183,845
Micrel Inc	47,025	575,723	571,354	Southtrust Corp	928	30,187	36,016
Microsoft Corp	90,950	2,916,614	2,597,532	SPDR S&P	28,102	2,866,914	3,218,522
Millennium Chemicals	87,625	1,035,811	1,517,665	Speedway Motorsports	35,225	1,041,293	1,177,924
Monsanto Co	1,998	70,116	76,923	Sprint Corp	7,494	142,924	131,894
Morgan Stanley	9,726	633,032	513,241	SRA International	7,925	304,773	335,386
Morgan Stanley Dow Jones	10,600	94,727	95,930	St. Jude Medical	12,650	938,363	956,973
Morgan Stanley DW	22,500	218,700	224,888	Starbucks Corp	18,110	763,787	787,604
Morgan Stanley Mkt Partn Secs	12,700	127,508	130,175	State Street	6,605	263,913	323,909
Morgan Stanley Oil Svcs	5,400	54,486	56,700	Symantec Corp	17,290	732,953	756,956
Morgan Stanley Partn Secs	4,800	48,855	48,855	Symyx Technologies	5,825	95,081	140,499
Morgan Stanley Perofrmance	700	15,106	15,246	Taiwan Semiconductor	108,890	925,135	904,879
Morgan Stanley Protection MPS	85,900	910,498	919,130	Target Corp	36,567	1,277,876	1,553,000
Morgan Stanley Triple A Bskt	127,700	1,135,553	1,200,380	Targets	5,500	41,660	41,855
Morgan Stanley Value Basket	48,300	450,934	458,850	Targets TR XIII	9,500	86,953	81,225
Myriad Genetics	14,150	312,245	211,118	Targets TR XVI	23,800	252,485	257,040
Nassda Corp	18,825	193,594	77,747	Targets Trust Pfd	175,700	732,780	773,080
Neopharm Inc	4,200	79,236	43,386	TCF Finl	3,900	166,548	226,395
Neurochem Inc	4,325	105,908	90,566	Techne Corp	19,125	550,741	830,981
Newmont Mining Corp	6,460	174,278	250,390	Telefonica	13,278	441,377	592,597
News Corp Ltd	4,990	192,492	176,746	Telefonos De Mexico	14,660	334,091	487,738
News Corp LTD	4,852	169,116	159,534	Tessera Technologies	13,600	250,407	245,072
News Corporation	11,245	91,056	92,041	Texas Instr	4,245	209,032	102,644
Nexel Partners	46,475	305,628	739,882	Tidewater	18,575	527,117	553,535
Nokia Corp	6,800	44,451	98,872	Tiers Call Prin	95,100	840,001	879,675
Northrop Grumman	10,936	526,833	587,263	Tiers Principal	63,200	611,168	611,776
NVR Inc	990	335,579	479,358	Tiers Principal	1,200	10,906	11,220
Occidental Pete Corp	3,203	146,929	155,057	Tiers Principal Prot NASDAQ	57,500	525,345	557,750
Oceanering Intl	20,375	613,912	697,844	Tiers Principal Prt Cert	178,200	2,073,081	2,154,604
Odyssey Healthcare	21,268	310,287	400,264	Tiers Principal S&P	24,400	230,423	231,800
Omnicom Group	5,186	429,513	393,566	Tiers Principal Semiconductor	41,300	379,124	402,675
Oracle Corporation	45,742	530,874	545,702	Tiers Principal Telecom	204,300	1,837,648	1,996,011
O'Reilly Automotive	35,374	1,021,158	1,598,905	Time Warner	31,604	515,292	555,598
Payless Shoesource	85,975	1,218,297	1,281,887	Toll Bros Inc	4,375	117,276	185,150
Pediatrix Med	3,325	102,686	232,251	Tredegar Corp	33,125	622,620	534,306

STATISTICAL SECTION

Issue	Shares	Book Value	Market Value at June 30, 2004	Issue	Shares	Book Value	Market Value at June 30, 2004
Tribune Co	11,523	555,777	524,757	Option Contracts			
Tuesday Morning	10,175	298,345	295,075	Option Contracts	31	37,293	48,205
Tyco Intl	13,293	375,297	440,530	Altria Group Put	40	86,920	105,200
UMB Finl	8,100	364,870	418,122	Amgen Put	18	33,458	11,700
Union PAC Corp	4,112	240,626	244,458	Bank One Put	100	50,300	31,000
Unisys Corp	24,137	329,320	335,022	Dupont E I De Nemours Put	50	100,650	79,500
United Health Group	16,774	777,109	1,044,182	Eastman Kodak Put	65	113,295	149,500
United Surgical Parnters	8,500	287,891	335,495	Exxon Put	50	66,338	31,000
United Technologies Corp	6,246	379,279	571,384	General Electric Put	300	101,900	54,000
Univision Communications	8,370	306,531	267,254	General Motors Put	40	99,720	56,600
US Bancorp	13,466	298,219	371,123	Honeywell Intl Put	30	42,390	13,500
UT Starcom Inc	7,250	162,561	219,313	IBM Put	20	9,060	11,100
Verint Systems	6,075	137,193	207,887	International Paper	50	109,194	77,250
Verizon Communications	18,952	963,972	685,873	JP Morgan Put	40	38,520	34,200
Viacom Inc	16,171	672,519	577,628	JP Morgan Put	55	61,765	68,200
Vodafone Grp	12,789	281,707	282,637	Merrill Lynch & Co Put	1,038	26,508	5,190
Wachovia Corp	3,099	106,528	137,906	Merrill Lynch & Co Put	904	47,030	11,300
Waddell & Reed Finl	30,404	731,440	672,232	Merrill Lynch & Co Put	262	15,992	2,620
Wal Mart Stores	26,550	1,395,238	1,400,778	Merrill Lynch & Co Put	1,241	19,151	6,205
Wellpoint Health	2,558	275,928	286,522	Merrill Lynch & Co Put	111	2,886	1,110
Wells Fargo & Co	14,198	663,963	812,552	Merrill Lynch & Co Put	350	37,250	24,500
West Corp	16,150	424,790	422,323	Nasdaq Put	450	262,350	225,000
Weyerhaeuser	8,521	472,503	537,846	SBC Communications Put	65	118,321	138,125
Whole Foods Mkt	2,510	234,031	239,580	WalMart Put	100	60,967	88,500
Wyeth	8,498	367,863	307,288	Total Option Contracts		<u>1,541,257</u>	<u>1,273,505</u>
Yahoo Inc	58,680	1,263,231	2,135,952				
Yankee Candle	20,050	477,436	586,463	Other Investments			
Yukos Corp	3,300	154,917	104,940	RWI Group III		5,942,319	1,044,072
Zimmer Hldgs	3,960	340,129	349,272	RWI Group IV		5,950,020	3,889,285
Total Common & Preferred Stock		<u>401,468,953</u>	<u>451,022,874</u>	Total Other Investments		<u>11,892,339</u>	<u>4,933,357</u>

ADMINISTRATIVE EXPENSES

	2004	2003
Salaries	\$316,746	\$311,344
Payroll Taxes	22,644	22,132
Employee Benefits	51,066	48,839
Postage & Mailing	28,630	36,653
Telephone & Electricity	7,428	7,531
Printing & Binding	11,865	16,720
Office Supplies	6,844	6,954
Office Rent	37,712	56,862
Insurance	30,181	36,113
Data Processing	81,515	75,358
Depreciation	12,741	15,820
Travel	13,257	16,822
Mileage and Parking	1,438	2,026
Business Expense	15,053	24,369
Legal Fees	29,576	28,497
Actuarial	51,159	83,323
Audit	12,864	12,455
Miscellaneous	171	2,357
Total Administrative Expenses	<u>\$730,890</u>	<u>\$804,175</u>

STATISTICAL SECTION**Investment Expenses**

Investment Expenses - Securities	<u>2004</u>	<u>2003</u>
Money Manager and Custodian Fees		
Advanced Investment Management	\$0	(\$46,724)
Alliance Capital	179,564	145,494
BlackRock	48,799	0
Capital Guardian	290,841	213,159
GE Capital	246,704	200,227
Loomis Sayles	0	20,517
Loomis Sayles - High Yield	0	18,871
Mellon Capital - Fixed Income	75,861	76,880
Mellon Capital - Equity	63,391	76,367
Mellon Capital - International	46,529	41,788
Mellon Capital - Transitional	0	39,626
Templeton	294,133	213,830
The Clifton Group	270,753	186,043
Sterling	276,405	194,781
Wasatch	289,614	183,646
Custodian Fees	<u>76,274</u>	<u>95,651</u>
Total Money Manager and Custodian Fees	2,158,868	1,660,156
Salaries	129,925	123,867
Payroll Taxes	9,294	8,828
Employee Benefits	20,959	19,479
Telephone and Electricity	3,049	2,748
Office Supplies	2,809	1,238
Office Rent	15,478	22,679
Insurance	27,289	32,100
Depreciation	5,229	6,310
Travel	12,459	15,474
Business Expense	3,647	(491)
Audit	5,280	4,968
Legal Fees	3,856	112,863
Consulting	4,500	5,400
Miscellaneous	<u>1,865</u>	<u>31,919</u>
Total Investment Expenses - Securities	<u>\$2,404,507</u>	<u>\$2,047,538</u>
Investment Expenses - Real Estate		
Salaries	\$0	\$11,125
Payroll Taxes	0	794
Employee Benefits	0	1,752
Telephone and Electricity	0	595
Office Supplies	0	112
Office Rent	0	2,039
Depreciation	0	567
Business Expense	0	2
Legal Fees	2,299	30,901
Audit	0	447
Property Taxes	0	10,927
Miscellaneous	<u>25</u>	<u>(707)</u>
Total Investment Expenses - Real Estate	<u>2,324</u>	<u>58,554</u>
Total Investment Expenses	<u>\$2,406,831</u>	<u>\$2,106,092</u>