

Arlington Senior High, Hardacre Senior High, Central Senior, Johnson Senior, Area Learning Center - Secondary, Humboldt Senior, Cremo Park Senior, Wolston Magnet, Cremo Park Elementary w/ Special, Hubbs Center, Area Learning Center - Elementary, Highland Park Senior, Earth Creek Middle School, Washburn Middle School, Crossroads - Highland Park Junior, Platten Lake, Frost Lake Magnet, Hancock Magnet, Paul & Sheila Wellstone Elementary, Bruce Young Professional Development, Capitol Hill Magnet, Roosevelt Magnet, Murray Junior High, Hazel Park Middle, Earth Creek Elementary, Mississippi Magnet, Espos Magnet, Monroe Community, Highland Hills Montessori, District Service Facility, Dryden Hill Elementary, Parkview, North End Elementary, Cleveland Quality Middle, Roxane Junior High, Saint Paul College, Maxwell Magnet, Longfellow Magnet, Benjamin Moss Magnet, District Headquarters, Adams Swedish Montessori, Cherokee Heights Magnet, Fairview Hill Magnet, Humboldt Junior, John A. Johnson School, Jackson Magnet, Bandana Square Site, Franklin Magnet, Hayden Heights, J. J. Hill Montessori Magnet, Nekoma Montessori, Karsten Heights, Bridgeway, Pines Beyond, Turner Magnet, American Indian Magnet, Chelsea Heights, Greenland Elementary, Prairie Magnet, Open School, World Cultures Magnet, Lamont Jr. Montessori Magnet, Wilson Middle, Randolph Heights, Duncroft Elementary, Foxcroft Heights, St. Anthony Park, Highland Park Elementary, Ames Elementary, Shevdon Elementary, Mary Four Schools Jr., Student Placement Center, St. Paul French Immersion, AGAPE Family Education, Whole Child Education, Deer Valley Town, Riverside Learning, Central Workplace Kindergarten, Birch Montessori, Brown House, Arlington House, Juvenile Detention Center, Creative Arts School, Greenview PPK, Pegasus Heights, Children's Family Services, Mt. Park, Tenthredin Project, English Family Resources Center, Oak Park Montessori, St. Paul Community, Eagle Family Resource Center, HCAP King Park Academy, LEARN Program, Magnet PPK

St. Paul Teachers' Retirement Fund Association

Annual Report of the
Board of Trustees
for the
Fiscal Year Ended
June 30, 2005

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Mission Statement

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

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

St. Paul Teachers' Retirement Fund Association

Board of Trustees



Feryle W. Borgeson
President



Mike McCollor
Trustee



John R. Kunz
Vice President



Erma E. McGuire
Trustee



Eugene R. Waschbusch
Secretary-Treasurer



Al Oertwig
Ex-Officio Trustee



Carol J. Adams
Trustee



James Paddock
Trustee



Matthew Bogenschultz
Trustee



Chong Thao
Trustee

St. Paul Teachers' Retirement Fund Association

TRUSTEES & OFFICERS

Carol J. Adams	Al Oertwig	Feryle W. Borgeson..... President	1619 Dayton Avenue, Room 309
W. Matthew Bogenschultz	James Paddock	John R. Kunz..... Vice President	Saint Paul, MN 55104-6206
Mike McCollor	Chong Thao	Eugene R. Waschbusch..... Secretary-Treasurer	Phone (651) 642-2550
Erma E. McGuire		Phillip Kapler..... Executive Director	Fax (651) 642-2553

Members of the Association :

The Board of Trustees of the St. Paul Teachers' Retirement Fund Association (SPTRFA) submits herewith the Annual Financial Report for the fiscal year ended June 30, 2005, in accordance with the provisions of Minnesota Statutes 356.20.

This is the complete Annual Report of the Board of Trustees, a copy of which is mailed to each school building or other location where members work. A summary version of this report has been sent to each member. The complete Annual Report will be provided to anyone making such a request.

CONSULTANTS

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

Special consulting actuarial work was performed by Gabriel, Roeder and Smith. Legal services were performed by the firm of Oppenheimer, Wolfe & Donnelly, LLP, our Legal Counsel. Callan Associates is the Investment Consultant for the Association.

REVENUES

The reserves required to finance benefits come from employee and employer contributions, state aid and investment gains. During fiscal year 2004-05, total contributions were \$37,419,710. Net investment income including unrealized market appreciation for the same period was \$99,424,132.

EXPENSES

Benefits to retirees, disabilitants and survivors paid in this fiscal year totaled \$72,448,201. Refunds to members who left the Association totaled \$1,072,293. Administrative expenses were \$558,573.

INVESTMENTS

Investment performance for the year was very positive, as the total fund return for the twelve months ending June 30, 2005 was 11.8% net of fees; 3.3% more than our actuarial 8.5% target. Strong performance by active domestic and international equity managers helped to place the SPTRFA among the top 4% of funds in the Callan Public Fund Universe for the year.

Total returns exceeded our composite benchmark by 1.6%. Net assets held in trust on June 30, 2005 were \$934,667,364; a gain of \$62,764,775 over the same figure from the previous year.

FUNDING

As of July 1, 2005, the funding ratio stood at 70%, down from the 72% funded ratio of one year earlier. The change is attributable to several factors: (1) The asset value used to calculate the funded ratio gives greater weight to investment returns in bad years (2000-03) and less weight to more recent and very positive years. (2) In 2004-05, the school district laid off staff and held vacancies as part of an overall budget management strategy, which resulted in lower contributions to the pension fund. (3) Statutory contribution levels are insufficient to meet liabilities accruing, and previously unfunded costs.

Future improvement in the funded ratio will depend on a number of factors, such as demographic changes and investment performance. Since 2003, the number of benefit recipients has increased by over 250, whereas the number of active members has remained nearly constant. Investment performance has been very favorable, but the existence of a persistent contribution deficiency indicates that some form of supplemental revenue will be required in order to fully fund plan liabilities over any reasonable amortization term.

LEGISLATION

The 2005 Omnibus Pension Bill, HF-44, (Smith/Murphy) was passed in the 11th hour of the Special Session. The bill was signed by the Governor on July 25th, 2005. Provisions affecting the SPTRFA were generally administrative in nature: (1) Service purchases for strike periods are now allowed for all public employees. (2) The sunset date for purchases of prior military service was extended to May 16, 2007. (3) Published bylaws must be updated by June 30, 2006, and within six months of any future amendments. (4) Itemization of certain administrative costs were mandated in our annual financial report (incorporated herein).

MEMBERSHIP & RETIREMENTS

The SPTRFA covers 4,349 active instructors and licensed administrators for the Saint Paul Public Schools and Saint Paul College. The number of retirees, disabilitants, and survivors receiving benefits was 2,505. New retirements totaled 192 during the year, while 58 retired members and survivors passed away. The average new retiree monthly benefit for those whose teaching careers in Saint Paul range from 25 to 30 years, was \$2,888.

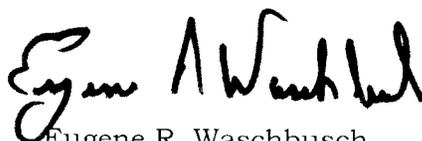
POST-RETIREMENT BENEFIT ADJUSTMENT

All members receiving a benefit payment for at least 18 months on January 1, 2006, received a permanent 2.0% increase in their monthly benefit. There was no addition for excess investment earnings payable in 2006 because the five-year annualized rate of return on fund investments as of June 30, 2005 was below the statutory 8.5% threshold.

On behalf of the members of the Board of Trustees we wish to express our gratitude to the Association staff, Saint Paul Public Schools, and to others who have helped assure our successful operation. As the SPTRFA enters its 97th year of operation, we pledge to continue to administer the affairs of this Association with the utmost diligence and efficiency.

Respectfully submitted,


Feryle W. Borgeson
President


Eugene R. Waschbusch
Secretary-Treasurer


Phillip G. Kapler
Executive Director

St. Paul Teachers' Retirement Fund Association

MEMBERS: Active, Retired, Survivors & Beneficiaries

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

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

ADMINISTRATION

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

BENEFITS ADMINISTRATION

Active Member Services
 Retired Member Services
 Records Management
 Member Counseling

OPERATIONS

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

PROFESSIONAL TECHNICAL SERVICES

Legal Counsel, *Oppenheimer, Wolff & Donnelly*
 Actuary, *Gabriel, Roeder, Smith & Company*
 Medical Advisor, *Dr. Ronald Vessey M.D.*
 Medical Advisor, *Dr. David Johnson M.D.*
 Investment Consultant, *Callan Associates*
 Investment Managers, *(Various)*

GOVERNMENTAL RELATIONS

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

St. Paul Teachers' Retirement Fund Association

Professional Listing *(as of June 30, 2005)*

Actuaries

Segal Company
Gabriel, Roeder, Smith & Company

Auditor

Office of the State Auditor

Investment Counsel

Advantus Capital Management
Alliance Capital
Barclays Global Investors
Barrow, Hanley, Mewhinney & Strauss, Inc.
The Boston Company Asset Management
Capital Guardian International, Inc.
The Clifton Group
Dimensional Fund Advisors, Inc.
Fifth Third Asset Management
JPMorgan Asset Management
Morgan Stanley Asset Management
RWI Ventures
UBS Realty Investors, LLC
Voyageur Asset Management
Wellington Management Company, LLP

Investment Consultant

Callan Associates

Legal Counsel

Oppenheimer, Wolff & Donnelly, LLP

Financial Section



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
St. Paul Teachers' Retirement Fund Association

We have audited the basic financial statements of the St. Paul Teachers' Retirement Fund Association as of and for the year ended June 30, 2005, 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the St. Paul Teachers' Retirement Fund Association as of June 30, 2005, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Handwritten signature of Patricia Anderson in black ink.

PATRICIA ANDERSON
STATE AUDITOR

Handwritten signature of Greg Hierlinger in black ink.

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: December 30, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005
(Unaudited)

This section summarizes key information drawn from more detailed sections elsewhere in this report. It includes a brief overview of the financial performance and actuarial status of the St. Paul Teachers' Retirement Fund Association (hereinafter "SPTRFA," "Association," or "Fund") for the fiscal year ended June 30, 2005.

The following principle schedules are referenced throughout:

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

ORGANIZATIONAL STRUCTURE

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

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

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

INVESTMENT PERFORMANCE

Contributions provide the initial capital base of any retirement plan, as a lake or pond is often the origin point for a river. However, most of the water that ultimately flows out to sea comes not from the headwaters; rather, its source is the many tributaries on the long and winding voyage toward the sea.

Retirement funds operate in similar fashion. For every dollar ultimately paid out in benefits, about 30 cents will come from employee and employer contributions. Typically, about 70 cents will come from investment earnings on those contributions over time. Clearly, the adequacy of benefits and the long-term health of the Fund rely heavily on the efficient and prudent investment of contributions from members, employers, and taxpayers. In this regard, the Association has performed very well in recent years.

Our statutory, actuarial assumed return is 8.5 percent per year; an *absolute standard* of investment performance. Over any five-year window, annualized returns below this absolute target will cause unfunded liabilities to increase. Excess returns add to the actuarial balance sheet and reduce the unfunded liabilities of the plan, *ceteris paribus*. It is also important to measure how assets are performing in comparison to other public pension funds and to how the assets might have performed if passively invested in index-matching portfolios. To assess *relative* investment performance, we compare returns to those of similar pension funds and the composite benchmark return that would have occurred if the assets had been indexed to matching asset class targets selected by the trustees.

Comparison of Annualized Returns (%)

	1-Year	3-Year	5-Year
Actual performance (net of fees)	11.8	11.1	4.9
Benchmark	10.2	11.1	3.7
Actuarial target	8.5	8.5	8.5
Actual versus benchmark	+ 1.6	-	+ 1.2
Actual versus actuarial target	+ 3.3	+ 2.6	- 3.6

The 2005 total Fund return (net of fees) rose to 11.8 percent, or about 1.6 percent more than the absolute actuarial target needed to offset “normal cost,” or the annual rate of liability accumulation. This is very positive news, especially on the heels of a 19.7 percent return in 2004. It would be good to see a few more years of such excess returns, as the three years preceding these witnessed the worst period of consecutive returns to the broad equity markets since the Great Depression. Despite the gains of recent years, the drag of those down market years is manifested in the five-year return relative to the actuarial target of 8.5 percent, and our current funding ratio reflects continued drag from the more adverse markets of 2001, 2002, and 2003.

When *relative returns* are considered, our performance was equally positive. Data from Callan Associates, our general investment consultant, indicate that on a net-of-fees basis, the Association beat its composite benchmark by 1.6 percent over the fiscal year. In the world of

(Unaudited)

institutional investing, that is a *wide* margin of relative gain. On a five-year basis, the Fund outperformed the composite by 1.1 percent; again, a significant positive spread. Among all plans included in the Callan Public Funds Universe, our overall performance in 2004-05 ranked in the top three percent, which attests to superior strategic placement of assets by the trustees and strong performance from active managers under contract.

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

Recent absolute gains may be hard to repeat over the next few years. Most experts forecast domestic equity markets returns to hover in the mid-single digit range for the rest of this decade. The Fund has 47 percent of its assets in U.S. equities. If the forecasters are proven correct, total Fund returns below the absolute 8.5 percent target are nearly assured.

Our asset allocation was another contributor to excess performance, with a large allocation to international equities (25 percent) and an overweight to small cap and value-style equity markets. The value style tilt of the portfolio will be corrected through rebalancing transactions. The assets invested in international equities reflect a long-term allocation that the Trustees and their consultant consider a sound, long-term allocation. In certain shorter-term market environments, that strategy may not add to performance as well as it has in recent years.

Regarding future *relative* performance, our stated goal is to consistently exceed the median public fund total return. That goal is both reasonable and attainable. Any presumption, however, that we can indefinitely sustain top-decile relative performance could only be child to a reckless and unbridled form of hubris.

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

SUMMARY INFORMATION FROM THE FUND FINANCIAL STATEMENTS

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

(Unaudited)

Plan Net Assets
(In Thousands of Dollars)

	June 30	
	2005	2004
Assets		
Cash	\$ 3,179	\$ 8,929
Receivables	8,313	4,394
Investments at fair value	933,728	860,404
Securities lending collateral	101,596	79,012
Capital assets, less depreciation	33	36
Total Assets	\$ 1,046,849	\$ 952,775
Liabilities		
Accounts payable	\$ 737	\$ 772
Securities purchases payable	9,849	1,053
Variation margins payable	-	35
Securities lending collateral	101,596	79,012
Total Liabilities	\$ 112,182	\$ 80,872
Net Assets Held in Trust for Pension Benefits	\$ 934,667	\$ 871,903

Changes in Plan Net Assets
(In Thousands of Dollars)

	Year Ended June 30	
	2005	2004
Additions		
Employer and employee contributions	\$ 34,021	\$ 34,686
State of Minnesota amortization aids	3,398	3,393
Investment activity, less management fees	99,268	145,367
Net securities lending income	156	213
Total Additions	\$ 136,843	\$ 183,659
Deductions		
Benefits, withdrawals, and refunds	\$ 73,520	\$ 68,880
Administrative expenses	559	516
Total Deductions	\$ 74,079	\$ 69,396
Net Increase (Decrease)	\$ 62,764	\$ 114,263
Net Assets in Trust for Benefits - Beginning of the Year	871,903	757,640
Net Assets in Trust for Benefits - End of the Year	\$ 934,667	\$ 871,903

(Unaudited)

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

- (1) Investment had a very positive effect on the Fund's bottom line, generating approximately \$99 million in additional assets; and
- (2) the SPTRFA manages a mature defined benefit program, for which annual benefit expenditures typically exceed payroll contributions by a significant amount.

These two facts underscore the importance of a sound investment management program. Annual benefit expenditures are about double the level of annual contributions. This is not unusual for a fund such as that administered by the SPTRFA. However, this relationship exposes a certain structural erosion to the asset base. Any year in which the targeted absolute return of 8.5 percent is missed amplifies the effect of this structural budgetary imbalance. The long-term required rate of return then, all else remaining the same, must *exceed* the assumed return by some percentage factor. While we do not know with any precision what that "excess return" is, it most certainly grows by some marginal increment any time the Fund falls short of the actuarial target return.

Administrative costs, as can be seen above, are a small part of program expenditures. The Board of Trustees nevertheless must be diligent to monitor and control those costs, since any dollar spent to administer the program affects the total assets available to pay benefits. In a recent report by the Office of the State Auditor¹, the Association's operating expenditures ranked very low compared to other public plans in the state when measured on a per-member basis. Investment expenses, as a percent of assets, were above average, due in part to a relatively larger allocation to active asset management.

Notes to the Basic Financial Statements

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

- (1) Describes accounting policies applied in the development of the basic financial statements.
- (2) Provides a description of the plans administered by the SPTRFA, including coverage, classes of membership, and benefits.
- (3) Describes the laws and policies governing the deposit and investment of Association assets and also describes other common risks, including concentrations of credit risk, interest rate risk, and foreign currency risk.
- (4) Explains the securities lending program which the SPTRFA participates in through its custodian, the Bank of New York. By state law, securities on loan must be at least 100 percent collateralized at all times.

¹ "State of Minnesota, Office of the State Auditor, Large Public Pension Plan Investment Report, For the Year Ended December 31, 2004."

(Unaudited)

- (5) Describes how funds are accumulated through contributions.
- (6) Describes the risk management policies of the Association with respect to losses related to torts, loss of assets, injuries to employees, and natural disasters.

Actuarial Valuation Summary

The financial statements can tell the reader whether, on a certain date, a plan is solvent, or how certain critical financial variables are moving over narrow time frames. They do not, however, tell the reader whether current financing mechanisms are adequate to satisfy future liabilities associated with promised plan benefits over longer periods of time. Hence, an actuarial valuation is needed to supplement accounting-based measures of funded status, and an entire section of this report is dedicated to actuarial measures of the Fund’s long-term fiscal health.

The July 1, 2005, valuation is a forecast and, as such, indicates the funded status of the defined benefit plans administered by the Association, provided that key assumptions driving the forecast results are valid. An experience study is conducted every four or five years in order to test whether important assumptions are consistent with real data over time. If the demographic and economic assumptions governing the valuation process are, in fact, relatively accurate, then policymakers may focus on those factors that may be directly influenced; namely, contribution rates and investment performance.

In 2002, the Fund adopted a number of changes to demographic, mortality, and salary progression assumptions to facilitate more accurate estimation of plan liabilities over time. No other changes have been solicited or adopted since. There were no changes to assumptions governing the valuation methodology or key valuation economic assumptions in the most recent year. Below are summary comparative statistics from the July 1, 2005, valuation:

**Summary of 2005 Actuarial Valuation
Plan Year Beginning July 1, 2005**

	2004	2005	Change
Covered payroll	\$ 221,685,475	\$ 223,762,071	+ 0.94%
Statutory contributions (Ch. 354A)	16.62%	16.49%	- 0.13%
Required (Ch. 356)	21.59%	23.78%	+ 2.19%
Sufficiency/(Deficiency)	- 4.97%	- 7.29%	- 2.32%
Market value of assets	\$ 871,902,589	\$ 934,667,364	+ 7.20%
Actuarial value of assets	\$ 898,859,732	\$ 905,292,514	+ 0.72%
Actuarial accrued liability	\$ 1,251,460,084	\$ 1,299,831,584	+ 3.87%
Unfunded liability	\$ 352,600,352	\$ 394,539,070	+ 11.89%
Funded ratio	71.82%	69.65%	- 2.17%

The 2005 actuarial valuation reflects a slight deterioration in overall funded status compared to the previous year, despite significant excess investment gains of 3.3 percent (net of fees) in the most recent fiscal year. A decline in the funded ratio seems counterintuitive. It occurs because the actuary is required to “smooth out” the effect of investment gains and losses over a five-year

(Unaudited)

window, with each year allowed an additional 20 percent in the weighting formula. Hence, while investment gains for the most recent years have been very strong, less weight is given to those gains, while the relative weight for *negative* years (2001-03) *increased* relative to the previous year valuation. In time, the bad years will drop out of the current asset equation, and the funded ratio should reflect gains driven by more recent and more positive years.

Distortions introduced by the valuation methodology and the compression of the amortization target period to 15 years are factors that must be taken into consideration. They do not, however, completely overcome the serious deterioration in measured contribution adequacy in the last two valuations. Continuing to expect investment performance to offset the effects of a slowly growing payroll base and an erosion in the adequacy of the contribution stream does not seem wise. It will be necessary to supplement the plan by a significant amount in order to prevent further deterioration in the funded ratio due to insufficient contributions.

* * * * *

Collectively, the schedules, accompanying notes, and discussions in this report provide comprehensive information as of June 30, 2005, regarding the benefit plans administered by the Association, the asset and liability structure of the Fund, the financial and actuarial status of the SPTRFA, and key policies and procedures of the Association.

Information compiled for this report is intended to conform with generally accepted accounting principles and Governmental Accounting Standards Board Statements 25, 28, 34, and 40. At all times, the objective has been to provide an accurate and balanced picture of the financial and actuarial condition of the retirement program established and administered on behalf of educators in St. Paul. Questions about the information in this report should be directed to:

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

Phone: (651) 642-2550
Facsimile: (651) 642-2553
Website: <http://www.sptrfa.org>
Email: info@sptrfa.org

(Unaudited)

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

**STATEMENT OF PLAN NET ASSETS
JUNE 30, 2005**

<u>Assets</u>	
Cash	\$ 3,179,437
Receivables	
Employer and employee contributions	\$ 1,891,723
Interest	765,084
Dividends	209,530
Sales of securities	5,436,117
Other	10,886
Total receivables	\$ 8,313,340
Investments, at fair value	
U.S. government securities	\$ 26,531,474
TBAs	18,665,733
Corporate bonds	42,369,736
Corporate stocks	204,503,038
Commingled investment funds	
Pooled international equity trust	93,298,019
Government/credit bond index fund	82,135,856
Equity index fund	129,770,147
Extended equity index fund	49,325,110
Russell 2000 equity index fund	11,478,539
International emerging markets growth fund	41,219,677
Mutual fund	44,029,907
International corporate stock fund	96,767,387
Money market funds	13,171,966
Limited partnership	2,642,675
Real estate securities	77,819,036
Total investments, at fair value	\$ 933,728,300
Invested securities lending collateral	\$ 101,595,603
Furniture and fixtures (at cost, less accumulated depreciation of \$97,887)	\$ 32,679
Total Assets	\$ 1,046,849,359
<u>Liabilities</u>	
Accounts payable	\$ 737,364
Security purchases payable	9,849,028
Securities lending collateral	101,595,603
Total Liabilities	\$ 112,181,995
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress is Presented on Page 28.)	\$ 934,667,364

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

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

**STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

Additions	
Contributions	
Employer	\$ 20,435,230
Members	13,586,719
Other sources	
State of Minnesota	3,397,761
	<hr/>
Total contributions	\$ 37,419,710
Investment income (loss)	
From investing activity	
Net appreciation (depreciation) in fair value of investments	\$ 91,055,139
Interest	4,836,461
Dividends	3,523,864
Other	3,275,157
	<hr/>
Total investing activity income (loss)	\$ 102,690,621
Less: investing activity expense	
External	(3,255,902)
Internal	(166,508)
	<hr/>
Total Less: investing activity expense	\$ (3,422,410)
Net income (loss) from investing activity	\$ 99,268,211
From securities lending activity	
Securities lending income	\$ 2,198,847
	<hr/>
Less: securities lending expense	
Borrower rebates	\$ (1,976,965)
Management fees	(65,961)
	<hr/>
Total securities lending expense	\$ (2,042,926)
Net income from securities lending activity	\$ 155,921
Net investment income (loss)	\$ 99,424,132
Total Additions	\$ 136,843,842

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

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

**STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

Deductions	
Benefits to participants	
Retirement	\$ 65,125,102
Disability	1,020,828
Survivor	6,243,438
Dependent children	58,833
Withdrawals and refunds	<u>1,072,293</u>
Total benefits, withdrawals, and refunds	\$ 73,520,494
Administrative expenses	
Staff compensation	\$ 400,255
Professional services	60,002
Office lease and maintenance	40,727
Communication related expenses	14,719
Other expense	<u>42,870</u>
Total administrative expenses	\$ 558,573
Total Deductions	\$ <u>74,079,067</u>
Net Increase (Decrease)	\$ 62,764,775
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	871,902,589
End of Year	<u><u>\$ 934,667,364</u></u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

1. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

Basis of Accounting

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

Investments

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

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

1. Summary of Significant Accounting Policies

Investments (Continued)

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

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

Derivative Investments

The Association may invest in futures contracts using a static asset allocation investment strategy.

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

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

The Association invests in TBA, or "to-be-announced," mortgage-backed securities. TBA mortgage-backed securities transactions are a basic mechanism for trading federal agency mortgage pass-through securities on a delayed delivery and settlement basis. They do not represent a separate type or class of mortgage-backed securities. A TBA transaction is a purchase or sale of mortgage pass-through securities with settlement agreed upon for some future date. The purchase of pass-throughs on a TBA basis creates a long position in the underlying security on the trade date with associated market risk in the position. The securities

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

1. Summary of Significant Accounting Policies

Derivative Investments (Continued)

to be delivered are described in general detail at the time of trade but are not specifically identified until shortly prior to settlement. TBA transactions may involve newly-issued or existing agency mortgage pass-throughs.

Investment Income

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

Contributions

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

Benefits and Refunds

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

Furniture and Fixtures

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

2. Description of Plans

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

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

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

2. Description of Plans (Continued)

General

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

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, 2005, the Association's membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,505
Terminated employees entitled to but not yet receiving benefits	1,368
Terminated, non-vested	1,687
Current active plan members (including members on leave)	<u>4,349</u>
Total Membership	<u>9,909</u>

Pension Benefits

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

Disability Benefits

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

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

2. Description of Plans (Continued)

Other Benefits

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

3. Deposits and Investments

A. Deposits

Authority

Minn. Stat. § 356A.06 authorizes the Association to deposit its cash in financial institutions designated by the Board of Trustees.

Custodial Credit Risk

The custodial credit risk for deposits of the Association describes the potential for partial or total loss of cash or near-cash holdings in the event of a depository failure. Minnesota statutes require that assets held in depository accounts be insured by the Federal Deposit Insurance Corporation (FDIC), or exclusively pledged collateral of 110 percent of the uninsured amount on deposit. Balances in the Associations' checking account at US Bank can vary dramatically over short periods of time, as this account holds short-term deposits and transfers necessary to meet not only general operating expenses, but large monthly benefit payments totaling \$6.7 million or more per month. Association deposits at US Bank are fully collateralized by pledged U.S. Treasury or federal agency notes on deposit with the Federal Reserve Bank.

Deposits with the Bank of New York consist primarily of net earnings on loaned securities. Rarely would this account exceed \$100,000, the FDIC limit, as balances are regularly drawn down below \$25,000 in order to pay bank, investment consultant, and certain other investment manager fees. Balances are swept daily and included in the Bank of New York Short-Term Collective Trust, where they are invested in a commingled pool, consisting of U.S. Treasury, other governmental, and high-grade short-term corporate bonds. The Association's deposits at June 30, 2005, are completely protected and, therefore, there is no custodial credit risk for deposits.

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

3. Deposits and Investments (Continued)

B. Investments

Authority

The Association's investments are authorized by state law and its own investment policy. Permissible investments include, but are not limited to: government and corporate bonds, foreign and domestic common stock, real property, venture capital investments, and notes.

Custodial Credit Risk

Custodial credit risk for investments is generally defined as an assessment of the potential that loaned securities of the Association may be insufficiently collateralized, or that a counterparty to any loan of Association securities might be either undercollateralized or fail to deliver loaned securities in time to satisfy current security trading needs.

According to Association policy, all securities purchased by the Association are held by a third-party safekeeping agent appointed as a custodian who is also the lending agent/counterparty. The securities lending agreement in place between the Association and its custodian is also consistent with this policy.

The Association has no custodial credit risk for investments at June 30, 2005, other than that related to the invested securities lending collateral, as described in Note 4.

Interest Rate Risk

Interest rate risk for investments consists of assessing the potential for adverse effects on the market value of debt securities held as a result of interest rate changes.

The Association participates in fixed income markets through both "active" and "passive" or indexed investment manager accounts, as listed below.

<u>Mandate</u>	<u>Management Firm</u>	<u>Market Value</u>
Active	Voyageur Asset Management	\$ 93,657,672
Indexed	Barclays Global Investors	\$ 82,135,856

The Association has, relative to peers, a small allocation to fixed income assets as part of its investment policy. At June 30, 2005, the targeted allocation was 19 percent of total Fund assets. The actual share of total Fund assets was 18.8 percent.

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

3. Deposits and Investments

B. Investments

Interest Rate Risk (Continued)

The active fixed portfolio has a shorter overall weighted duration than the Lehman Aggregate Index benchmark. All else being equal, this would be expected to reduce the account's risk to adverse effects from rising interest rates.

The index account manager, Barclays Global Investors (BGI), has as part of its mandate, the explicit objective of matching, as closely as possible, the overall weighted direction of the Lehman Government/Credit Bond Index. Here, the fixed income strategy is indifferent to changes in the near-term changes in rates of interest.

The following table shows weighted overall durations of each investment account and the associated benchmark as of June 30, 2005:

<u>Account</u>	<u>Average Duration in Years</u>	<u>Average Duration of Benchmark</u>
Voyageur Asset Management	4.79	4.91
Barclays Global Investors	5.20	5.21

Liquidity needs of the Association are not a factor in the structure of the fixed income, or any other asset class in which the Fund participates. The allocation of assets and the structure of investment accounts are optimized relative to long-term investment objectives and capital asset pricing models. The Association attempts to match asset allocations to policy targets and draws down accounts to meet short-term liquidity needs by targeting accounts that are, relative to targets, overfunded. This, in effect, rules out considerations about changes to interest rates, security duration, or portfolio term structures.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minn. Stat. § 356A.06, subd. 7, limits fixed income holdings to investment grade securities. Government-issued debt securities, while broadly defined in law, must be backed by the full faith and credit of the issuing domestic government or agency, with principal and interest payable in U.S. dollars.

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

3. Deposits and Investments

B. Investments

Credit Risk (Continued)

Corporate fixed securities are limited to those either issued by companies domiciled in the United States or the Dominion of Canada. In all cases, securities must be rated among the top four categories of a nationally recognized rating agency.

The following table provides the range of security types and credit ratings (where applicable) to the holdings of the Association's one active fixed income portfolio manager.

Actively Managed Fixed Income Securities Type, Rating, Relative Shares June 30, 2005				
Fixed Income Security Type	Rating (Standard and Poors)	Amount	Amount/ Subtotal	Percent (%)
Asset Backed Securities	A- AAA	\$ 461,881 12,262,509		
Subtotal			\$ 12,724,390	16
Collateralized Mortgage Obligations	AAA Federal/Unrated	\$ 4,187,615 8,083,647		
Subtotal			12,271,262	15
Corporate Bonds	AA+ AA A+ A- A BBB+ BBB BBB-	\$ 522,495 536,602 1,963,071 3,147,641 2,566,141 4,164,107 3,833,812 1,412,059		
Subtotal			18,145,928	22
U.S. Government Bonds	AAA	\$ 11,789,883		
U.S. Government Agencies	AAA	330,563		
Government National Mortgage Association	Federal/Unrated	564,130		
Federal Home Loan Mortgage Corporation	Federal/Unrated	2,894,453		
Federal National Mortgage Association	Federal/Unrated	17,278,115		
Subtotal			32,857,145	41
Miscellaneous Other Fixed Income	AAA		800,000	1
Preferred Stock	BBB+		429,510	1
Private Placements	AAA BBB+	\$ 753,603 332,287		
Subtotal			1,085,889	1
State and Local Obligations	AA+ AAA AA	\$ 134,621 1,992,556 415,905		
Subtotal			2,543,082	3
Total			\$ 80,857,206	100

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

3. Deposits and Investments

B. Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk relates to the adequacy of policy and practice in limiting the risk of loss due to insufficient diversification of holdings and could be measured on the basis of holdings from several aspects, such as asset class, region, sector, industry, or company size. The Investment Policy of the Association incorporates the Modern Portfolio Theory approach to capital market pricing, which holds that risk is inevitable for the institutional investor, but it can be reasonably estimated from historical return dispersion patterns and “budgeted” in allocating assets in a manner most likely to earn a targeted long-term rate of return on the overall portfolio.

A good investment policy defines what types of risks will be assumed, how they will be managed, and that each incremental addition to portfolio risk should carry a corresponding and proportional opportunity for gain. The Association’s policy is that the standard deviation of quarterly returns should not exceed 120 percent of the same measure for the asset category benchmark. Minn. Stat. § 356A.06, subd. 7, specifies that equity investment holdings may not exceed 5 percent of the outstanding shares of any one corporation. Association policy also limits exposure to any one company’s securities at 1.5 percent of the total portfolio. Further, no more than 15 percent of the Fund assets may be invested in any one sector, and the maximum allocation to any single active investment manager is 12.5 percent of the total Fund.

The following tables indicate these risk control policies were reflected in portfolio holdings as of June 30, 2005.

Top Ten Holdings - Percent of Assets as of June 30, 2005

<u>Investment Manager - Account</u>	<u>Security or Asset</u>	<u>Market Value</u>	<u>Percent of Total Fund (%)</u>
1. Voyageur - Fixed Income	U.S. Treasury Bonds	\$ 3,921,823	0.4%
2. Barrow Hanley - Large Cap Value	WellPoint, Inc.	2,952,736	0.3
3. Voyageur - Fixed Income	U.S. Treasury Bonds	2,880,825	0.3
4. Voyageur - Fixed Income	Fed. Nat. Mtg. Assn.	2,837,249	0.3
5. Barrow Hanley - Large Cap Value	ConocoPhillips	2,657,533	0.3
6. Barrow Hanley - Large Cap Value	Occidental Petroleum	2,484,839	0.3
7. Voyageur - Fixed Income	U.S. Treasury Bonds	2,301,432	0.2
8. Barrow Hanley - Large Cap Value	Nokia Corp. ADR	2,033,408	0.2
9. Barrow Hanley - Large Cap Value	BP plc ADR	2,021,112	0.2
10. Barrow Hanley - Large Cap Value	Allstate Corporation	2,007,600	0.2
Total for Group		<u>\$ 26,098,557</u>	<u>2.7%</u>

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

3. Deposits and Investments

B. Investments

Concentration of Credit Risk (Continued)

Assets by Investment Account as of June 30, 2005

Investment Manager - Account	Total Assets Under Management (Market Value)	Percent of Total (%)
Bank of New York - Cash Flow	\$ 42,895	-
Alliance Capital - Large Cap Growth	30,345,505	3.3
Barrow Hanley - Large Cap Value	65,084,459	7.0
Fifth Third Advisors - Large Cap	33,031,380	3.6
Wellington - Sm/Mid Cap Growth	40,907,484	4.4
Boston Company - Small Value	36,972,610	4.0
Voyageur - Fixed Income	93,657,672	10.1
Barclays - Govt/Credit Bond Index Fd	82,135,856	8.8
Barclays - Russell 2000 Equity Index	11,478,539	1.2
Barclays - Equity Index Fund	129,770,147	14.0
Barclays - Extended Equity Market Fd	49,325,110	5.3
Dimensional Fund Advisors	44,029,907	4.7
Morgan Stanley - Intl. Equity	93,298,019	10.1
Capital Intl. - Emerging Mkts Gr	41,219,677	4.4
RWI Group	2,642,675	0.2
Turin Networks	1,634,260	0.2
UBS Realty Investors	63,584,244	6.9
Advantus	14,362,177	1.5
JP Morgan - International	96,767,387	10.4
Total Assets by Investment Account	<u>\$ 930,290,003</u>	<u>100.0</u>

The total assets under management at market value are classified as follows on Exhibit 1.

Receivables	
Interest	\$ 765,084
Dividends	209,530
Sales of securities	5,436,117
Investments	933,728,300
Less: securities purchases payable	<u>(9,849,028)</u>
Total Assets Under Management, Market Value	<u>\$ 930,290,003</u>

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

3. Deposits and Investments

B. Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates of foreign currencies relative to the U.S. dollar adversely affect the fair value of an investment or a deposit.

As the U.S. share of global economic output continues to diminish, and the returns to broad U.S. equity markets continue to deliver among the lowest of those for major developed and developing markets globally, it becomes increasingly difficult for any institutional investing entity to justify a fiduciary posture on investments that does not include a significant international component.

However, because the liabilities of any public pension plan are due and payable in U.S. dollars, it is an inescapable fact that ultimately, all foreign holdings must be converted into U.S. dollar liquidity at some point. Owning securities and currencies of other countries, therefore, adds another level and type of risk, which occurs with each movement in the rate of exchange between the U.S. dollar and the relevant currency of trade.

As of June 30, 2005, the Investment Policy of the Association included a dedication of 25 percent of the total Fund as the international equity component of the total portfolio. International positions are held in pooled or commingled investment funds, which render the exposure to foreign currencies to a derivative risk, as the Fund's interest is limited in all cases to a unit valuation expressed in U.S. dollars. The actual allocation was \$231 million, or 24.8 percent of total invested assets. This allocation resulted in derivative exposures to international markets as detailed in the following chart.

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

3. Deposits and Investments

B. Investments

Foreign Currency Risk (Continued)

Assets Held in Non-U.S. Securities/by Currency
June 30, 2005

Currency	Debt	Equity	Total
Argentine Peso	\$ 164,879	\$ 412,197	\$ 577,076
Australian Dollar	-	1,754,846	1,754,846
Brazilian Real	82,439	6,105,058	6,187,497
British Pound Sterling	-	52,135,231	52,135,231
Canadian Dollar	-	805,577	805,577
Chilean Peso	-	329,757	329,757
Chinese Yuan	-	1,525,128	1,525,128
Columbian Peso	41,220	206,098	247,318
Croatian Kuna	-	41,220	41,220
Czech Koruna	-	123,659	123,659
Egyptian Pound	-	453,416	453,416
European Union Euro	-	62,945,931	62,945,931
Hong Kong Dollar	-	3,895,823	3,895,823
Hungarian Forint	-	247,318	247,318
Indian Rupee	-	4,245,627	4,245,627
Indonesian Rupiah	-	1,112,931	1,112,931
Israeli Shekel	-	1,236,590	1,236,590
Japanese Yen	-	36,369,114	36,369,114
Korean Won	-	9,935,165	9,935,165
Malaysian Ringitt	-	2,060,984	2,060,984
Mexican Peso	-	3,519,017	3,519,017
New Zealand Dollar	-	737,054	737,054
Peruvian Nuero Sol	-	82,439	82,439
Philippine Peso	41,220	206,098	247,318
Polish Zloty	-	164,879	164,879
Russian Rouble	41,220	761,307	802,527
Singapore Dollar	-	554,359	554,359
South African Rand	-	2,844,158	2,844,158
Swedish Krona	-	2,501,662	2,501,662
Swiss Franc	-	19,271,010	19,271,010
Taiwan Dollar	-	5,878,655	5,878,655
Thai Baht	-	453,416	453,416
Turkish Lira	41,220	865,613	906,833
Venezuelan Bolivar	-	82,439	82,439
Vietnam Dong	-	41,220	41,220
Total Securities	\$ 412,198	\$ 223,904,996	\$ 224,317,194

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

4. Securities Lending

The Association participates in a securities lending program. On June 30, 2005, 11 percent of its U.S. government securities, corporate bonds, and corporate stocks were loaned out.

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

In the event of failure by the borrowing party to deliver the securities at all, the Association should be at least 100 percent collateralized in order to recover the market value equivalent of securities not returned.

The Association's contract with the Bank of New York also specifies that the custodian will indemnify the Association for any "fails," or loss of securities by failure of borrowers to return securities.

As of June 30, 2005, the fair value of cash collateral received was \$101,595,603, which is included in the Statement of Plan Net Assets both as an asset and offsetting liability. Of the cash collateral, \$62,961,084 was invested in corporate obligations; \$20,599,338 was invested in certificates of deposit; and \$18,035,181 was invested in repurchase agreements, which have an average weighted maturity of 27 days. The Association has no credit risk exposure to borrowers because the amounts the Association owes borrowers exceed amounts borrowers owe the Association. The contract with the trust company requires the trust company to indemnify the Association if borrowers fail to return the loaned securities, requiring delivery of collateral up to the market value of the loaned securities to the Association. All securities loans may be terminated on demand by either the Association or the borrower.

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

5. Contributions

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 expressed as a percentage of annual covered payroll. The requirement to reach full funding by the year 2021 is set in Minn. Stat. § 356.215, subd. 11. As part of the annual actuarial valuation, the actuary determines the sufficiency or deficiency of the statutory contribution rates toward meeting the required full funding deadline. The actuary compares the actual contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the required date for full funding, and (c) an allowance for administrative expenses. At June 30, 2005, the difference between the statutory and actuarially required contributions is a deficiency of 7.29 percent of payroll.

Employer and Employee Contributions

For the fiscal year ended June 30, 2005, the contribution rates required by statute were as follows:

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

Other Contributions

Minn. Stat. § 354A.12 requires the state to annually provide the Association with direct aid until it reaches the same funded status as the Minnesota Teachers' Retirement Association (TRA). The direct state-aid contribution was \$2,967,000 for fiscal year 2005.

Minn. Stat. § 423A.02, subd. 3, requires the state to annually provide certain aid to the Association until it is fully funded. The state amortization aid contribution was \$430,761 for fiscal year 2005. Beginning in fiscal year 1998, the School District must make an additional annual contribution to the Association in order for the Association to continue receiving state amortization aid. The School District contributed \$800,000 for fiscal year 2005.

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

5. Contributions

Other Contributions (Continued)

Statutes also require active and retired members of the Association to provide contributions for the relative difference (per member) between the administrative expenses incurred by the Association and the state TRA. No additional contributions were required in fiscal year 2005.

Reserve

At June 30, 2005, \$11,909,300 of the net assets is considered reserved as it represents the amount of state amortization aid which, pursuant to legislation, must be separately accounted for and may not be used in determining post-retirement benefit increases. This is considered to be fully funded.

6. Risk Management

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

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

Schedule 1

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (%) ((b-a)/c)
2000	\$ 801,823	\$ 998,253	\$ 196,430	80.32	\$ 187,950	104.51
2001	869,045	1,060,931	191,886	81.91	202,915	94.56
2002	899,572	1,141,300	241,728	78.82	201,456	119.99
2003	898,760	1,189,361	290,601	75.57	205,655	141.31
2004	898,860	1,251,460	352,600	71.82	221,685	159.05
2005	905,293	1,299,832	394,539	69.65	223,762	176.32

(Unaudited)

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

Schedule 2

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

Fiscal Year	Annual Required Contributions	Employer Contributions	Employer Percentage Contributed (%)	State Contributions	State Percentage Contributed (%)
2000	\$ 20,814	\$ 19,049	91.52	\$ 3,573	17.17
2001	20,444	19,996	97.81	3,573	17.48
2002	17,382	20,958	120.58	3,258	18.74
2003	23,948	19,986	83.46	3,384	14.13
2004	30,828	20,378	66.10	3,393	11.01
2005	34,724	20,435	58.85	3,398	9.79

Note:

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

(Unaudited)

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

NOTES TO SCHEDULE 1 AND SCHEDULE 2
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005
(Unaudited)

Actuarial Methods and Assumptions

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

- The most recent actuarial valuation date is July 1, 2005.
- Actuarial cost is determined using the Entry Age Normal Actuarial Cost Method.
- The amortization method assumes a level percentage of payroll each year is used to pay the unfunded actuarial accrued liability.
- The amortization period is determined each year by the legislatively-appointed actuary.
- The remaining amortization period at July 1, 2005, is 16 years.
- The actuarial value of assets is determined using market value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the unrecognized asset return determined at the close of each of the four preceding fiscal years. Unrecognized asset return is the difference between actual net return on market value of assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 actuarial valuation of the fiscal year).
- Actuarial Assumptions:
 - Investment rate of return is 8.5 percent.
 - Inflation and projected salary increases are based on a ten-year select and ultimate rate table with rates ranging from 5.0 to 6.9 percent.
 - Two percent annual post-retirement adjustment.
 - Pre-retirement mortality assumptions are based on the 1983 Group Annuity Mortality Table with rates set back seven years for males and five years for females.

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

Actuarial Methods and Assumptions (Continued)

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

Significant Plan Provision and Actuarial Methods and Assumption Changes

2000

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

2001

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

2002

The following actuarial assumptions changed:

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

(Unaudited)

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

Significant Plan Provision and Actuarial Methods and Assumption Changes

2002 (Continued)

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

The following plan provisions changed:

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

(Unaudited)

Actuarial Section

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

Dear Mr. Kapler:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2005. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2006 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. Further, in our opinion the assumptions used in the valuation are consistent with those in the statute, and reasonably represent the experience of the plan.

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

Sincerely,

THE SEGAL COMPANY

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

Susan M. Hogarth
Susan M. Hogarth, EA, MAAA
Consulting Actuary

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

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

Summary of Key Valuation Results

	2005	2004
Contributions (% of payroll) for plan year beginning July 1:		
Statutory – Chapter 354A	16.49%	16.62%
Required – Chapter 356	23.78%	21.59%
Sufficiency/(Deficiency)	-7.29%	-4.97%
Funding elements for plan year beginning July 1:		
Normal cost	\$21,035,503	\$21,479,177
Market value of assets	934,667,364	871,902,590
Actuarial value of assets (AVA)	905,292,514	898,859,732
Actuarial accrued liability (AAL)	1,299,831,584	1,251,460,084
Unfunded/(Overfunded) actuarial accrued liability	394,539,070	352,600,352
Funded ratios:		
<u>Accrued Benefit Funded Ratio</u>	72.49%	74.90%
Current assets (AVA)	\$905,292,514	\$898,859,732
Current benefit obligations	1,248,867,191	1,200,070,893
<u>Projected Benefit Funded Ratio</u>	85.68%	88.95%
Current and expected future assets	\$1,296,405,105	\$1,304,887,865
Current and expected future benefit obligations (Present Value of Benefits)	1,513,025,533	1,467,063,988
GASB 25/27 for plan year beginning January 1:		
Annual required employer contributions	\$34,723,512	\$30,827,547
Accrued Liability Funded Ratio (AVA/AAL)	69.65%	71.82%
Covered actual payroll	\$223,762,071	\$221,685,475
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	2,505	2,361
Number of vested terminated members	1,368	1,261
Number of other non-vested terminated members	1,687	1,664
Number of active members	4,206	4,435
Number of members on leave of absence*	143	133
Total projected payroll**	\$227,818,794	\$230,777,730
Average annual payroll (projected dollars)**	52,834	50,521

* *Members on leave of absence treated as active members*

** *Includes members on leave of absence for 2005*

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

FINANCIAL INFORMATION

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

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

Determination of Actuarial Value of Assets for Year Ended June 30, 2005

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

1.	Market value of assets available for benefits		\$934,667,364				
		<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="border-bottom: 1px solid black; width: 20%;"></td> <td align="center" style="border-bottom: 1px solid black;">Original Amount</td> <td align="center" style="border-bottom: 1px solid black;">% Not Recognized</td> <td style="border-bottom: 1px solid black; width: 20%;"></td> </tr> </table>		Original Amount	% Not Recognized		
	Original Amount	% Not Recognized					
2.	Calculation of unrecognized return						
	(a) Year ended June 30, 2005	\$26,860,009	80%				
	(b) Year ended June 30, 2004	82,512,072	60%				
	(c) Year ended June 30, 2003	-56,015,000	40%				
	(d) Year ended June 30, 2002	-96,072,000	20%				
	(e) Total unrecognized return		\$29,374,850				
3.	Actuarial value of assets: (1) - (2e) ("Current Assets")		\$905,292,514				

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

Accounting Balance Sheet for Year Ended June 30, 2005

	Market Value	Cost Value
Assets		
Cash, equivalents, short-term securities	\$3,222,352	\$3,222,352
Investments:		
Fixed income	\$175,791,428	\$142,018,413
Equity	675,900,771	492,383,305
Real estate	77,946,421	71,165,393
Alternative	3,716,409	4,296,097
Other assets*	<u>1,925,171</u>	<u>1,925,171</u>
Total assets	\$938,502,552	\$715,010,731
Amounts currently payable	\$767,224	\$767,224
Assets available for benefits		
Member reserves	\$126,493,255	\$126,493,255
Employer reserves	<u>808,174,109</u>	<u>584,682,288</u>
Total assets available for benefits	\$934,667,364	\$711,175,543
Total amounts currently payable and assets available for benefits	<u>\$935,434,588</u>	<u>\$711,942,767</u>
Net assets at Market/Cost value	<u>\$935,434,588</u>	<u>\$711,942,767</u>

* Other Assets:

Accounts Receivable:

Employer contribution	\$1,392,196
Employee contribution	68,766
Commission recapture	5,827
MN amortization match	430,761
RWI management fee	<u>-5,058</u>
Total accounts receivable	\$1,892,492
Fixed assets	<u>32,679</u>
Total other assets	\$1,925,171

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

Change in Assets Available for Benefits for Year Ended June 30, 2005

	Market Value	Cost Value
A. Assets available at beginning of period	\$871,902,590	\$674,865,993
B. Operating revenues		
1. Member contributions	\$13,586,719	\$13,586,719
2. Employer contributions	20,435,230	20,435,230
3. Supplemental contributions	3,397,761	3,397,761
4. Investment income	11,635,482	11,635,482
5. Investment expenses	-3,266,489	-3,266,489
6. Net realized gain/(loss)	64,589,914	64,589,914
7. Other	-	-
8. Net change in unrealized gain/(loss)	<u>26,455,224</u>	<u>-</u>
9. Total operating revenues	\$136,833,841	\$110,378,617
C. Operating expenses:		
1. Service retirements	\$65,125,102	\$65,125,102
2. Disability benefits	1,020,828	1,020,828
3. Survivor benefits	6,292,271	6,292,271
4. Refunds	1,072,293	1,072,293
5. Administrative expenses	<u>558,573</u>	<u>558,573</u>
6. Total operating expenses	\$74,069,067	\$74,069,067
D. Change in accounting method	-	-
E. Assets available at end of period	\$934,667,364	\$711,175,543
F. Determination of current year gross asset return		
1. Average balance:		
(a) Assets available at BOY: (A)		\$871,902,590
(b) Assets available at EOY: (E)		934,667,364
(c) Average balance [(a) + (b) – Net Investment Income] / 2		853,577,912
[Net Investment Income: (B.4) + (B.5) + (B.6) + (B.7) + (B.8)]		
2. Expected return: 8.50% x (F.1)		\$72,554,122
3. Actual return: (B.4) + (B.5) + (B.6) + (B.7) + (B.8)		<u>99,414,131</u>
4. Current year gross asset return: (F.3) – (F.2)		\$26,860,009

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

Actuarial Balance Sheet

A. Current Assets				\$905,292,514
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions				\$177,918,642
2. Present Value of Future Normal Costs				<u>213,193,949</u>
3. Total Expected Future Assets				\$391,112,591
C. Total Current and Expected Future Assets				\$1,296,405,105
D. Current Benefit Obligations	<u>Non-Vested</u>	<u>Vested</u>		<u>Total</u>
1. Benefit recipients:				
(a) Retirement annuities	-	\$740,274,642		\$740,274,642
(b) Disability benefits	-	9,528,616		9,528,616
(c) Beneficiaries	-	54,776,735		54,776,735
2. Vested terminated members	-	34,621,243		34,621,243
3. Other non-vested terminated members	-	2,274,788		2,274,788
4. Active members:				
(a) Retirement benefits	\$2,050,966	\$379,474,517		\$381,525,483
(b) Disability benefits	76,846	6,684,006		6,760,852
(c) Death benefits	70,683	6,519,142		6,589,825
(d) Withdrawal benefits	<u>563,337</u>	<u>11,951,670</u>		<u>12,515,007</u>
5. Total Current Benefit Obligations	\$2,761,832	\$1,246,105,359		\$1,248,867,191
E. Expected Future Benefit Obligations				<u>\$264,158,342</u>
F. Total Current and Expected Future Benefit Obligations – Present Value of Benefits: (D.5 + E)				\$1,513,025,533
G. Current Unfunded Actuarial Liability (D.5 -A)				\$343,574,677
H. Current and Future Unfunded Actuarial Liability (F - C)				\$216,620,428

ST. PAUL 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	\$624,645,287	\$182,496,450	\$442,148,837
(b) Disability benefits	12,149,573	5,496,048	6,653,525
(c) Death benefits	11,942,321	5,035,881	6,906,440
(d) Withdrawal benefits	<u>22,812,328</u>	<u>20,165,570</u>	<u>2,646,758</u>
(e) Total	\$671,549,509	\$213,193,949	\$458,355,560
2. Vested terminated members	\$34,621,243	-	\$34,621,243
3. Other non-vested terminated members	2,274,788	-	2,274,788
4. Annuitants	<u>804,579,993</u>	-	<u>804,579,993</u>
5. Total	\$1,513,025,533	\$213,193,949	\$1,299,831,584
B. Determination of Unfunded Actuarial Accrued Liability			
1. Actuarial Accrued Liability			\$1,299,831,584
2. Actuarial Value of Assets			<u>905,292,514</u>
3. Unfunded Actuarial Accrued Liability: (1) – (2)			\$394,539,070
C. Determination of Supplemental Contribution Rate			
1. Present value of future payrolls through the amortization date of June 30, 2021			\$2,759,104,494
2. Supplemental contribution rate: (B.3) / (C.1)			14.3%

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

**Development of Unfunded/(Overfunded) Actuarial Accrued Liability
for Year Ended June 30, 2005**

1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year		\$352,600,352
2. Normal cost at beginning of year, including expenses		22,037,750
3. Total contributions		37,419,710
4. Interest		
(a) For whole year on (1) + (2)	\$31,844,239	
(b) For half year on (3)	<u>1,590,338</u>	
(c) Total interest: (4a) – (4b)		<u>30,253,901</u>
5. Expected unfunded/(overfunded) actuarial accrued liability		\$367,472,293
6. Changes due to (gain)/loss from:		
(a) Investments	\$31,763,341	
(b) Demographics*	<u>-4,696,564</u>	
(c) Total changes due to (gain)/loss		<u>\$27,066,777</u>
7. Unfunded/(Overfunded) actuarial accrued liability at end of year		<u>\$394,539,070</u>

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

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

Determination of Contribution Sufficiency – Total

	July 1, 2005	
	Percent of Payroll	Dollar Amount
A. Statutory Contributions – Chapter 354A		
1. Employee contributions	5.73%	\$13,059,350
2. Employer contributions	8.65	19,698,785
3. Supplemental contributions		
(a) 1996 Legislation	0.81	1,850,000
(b) 1997 Legislation	1.30	2,953,000
4. Administrative expense assessment	—	—
5. Total	<u>16.49%</u>	<u>\$37,561,135</u>
B. Required Contributions – Chapter 356		
1. Normal Cost:		
(a) Retirement	8.00%	\$18,218,956
(b) Disability	0.23	521,572
(c) Death	0.21	470,649
(d) Withdrawal	<u>0.80</u>	<u>1,824,326</u>
(e) Total	<u>9.24%</u>	<u>\$21,035,503</u>
2. Supplemental contribution amortization	14.30%	\$32,578,088
3. Allowance for administrative expenses	<u>0.24</u>	<u>546,765</u>
4. Total	<u>23.78%</u>	<u>\$54,160,356</u>
C. Contribution Sufficiency / (Deficiency): (A.5) – (B.4)	-7.29%	-\$16,599,221
Projected annual payroll for fiscal year beginning on the valuation date		\$227,818,794

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy Pre-Retirement:

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

Healthy Post-Retirement:

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

Disability:

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

Salary Increases:

Reported salary for prior fiscal year, with new hires annualized, increased to current fiscal year and annually for each future year according to the ultimate rate table below. During a ten-year select period, $0.30\% \times (10-T)$ where T is completed years of service is added to the ultimate rate.

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

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

Retirement Age:

<i>Active Members:</i>	Active members are assumed to retire according to the graded rates shown in the rate table. Rates are applied beginning at the participant's first early retirement age.
<i>Deferred Members:</i>	Basic members are assumed to retire at age 60. Coordinated members are assumed to retire at age 63. If over the assumed retirement age, one year from valuation date.
<i>Other Non-Vested Members:</i>	Return of contributions is assumed to occur immediately.

Unknown Data for Members:

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

Date of Birth:	July 1, 1960
Sex:	Male
Deferred Benefit:	Calculate estimate using service at termination date. Salary at termination is estimated based on assumed termination date if not available.

Percent Married: 85% of male members and 60% of female members are assumed to be married. Married members are assumed to have two children.

Age of Spouse: Female four years younger than male.

Net Investment Return:

<i>Pre-Retirement:</i>	8.50% per annum
<i>Post-Retirement:</i>	8.50% per annum

Administrative Expenses: Prior year administrative expenses (excluding investment expenses) expressed as a percentage of prior year payroll.

Allowance for Combined Service Annuity: 7.00% load on liabilities for active members and 30.00% load on liabilities for former members.

Return of Contributions: All employees withdrawing after becoming eligible for a deferred benefit were assumed to take the larger of their contributions accumulated with interest or the value of their deferred benefit.

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

Special Consideration: Additional post retirement benefit increase is accounted for by increasing the reserve value for all service retirements, disability retirements and survivors eligible for the increase by an amount that equals the excess of the five year time weighted total rate of return over the assumed interest rate of 8.50% multiplied by the quantity of one minus the rate of contribution deficiency.

Benefit Increases After Retirement (COLA): 2.00% per annum.

Optional Benefit Forms: Married members assumed to elect the following forms of benefit:

	<u>Males</u>	<u>Females</u>
Life Annuity Option	45%	80%
50% J&S Option	10%	10%
100% J&S Option	45%	10%

Asset Valuation Method: Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during the fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).

Actuarial Cost Method: Entry Age Normal Cost Method. Entry age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level percentage of payroll, with Normal Cost determined as if the current benefit accrual rate had always been in effect.

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

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

Supplemental Contributions:

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

1996 Legislation:

Supplemental contributions according to the following schedule:

<u>Year</u>	<u>State</u>	<u>School</u>
06/30/03+	\$1,050,000	\$800,000

1997 Legislation:

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

Changes in Actuarial Assumptions and Cost Methods:

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

Investment Section

St. Paul Teachers' Retirement Fund Association
Investment Returns
For the Period Ended June 30, 2005

	Assets Under Management (Market Value)	Investment Performance
Domestic Equity	\$ 440,945,121	10.98%
Alliance Capital	30,345,505	3.80
Barclays Global Investors—S & P 500 Index	129,770,127	6.38
Barclays Global Investors—Russell 2000 Index	11,478,539	9.51
Barclays Global Investors—Extended Market Index	49,325,110	13.86
Barrow, Hanley, Mewhinney & Strauss, Inc.	65,084,459	21.46
The Boston Company Asset Management	36,972,610	6.38
Dimensional Fund Advisors, Inc.	44,029,907	16.10
Fifth Third Asset Management	33,031,380	7.57
Wellington Management Company, LLP	40,907,484	13.75
International Equity	\$ 231,285,086	17.36%
Capital International, Inc.—Emerging Market (Net	41,219,677	34.34
JPMorgan Asset Management—EAFE *	96,767,386	(0.54)
Morgan Stanley Asset Management	93,298,023	13.44
Fixed Income	\$ 175,793,528	7.34%
Barclays Global Investors—Government/Corp Index	82,135,856	7.30
Voyageur Asset Management	93,657,672	7.29
Real Estate	\$ 77,946,421	7.67%
Advantus *	14,362,177	13.11
UBS Realty Advisors LLC—RESA *	63,584,244	6.52
Alternative	\$ 4,276,935	(8.67%)
RWI Group	2,642,675	(8.67)
Turin Network +	1,634,260	0.00
Cash	\$ 3,221,832	7.0%
In-House Cash & Cash Equivalents	3,221,832	
Total Fund	\$ 933,468,923	12.09%

* Management for less than one year

+ Direct equity investment – not publicly traded security: Market = Cost

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

St. Paul Teachers' Retirement Fund Association
Holdings by Asset Class, Security Type and Issuer
as of June 30, 2005

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
Alternatives				
RWI Group - Venture Capital LP	-	\$ 2,306,362	\$ 2,642,675	\$ 2,642,675
Turin Networks - Series F Pref Restricted	<u>2,208,459</u>	<u>1,634,260</u>	<u>1,634,260</u>	<u>1,634,260</u>
Subtotal - Alternatives - Venture Priv Equity	2,208,459	\$ 3,940,622	\$ 4,276,935	\$ 4,276,935
Cash or Equivalents				
Imprest Cash	-	\$ 500	\$ 500	\$ 500
U.S. Bank Interest Bearing Checking Acct	-	\$ 3,178,937	\$ 3,178,937	\$ 3,178,937
Custodian Short Term Investment Pool	12,955,072	12,955,072	12,955,072	12,989,057
U.S. Dollars - Transactions in Process	<u>(4,412,908)</u>	<u>(4,412,908)</u>	<u>(4,412,908)</u>	<u>(4,412,908)</u>
Subtotal - Cash or Equivalents	8,542,163	\$ 11,721,600	\$ 11,721,600	\$ 11,755,585
Domestic Equity Securities				
Advance Amer Cash Advance Centers	32,400	\$ 506,768	\$ 518,400	\$ 518,400
Affiliated Computer Svcs Class A	7,900	390,766	403,690	403,690
Agere Sys Inc	13,370	178,004	160,440	160,440
Air Products And Chemicals	8,000	492,717	482,400	484,960
Alcon Inc	6,235	365,681	681,797	681,797
Allegheny Technologies	6,700	123,300	147,802	147,802
Allstate Corporation	47,500	1,724,089	2,838,125	2,853,325
Alpha Nat Resources	7,640	168,920	182,443	182,443
Altera Corporation	8,200	190,370	162,524	162,524
Altria Group	30,700	1,112,997	1,985,062	2,007,473
AMBEC Financial Group	6,700	386,536	467,392	467,392
American Electric Power	33,300	1,316,391	1,227,771	1,227,771
American International Group	27,420	1,650,312	1,593,102	1,593,102
American Pwr Conversion	33,300	509,173	785,547	785,547
American Standard Companies	11,000	272,645	461,120	461,120
Amgen Inc	12,160	703,739	735,194	735,194
Apache Corporation	10,000	332,490	646,000	646,000
Apogee Enterprises	20,000	234,345	307,400	307,400
Apple Computer	25,770	819,722	948,594	948,594
Arch Coal	6,600	234,801	359,502	359,502
Ariba Inc	7,800	74,852	45,240	45,240
Art Technology Group	71,000	183,538	74,550	74,550
Associated Banc Corp	20,000	549,784	673,200	673,200
Atmel Corp	243,200	973,336	576,384	576,384
Avaya Inc	49,200	546,768	409,344	409,344
Avon Products Inc	18,380	566,594	695,683	695,683
Axcelis Technologies Inc	58,300	522,270	399,938	399,938
Bank Amer Corp	23,644	721,120	1,078,403	1,078,403
Baxter Intl Inc	60,500	1,751,910	2,244,550	2,244,550

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
BE Aerospace Inc	11,800	103,529	184,434	184,434
Bearingpoint Inc	43,600	297,742	319,588	319,588
Benchmark Electrs	12,300	427,333	374,166	374,166
Big Lots Inc	27,200	322,763	360,128	360,128
Biomet Inc	15,000	574,206	519,600	519,600
Biovail Corp	55,700	1,033,154	864,464	864,464
Bombay Company	7,700	52,018	43,890	43,890
Bookham Inc	42,310	545,954	134,123	134,123
Borland Software Corp	27,000	164,775	185,220	185,220
BP Plc - Sponsored ADR	32,400	1,618,012	2,021,112	2,021,112
Bristol Myers Squibb	41,300	1,556,777	1,031,674	1,043,238
Bristol West Holdings	4,300	67,415	78,690	78,690
Broadcom Corporation Class A	19,970	643,532	709,135	709,135
Brooks Automation Inc	29,900	508,041	444,015	444,015
Brunswick Corporation	10,000	394,983	433,200	433,200
Burlington Northern Santa Fe	38,100	1,159,085	1,793,748	1,800,225
Burlington Res	7,000	398,890	386,680	386,680
C D W Corp	10,700	653,147	610,863	610,863
C H Robinson Worldwide	10,000	338,145	582,000	583,500
Caci International Inc, Class A	4,500	242,600	284,220	284,220
Calpine Corp	98,800	645,876	335,920	335,920
Career Ed Corp	52,800	1,831,998	1,933,008	1,933,008
Caremark Rx	10,000	442,026	445,200	445,200
Carnival Cruise Lines	34,150	1,066,585	1,862,883	1,862,883
Cash America International	16,100	285,068	323,932	323,932
Cbrl Group Inc	16,300	635,865	633,418	633,418
Celgene Corp	14,200	410,608	578,934	578,934
Cephalon Inc	39,200	1,846,960	1,560,552	1,560,552
Charles River Laboratories Intl	16,200	755,185	781,650	781,650
Chemtura Corp	4,200	60,267	59,430	59,430
Chesapeake Energy Corp	91,200	1,000,082	2,079,360	2,083,920
Chevron Corporation	14,900	499,867	833,208	833,208
Chicos Fas Inc	20,400	388,548	699,312	699,312
Christopher + Banks	27,900	498,429	509,454	510,434
CIGNA Corp	7,200	599,885	770,616	770,796
Citadel Broadcasting	23,800	380,226	272,510	272,510
Citigroup Inc	49,070	2,155,180	2,268,506	2,268,506
Coach Inc	17,400	458,838	584,118	584,118
Cognizant Technology Solutions Class A	10,600	430,640	499,578	499,578
Colgate Palmolive	3,100	165,355	154,721	154,721
Comstock Homebuilding Companies	6,800	169,625	164,696	164,696
Conagra Foods Inc	41,000	982,434	949,560	949,560
Conexant Sys Inc	130,700	323,207	210,427	210,427
Conocophillips	56,226	1,701,292	3,232,433	3,232,433
Continental Airls Inc Class B	21,500	255,248	285,520	285,520
Cooper Companies Inc New	10,500	584,419	639,030	639,327
Corinthian Colleges Inc	25,500	349,081	325,635	325,635
Corning Inc	33,820	388,248	562,088	562,088

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
COSI Inc	14,200	89,460	97,696	97,696
Cost Plus Inc Calif	21,500	608,854	536,210	536,210
Coventry Health Care	18,300	868,486	1,294,725	1,294,725
Cray Inc	78,000	250,088	96,720	96,720
Creative Technology Ltd	16,300	248,073	105,298	105,298
Crompton Corp	20,100	305,766	284,415	284,415
Cumulus Media Inc Class A	33,200	503,861	391,096	391,096
Cypress Semiconductor Corp	48,800	562,672	614,392	614,392
D R Horton Inc	24,366	337,727	916,405	916,405
Dade Behring Holdings Inc	8,000	499,174	520,080	520,080
Dean Foods Co New	17,600	540,503	620,224	620,224
Deere & Company	6,000	438,055	392,940	394,800
Dell Inc	27,950	834,956	1,104,305	1,104,305
Dendrite Intl Inc	22,600	358,376	311,880	311,880
Diagnostic Products Corp	13,400	528,454	634,222	634,222
Dobson Communications	271,400	795,621	1,156,164	1,156,164
Dollar General Corp	65,800	982,506	1,339,688	1,342,649
Dollar Tree Stores	44,900	1,179,394	1,077,600	1,077,600
Doral Financial Corp	6,100	97,151	100,894	100,894
DST Systems Inc	8,400	361,242	393,120	393,120
Duke Energy Corp	42,900	834,546	1,275,417	1,275,417
E Trade Financial Corp	114,200	1,170,862	1,597,658	1,597,658
Ebay Inc	29,300	1,025,663	967,193	967,193
Edwards Lifesciences Corp	9,600	226,243	412,992	412,992
EGL Inc	22,900	399,869	465,328	465,328
Electronic Arts	17,160	776,846	971,428	971,428
Eli Lilly & Co	5,300	313,952	295,263	295,263
EMC Corporation(Mass)	23,700	325,399	324,927	324,927
Emerson Electric Company	15,200	907,829	951,976	951,976
Emmis Communication	17,600	330,534	310,992	310,992
Encana Corp	30,200	372,862	1,195,618	1,195,618
Engineered Support Systems	14,350	477,809	514,161	514,419
Enterasys Networks Inc	176,400	381,159	158,760	158,760
Entergy Corporation	25,600	958,668	1,934,080	1,934,080
Entravision Communications	8,400	67,330	65,436	65,436
Enzon Pharmaceuticals	37,100	498,630	240,408	240,408
Equity Office Properties	20,800	578,040	688,480	698,880
Exelon Corp	15,000	479,242	769,950	769,950
Fairchild Semiconductor Intl	36,800	596,807	542,800	542,800
Fastenal Company	21,000	1,020,970	1,286,460	1,286,460
Federal Signal Corp	12,700	195,368	198,120	198,996
First Marblehead Corp	5,300	199,461	185,818	185,818
Fiserv Inc Com	13,000	478,166	558,350	558,350
Fisher Scientific Intl	16,600	724,167	1,077,340	1,077,340
Fleetwood Enterprises Inc	34,800	322,866	353,220	353,220
Fortune Brands Inc	8,000	495,114	710,400	710,400
Foundry Networks Inc	23,700	241,174	204,531	204,531
Franklin Res Inc	5,080	302,034	391,058	391,566

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
Gallagher Arthur J & Co	16,900	515,596	458,497	463,229
Gannett Co Inc	17,300	1,387,072	1,230,549	1,234,545
Garmin Ltd	13,400	619,800	572,850	572,850
Gateway Inc	31,900	185,449	105,270	105,270
Genentech	11,810	747,019	948,107	948,107
General Electric	44,070	1,534,410	1,527,026	1,536,721
General Mills Inc	9,000	430,422	421,110	421,110
Gilead Sciences Inc	23,060	793,248	1,014,409	1,014,409
Global Inds Ltd	36,000	235,228	306,000	306,000
Goldman Sachs Group	9,010	962,408	919,200	919,200
Google Inc	4,820	930,271	1,417,803	1,417,803
Graco Inc	8,400	256,201	286,188	286,188
Graftech Intl Ltd	51,000	412,138	219,300	219,300
Grant Prideco Inc	25,400	575,744	671,830	671,830
Great Lakes Chemical Corporation	8,500	225,775	267,495	267,495
H B Fuller Co	10,000	341,953	340,600	340,600
Halliburton Company	14,000	556,975	669,480	669,480
Harrahs Entmt Inc	10,600	631,582	763,942	763,942
Hartford Finl Svcs Group Inc	22,300	1,410,726	1,667,594	1,674,061
Health Net Inc	20,700	637,849	789,912	789,912
Home Depot Inc	12,000	485,382	466,800	466,800
Honeywell Intl Inc	33,200	1,141,997	1,216,116	1,216,116
IDEX Corporation	12,000	487,206	463,320	463,320
Imperial Tob Group Plc Sponsored ADR	35,700	846,873	1,942,437	1,942,437
Indymac Bancorp Inc	11,300	465,959	460,249	460,249
Input/Output Inc	19,200	121,902	120,576	120,576
Interface Inc Class A	16,200	122,146	130,410	130,410
International Rectifier Corp	11,000	475,541	524,920	524,920
Intertape Polymer Group Inc	20,400	177,607	207,876	207,876
Ipass Inc	36,400	239,082	220,584	220,584
Itt Edl Svcs Incorporated	23,200	941,518	1,239,344	1,239,344
ITT Inds Inc	5,000	402,790	488,150	489,230
IVAX Corporation	51,500	894,474	1,107,250	1,107,250
J Jill Group Inc	22,400	311,232	308,000	308,000
Joy Global Inc	15,000	434,959	503,850	503,850
Juniper Networks Inc	35,300	895,624	888,854	888,854
Key Energy Services	61,100	591,049	739,310	739,310
Kinetic Concepts Inc	4,200	247,295	252,000	252,000
King Pharmaceuticals Inc	7,900	86,436	82,318	82,318
Knight Cap Group	26,500	274,727	201,930	201,930
Labranche & Company	20,500	173,258	129,150	129,150
Lam Resh Corporation	19,400	471,938	561,436	561,436
Legg Mason	7,150	315,836	744,387	745,384
Linens N Things	4,300	109,338	101,738	101,738
Lone Star Tech Inc	4,900	143,454	222,950	222,950
Lowes Companies	14,080	657,715	819,738	819,738
LT X CorporationCom	83,900	741,752	416,144	416,144
Lyondell Chemical Company	18,800	239,653	496,696	496,696

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
Manugistics Group Inc	57,100	295,742	101,638	101,638
Marshall & Ilsley Corp	17,000	558,442	755,650	755,650
Marvel Enterprises	7,300	144,081	143,956	143,956
Marvell Technology Group	15,440	359,260	587,338	587,338
Massey Energy Corporation	10,100	287,518	380,972	381,376
Mastec Inc	10,200	99,364	89,760	89,760
Mattel Inc	70,900	1,264,650	1,297,470	1,297,470
Mattson Technology Inc	17,800	140,398	127,448	127,448
Maverick Tube Corp	14,600	477,032	435,080	435,080
Maxtor Corp	60,800	318,591	316,160	316,160
MBNA Corp	84,360	1,934,516	2,206,858	2,219,424
McDonalds Corporation	15,000	463,032	416,250	416,250
MCDData Corp	72,300	482,410	289,200	289,200
MCDData CorporationClass B	800	8,055	2,976	2,976
MDU Resources Group Inc	18,000	393,192	507,060	510,300
Medtronic Inc	14,000	595,389	725,060	726,408
Merrill Lynch & Companies	6,250	336,294	343,813	343,813
Metris Companies Inc	8,500	74,902	122,910	122,910
MGIC Investment Corporation Wis	10,700	653,960	697,854	697,854
Michaels Stores Inc	24,300	464,698	1,005,291	1,005,291
Microsoft	29,300	843,486	727,812	727,812
Miller Herman Inc	13,000	405,659	400,920	400,920
Mobility Electronics	17,600	156,030	161,040	161,040
Motorola	37,000	635,668	675,620	677,100
Nabors Industries Ltd	14,200	705,449	860,804	860,804
Navistar Intl Corporation New	18,200	684,126	582,400	582,400
NBTY Incorporated	7,000	166,978	181,580	181,580
NCR Corp	14,000	542,755	491,680	491,680
NDC Health Corp	21,800	343,673	391,746	391,746
Network Appliance Inc	12,000	392,810	339,240	339,240
Nextel Communications Class A	15,000	408,150	484,650	484,650
Noble Corporation	10,000	488,838	615,100	615,100
Nokia Corporation ADR - A Shares	122,200	1,929,072	2,033,408	2,033,408
Northern Trust Corporation	14,000	491,004	638,260	641,200
NUCO2 Incorporated	2,700	65,259	69,309	69,309
O'Reilly Automotive Inc	21,000	343,707	626,010	626,010
Occidental Petroleum Corporation	32,300	691,013	2,484,839	2,494,852
Odyssey Healthcare Inc	13,000	167,173	187,460	187,460
Omnicare Incorporated	20,700	749,740	878,301	878,301
Oshkosh Truck Corporation	12,000	800,776	939,360	939,360
Pacific Sunwear California	33,650	657,250	773,614	773,614
Palmone Incorporated	3,800	85,831	113,126	113,126
Par Pharmaceutical Companies	7,000	238,812	222,670	222,670
Parker Hannifin Corporation	4,400	298,093	272,844	272,844
Pepsico Inc	10,000	547,552	539,300	539,300
Performance Food Group	12,200	335,175	368,562	368,562
PETCO Animal Supplies	19,200	584,250	562,944	562,944
Pfizer Incorporated	72,100	2,111,278	1,988,518	1,988,518

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
PHH Corporation	15,300	329,351	393,516	393,516
Phoenix Companies	14,700	186,573	174,930	177,282
Photon Dynamics	13,100	253,676	269,991	269,991
Plains Exploration & Production	16,800	402,674	596,904	596,904
PNC Financial Services Group	16,400	969,132	893,144	893,144
Polycom Inc	31,900	611,044	475,629	475,629
Polyone Corp	21,100	209,317	139,682	139,682
Precision Castparts Corporation	7,100	351,594	553,090	553,303
Procter & Gamble	15,300	810,021	807,075	807,075
Progressive Corporation Ohio	3,500	242,489	345,835	345,835
Proquest	12,600	340,100	413,154	413,154
Pulte Homes	9,200	567,952	775,100	775,580
PXRE Group Limited Bermuda	7,600	183,574	191,672	191,672
Qlogic Corporation	14,500	460,813	447,615	447,615
Qualcomm	25,890	934,525	854,629	854,629
Quanta Services Inc	15,800	96,131	139,040	139,040
Quidel Corp	77,100	439,218	399,378	399,378
Radioshack	8,200	206,423	189,994	189,994
Resources Connection	20,900	462,096	485,507	485,507
Rite Aid Corporation	89,200	323,624	372,856	372,856
Rockwell Automation	10,000	403,593	487,100	487,100
Ruby Tuesday	6,600	158,088	170,940	170,940
Safenet Incorporated	18,400	540,652	626,704	626,704
Sandisk Corporation	18,000	486,900	427,140	427,140
Sanmina-Scientifics	126,300	852,843	690,861	690,861
Savient Pharmaceuticals	64,800	270,354	285,768	285,768
Schering-Plough	59,500	1,692,401	1,134,070	1,134,070
Scripps EW Inc Class A	21,610	1,043,872	1,054,568	1,054,568
Shaw Group	21,300	285,031	458,163	458,163
Sherwin-Williams Company	15,000	675,555	706,350	706,350
Shuffle Master Inc	6,600	188,430	184,998	184,998
SLM Corp	39,400	1,247,052	2,001,520	2,001,520
Smurfit-Stone Container	14,600	164,750	148,482	148,482
Sovereign Bancorp	22,400	510,922	500,416	500,416
St Jude Medical	35,960	1,023,073	1,568,216	1,568,216
Standard Pac Corp	5,200	335,318	457,340	457,340
Stanley Works	39,300	1,212,181	1,789,722	1,789,722
Starbucks	8,250	371,767	426,195	426,195
Stericycle Incorporated	9,000	350,866	452,880	452,880
Swift Transportation Inc	6,700	112,010	156,043	156,043
Symbol Technologies	22,300	333,910	220,101	220,101
Synopsys Inc	11,100	206,794	185,037	185,037
Target Corporation	28,500	1,225,308	1,550,685	1,550,685
Tektronix Incorporated	9,400	247,667	218,738	218,738
Tellabs Incorporated	40,000	352,304	348,000	348,000
Tempur-Pedic International	12,900	300,317	286,122	286,122
Tetra Tech	21,400	304,287	289,542	289,542
Teva Pharmaceutical Inds - ADR	23,220	648,361	723,071	723,071

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
Texas Instruments	21,200	556,046	595,084	595,084
Tidewater Incorporated	12,100	389,164	461,252	461,252
Timken Company	10,300	244,241	237,930	237,930
Toro	10,600	295,541	409,266	409,902
Triad Hospitals	12,100	371,438	661,144	661,144
Ubiquitel	85,200	452,776	695,232	695,232
United Health Group	34,760	797,871	1,812,386	1,812,386
United States Cellular	7,000	350,314	349,580	349,580
Urban Outfitters	7,100	311,541	402,499	402,499
US Bancorp Del	17,000	363,128	496,400	501,500
USI Holdings	12,000	141,231	154,560	154,560
UST Incorporated	43,700	1,097,891	1,995,342	1,995,342
Varian Semiconductor Equip Assoc	18,300	662,462	677,100	677,100
Veeco Instrs Incorporated	12,800	192,706	208,384	208,384
Verizon Communications	18,200	759,486	628,810	628,810
Vishay Intertechnology	8,300	113,127	98,521	98,521
Walgreen	15,000	453,992	689,850	689,850
Walter Industrials	11,100	439,892	446,220	446,220
Washington Mutual	39,500	1,263,453	1,607,255	1,607,255
Waste Connections	16,700	473,414	622,743	622,743
Waters Corporation	9,400	349,069	349,398	349,398
WCI Communities	17,800	583,772	570,134	570,134
Weatherford International Ltd, Bermuda	7,000	413,286	405,860	405,860
WebMD Corporation	45,900	372,611	471,393	471,393
WebMethods Inc	53,900	325,250	301,840	301,840
Wellpoint Incorporated	54,500	2,210,108	3,795,380	3,795,380
Wells Fargo	29,900	1,543,280	1,841,242	1,841,242
Wendys International	21,200	427,994	1,010,180	1,010,180
West Marine Incorporated	9,700	164,107	175,182	175,182
Whirlpool Corporation	6,000	432,146	420,660	420,660
Whole Foods Market	2,600	264,976	307,580	307,580
Winnebago Industries	4,300	133,611	140,825	141,126
William Wrigley Jr Company	11,700	665,372	805,428	805,428
Wyeth	15,500	605,678	689,750	689,750
XL Capital Ltd, Class A	19,600	1,474,568	1,458,632	1,458,632
XTO Energy Incorporated	17,033	434,910	578,952	579,803
Yahoo Inc	38,100	903,851	1,320,165	1,320,165
Yankee Candle	18,400	539,742	590,640	590,640
Yellow Roadway Corporation	10,900	386,378	553,720	553,720
York International Corporation	11,800	412,894	448,400	448,400
Zimmer Holdings	7,910	627,848	602,505	602,505
Zoll Medical	3,000	66,043	76,350	76,350
Zoran Corporation	43,300	550,162	575,457	575,457
Subtotal - Domestic Equity Securities	8,012,704	\$ 171,759,149	\$ 202,868,778	\$ 203,020,263
Domestic Equity Commingled Accounts				
BGI - Equity Index Fund	399,812	\$ 73,042,615	\$ 129,770,127	\$ 129,770,127

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
BGI - Extended Equity Market Fund	306,772	29,423,315	49,325,110	49,325,110
BGI - Russell 2000 Equity Index Fund	645,079	8,058,537	11,478,539	11,478,539
Dimensional Fund Advisors	<u>48,215</u>	<u>16,086,982</u>	<u>44,029,907</u>	<u>44,029,907</u>
Subtotal - Domestic Equity Commingled	1,399,878	\$ 126,611,449	\$ 234,603,682	\$ 234,603,682

Fixed Income Securities

Ace Ltd	215,000	\$ 214,966	\$ 220,943	\$ 224,168
Aetna U S Healthcare Inc Pfd	16,450	430,168	429,510	429,510
American Gen Fin Corp M/T/N	264,000	270,801	272,519	276,067
Anadarko Fin Co	333,000	366,417	370,000	373,746
Anderson Expl Ltd	402,000	438,120	439,804	447,794
Arizona Edl Ln Marketing Corp	900,000	900,000	900,000	901,997
Associated Bk N A Green Bay	451,000	451,000	451,126	453,588
Atlantic Richfield Co Deb	422,000	516,739	522,495	531,463
Banc Amer Fdg Corp	780,000	743,359	753,603	754,014
Banc Amer Mtg Secs Inc V/R	1,035,000	910,406	902,340	905,505
Bank Amer Corp	316,000	367,748	361,656	372,438
Belo Corp	97,000	109,896	105,404	106,697
Boston Scientific Corp	420,000	437,590	440,891	441,908
Brazos Tex Higher Ed Auth Inc Student Ln	900,000	900,000	900,000	900,169
Bunge Ltd Fin Corp	340,000	345,189	340,048	340,709
Cendant Corp	233,000	253,968	248,129	252,417
Chase Cap Ii	241,000	226,681	225,007	227,700
Chela Finl Usa Inc	300,000	300,000	301,230	301,494
Chela Finl Usa Inc Calif	600,000	600,000	600,000	600,528
Cit Group Inc M/T/N	168,000	188,074	183,900	185,825
College Ln Corp Tr I V/R	905,000	905,000	906,937	911,649
Conagra Inc	279,000	330,671	321,045	327,515
Constellation Energy Group Inc	220,000	233,853	227,654	231,146
Countrywide Home Lns Inc	295,000	293,788	284,504	287,749
Cwabs Inc	2,270,000	603,376	603,706	604,636
Cwalt Inc	2,848,000	2,579,211	2,569,125	2,579,778
Daimler Chrysler North America	218,000	218,602	214,660	215,322
Detroit Mich Ctfs Partn	360,000	360,479	360,691	361,919
DLJ Coml Mtg Corp	775,000	425,607	394,187	396,433
ERP Oper Ltd Partnership	257,000	281,659	286,306	291,319
Evangelical Lutheran Good	291,000	291,000	290,834	292,014
Fed Nat Mortgage Assn	300,000	356,186	330,563	336,415
Fed Natl Mortgage Assn Gtd	4,742,000	3,838,989	3,853,211	3,871,838
Fed Natl Mortgage Assn	570,000	529,388	535,815	537,715
Fed Natl Mortgage Assn Pool # 254764	4,410,000	2,761,496	2,837,249	2,849,988
Fed Natl Mortgage Assn Pool # 255538	1,245,000	1,198,715	1,247,348	1,252,820
Fed Natl Mortgage Assn Pool # 387285	690,000	684,645	690,462	692,988
Fed Natl Mortgage Assn Pool # 501210	896,160	107,816	117,201	117,812
Fed Natl Mortgage Assn Pool # 576329	400,000	9,779	8,509	8,562
Fed Natl Mortgage Assn Pool # 608780	4,185,000	705,107	718,273	721,745
Fed Natl Mortgage Assn Pool # 620407	1,911,688	423,078	422,308	424,778

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
Fed Natl Mortgage Assn Pool # 625030	2,650,899	630,835	644,589	647,955
Fed Natl Mortgage Assn Pool # 641093	1,771,652	565,849	583,450	586,054
Fed Natl Mortgage Assn Pool # 658481	1,015,000	919,850	930,087	933,372
Fed Natl Mortgage Assn Pool # 708870	551,221	416,819	412,452	414,005
Fed Natl Mortgage Assn Pool # 724254	1,780,000	1,214,932	1,202,549	1,206,463
Fed Natl Mortgage Assn Pool # 725187	1,155,000	728,761	716,140	718,911
Fed Natl Mortgage Assn Pool # 735387	782,000	798,719	808,264	811,577
Fed Natl Mortgage Assn Pool # 747256	900,000	603,616	603,650	605,776
Fed Natl Mortgage Assn Pool # 760657	1,795,000	1,800,587	1,797,999	1,805,120
Fed Natl Mortgage Assn Pool # 760744	813,000	816,017	811,691	814,909
Fed Natl Mortgage Assn Pool # 760762	975,000	1,008,097	998,205	1,002,178
Fed Natl Mortgage Assn Pool # 800165	480,000	465,468	462,659	464,627
Fed Natl Mortgage Assn Pool # 810896	920,000	865,453	862,811	866,288
Fed Natl Mortgage Assn Pool # 580982	3,500,000	343,467	356,562	358,423
Fed Natl Mortgage Assn Pool # 575832	500,000	43,802	45,658	45,896
Fed Home Loan Mortg Corp Grp # E83737	1,400,000	181,291	186,722	187,693
Fed Home Loan Mortg Corp Grp # 1B2721	950,000	918,872	914,540	917,893
Fed Home Loan Mortg Corp Grp # C01050	3,070,001	65,464	70,770	71,183
Fed Home Loan Mortg Corp Grp # C01197	2,715,000	193,918	204,158	205,224
Fed Home Loan Mortg Corp Grp # C01598	600,060	483,624	497,371	499,440
Fed Home Loan Mortg Corp Grp # C41471	3,000,000	45,628	49,588	49,877
Fed Home Loan Mortg Corp Grp # C50907	1,300,000	35,592	37,293	37,510
Fed Home Loan Mortg Corp Grp # C79583	560,000	422,700	424,433	426,199
Fed Home Loan Mortg Corp Grp # E00469	2,449,075	161,464	170,888	171,778
Fed Home Loan Mortg Corp Grp # G00541	2,192,682	95,655	98,993	99,539
Fed Home Loan Mortg Corp Grp # G00853	2,387,999	119,445	123,777	124,461
Fed Home Loan Mortg Corp Grp # G10952	1,010,937	109,647	115,922	116,525
First Horizon Mtg Passthru Tr	1,020,000	959,233	949,448	953,750
FISERV Incorporated	445,000	443,497	438,766	442,523
Goldman Sachs Group	535,000	558,230	569,251	579,416
Govt Natl Mtge Assn Gtd Remic	1,735,000	1,749,139	1,773,526	1,780,372
Govt Natl Mtge Assn Gtd V/R	475,000	495,781	488,727	490,769
Govt Natl Mtge Assn Remic	805,000	821,100	822,369	825,677
Govt Natl Mtgee Assn Pool # 485453	1,299,131	105,662	111,214	111,790
Govt Natl Mtgee Assn Pool # 491145	2,483,000	271,796	282,698	284,161
Govt Natl Mtgee Assn Pool # 557300	700,939	59,957	63,114	63,441
Govt Natl Mtgee Assn Pool # 586151	620,000	537,624	564,130	566,460
Govt Natl Mtgee Assn Pool # 781176	3,338,512	277,378	287,206	288,785
Govt Natl Mtgee Assn Pool # 781231	887,739	76,587	79,255	79,691
HQI Transelec Chile S A	281,000	285,413	324,193	328,864
IDEX Corporation Sr Nt	262,000	277,086	276,431	283,236
Illinois Student Assistance	600,000	600,000	600,000	600,889
Illinois Student Assistance Commn	900,000	900,000	900,000	900,168
Indiana Bd Bk Rev	225,000	225,000	234,758	240,972
Indymac Mbs Inc	917,000	857,292	851,781	855,565
ING Cap Fdg Tr III Callable @100 12/31/10	531,000	599,376	628,178	628,303
International Flavors	464,000	483,174	472,389	476,213
J P Morgan Chase & Co	331,000	374,109	368,489	374,946

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
J P Morgan Mortgage Tr	440,000	371,352	369,123	370,595
Kansas City Power & Light Company	390,000	410,073	400,199	407,089
Kinder Morgan Energy Partners	371,000	418,184	420,169	427,952
Kroger Company	315,000	369,810	358,618	369,184
LB-UBS Commercial Mortgage Tr	435,000	437,149	430,180	431,236
Lennar Corporation	248,000	247,757	248,848	249,165
Los Angeles California Comm Redev Corp	415,000	414,793	415,905	415,905
Mcdonnell Douglas Corporation	348,000	443,836	450,576	459,059
Medical Univ S C Hospital Authority	715,000	715,000	744,394	764,026
Merrill Lynch Mortgage Investors Inc	1,645,000	1,206,847	1,208,941	1,209,663
MetLife Incorporated	467,000	510,233	507,171	509,555
Morgan Stanley	252,000	252,247	252,325	254,169
National City Corporation	362,000	389,831	380,810	389,482
NB Capital - Tr III V/R	363,000	352,198	341,481	344,347
News Amer Holdings Inc Sr Deb	235,000	257,819	284,446	287,512
Nomura Asset Acceptance Corp	578,000	468,023	469,321	469,606
North Fork Bancorporation Inc	680,000	691,925	688,656	701,501
Pemex Financial Ltd	412,000	454,965	461,881	466,635
PPG Industries Inc Nt	3,000	3,269	3,151	3,183
Principal Life Income Fundings M/T/N	555,000	553,829	536,602	541,042
Pulte Homes Inc	254,000	296,027	294,698	303,033
RBS Capital Tr III Preferred Securities	411,000	421,175	426,869	432,595
Realty Income Corporation	424,000	449,275	448,812	453,833
Residential Accredit Lns Inc	1,900,000	491,243	486,268	488,676
San Antonio Tex Convention Center	450,000	450,000	465,701	467,167
San Diego Metro Transit Dev Corp	135,000	135,000	134,621	135,101
SB PL # 507311	610,000	610,000	610,000	610,000
Sequoia Mortgage Tr 2004-1	785,000	665,351	666,497	666,995
Simon Property Group LP	410,000	474,934	473,050	487,260
Small Business Admin Gtd Dev	2,557,000	2,551,158	2,589,250	2,612,020
Small Business Admin Gtd Partnership	1,965,000	1,965,000	1,985,436	2,009,766
Sovereign Bk Fsb Wyoming Pa C/D	215,000	214,796	216,896	220,790
Sprint Capital Corp	323,000	372,908	368,892	379,222
Suntrust Bank Atlanta Ga M/T/N	250,000	279,720	275,760	279,744
Tele Communications Inc Deb	271,000	348,864	345,173	356,239
Thermo Electron Corp *PP*	330,000	329,979	332,287	333,845
Time Warner Entmt Co L P Sr Deb	293,000	345,230	374,628	381,853
Transamerica Cap III	241,000	281,722	291,851	294,199
Tucson Arizona Ctfs Partnership	185,000	185,397	187,013	191,109
U S Treasury Inflation Index N/B	1,365,000	1,359,668	1,451,757	1,464,756
U S Treasury Bonds	8,474,000	9,902,804	10,668,015	10,845,770
U S Treasury Notes	498,000	499,692	516,481	524,666
United States Treasury Notes	594,000	593,603	605,387	609,302
Unitrin Inc	194,000	194,210	193,511	195,087
Utah Board of Regents Stud Loan Rev	1,000,000	1,000,000	1,000,000	1,000,184
Valspar Corp	294,000	309,050	302,291	305,231
Verizon Md Inc	216,000	222,095	231,561	235,971
Wachovia Cap Tr II V/R	424,000	410,580	405,586	408,887

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
Wamu Mtg Pass-Through Certificates	820,000	813,079	810,014	812,185
Weyerhaeuser Co Deb	<u>216,000</u>	<u>254,273</u>	<u>246,409</u>	<u>251,809</u>
Subtotal - Fixed Income Securities	131,914,145	\$ 86,518,544	\$ 87,783,839	\$ 88,514,937
Fixed Commingled Accounts				
BGI - Govt/Credit Bond Index Fund	<u>361,714</u>	<u>49,626,036</u>	<u>82,135,856</u>	<u>82,135,856</u>
Subtotal - Fixed Commingled	361,714	\$ 49,626,036	\$ 82,135,856	\$ 82,135,856
International Equity Commingled Accounts				
Capital Intl Emerging Mkts Growth Fund	525,091	\$ 30,149,295	\$ 41,219,677	\$ 41,219,677
JPMorgan Fleming EAFE Plus	6,776,428	99,955,516	96,767,386	96,767,386
Morgan Stanley - Intl Equity Trust	<u>656,603</u>	<u>60,237,350</u>	<u>93,298,019</u>	<u>93,298,019</u>
Subtotal - International Equity Commingled	7,958,122	\$ 190,342,160	\$ 231,285,083	\$ 231,285,083
Real Estate Securities				
Alexandria Real Estate	2,800	\$ 193,042	\$ 205,660	\$ 207,564
American Campus Communities Inc	12,500	270,668	283,500	283,500
Archstone-Smith Tr	6,800	238,697	262,616	262,616
Arden Realty Incorporated	2,700	94,844	97,146	98,510
Avalonbay Communities Inc	3,900	273,085	315,120	317,889
Biomed Realty Tr Inc	14,073	298,871	335,641	338,712
Boardwalk Real Estate Invt Tr Unit	-	-	-	34
Boston Properties Inc	4,800	293,435	336,000	339,264
Brandywine Realty Tr	11,600	329,125	355,540	355,540
BRE Properties Inc	1,200	46,857	50,220	50,220
Brookfield Properties Corp	19,000	462,206	547,200	547,200
Camden Property Tr SBI	8,100	389,782	435,375	440,519
Capital Automotive Reit	1,400	46,750	53,438	53,438
Catellus Development Corp	5,700	163,127	186,960	188,499
Columbia Equity Tr Inc	4,700	70,500	72,145	72,145
Cousins Properties Inc Com	6,400	186,992	189,312	189,312
Developers Diversified Realty Corp	12,100	510,116	556,116	562,542
Diamondrock Hospitality Co	14,000	147,134	158,200	158,200
Education Realty Tr Inc	14,000	225,839	256,200	256,200
Equity One Inc	11,100	240,542	251,970	251,970
Equity Residential Properties Tr	11,700	397,870	430,794	435,854
Essex Property Tr	1,700	119,772	141,202	142,579
Extra Space Storage Inc	5,100	70,293	73,083	73,083
First Potomac Realty Tr	5,800	125,693	143,840	143,840
Forest City Enterprises Inc Class A	3,100	177,494	220,100	220,100
General Growth Properties Inc	14,900	509,806	612,241	612,241
Gramercy Cap Corp	6,100	123,191	149,206	151,341
Great Wolf Resorts Inc	400	7,795	8,176	8,176
Hersha Hospitality Tr	13,700	151,473	130,698	133,164
Hilton Hotels Corporation	24,000	540,826	572,400	572,400
Host Marriott Corp New	11,800	195,158	206,500	207,680

<u>Asset Class / Security Type / Issuer</u>	<u>Shares / Units</u>	<u>Cost</u>	<u>Market Value</u>	<u>Market + Accruals</u>
Kimco Realty Corp	7,500	417,163	441,825	441,825
Kite Realty Group Tr	16,100	244,307	241,500	244,519
Liberty Property Trust	3,600	146,294	159,516	161,712
Maguire Properties Inc	5,600	141,219	158,704	160,944
Marriott International Inc Class A	2,500	156,533	170,550	170,813
Mills Corp	9,300	554,070	565,347	565,347
Newcastle Invt Corp	4,100	121,792	123,615	126,178
Northstar Realty Fin Corp	16,100	176,141	168,889	168,889
Pan Pac Retail Properties Inc	1,100	62,393	73,018	73,018
Prentiss Properties Tr	7,200	262,701	262,368	266,400
Prologis Sh Ben Int	19,500	802,769	784,680	784,680
Ps Business Pks Inc Calif	1,600	69,045	71,120	71,120
Public Storage Inc Com	2,900	166,687	183,425	183,425
Regency Ctrs Corp	2,600	133,588	148,720	148,720
Simon Property Group Inc New	11,200	692,797	811,888	811,888
Sovran Self Storage Inc Com	400	17,644	18,184	18,184
Spirit Fin Corp	18,100	220,224	212,675	212,675
Starwood Hotels & Resorts Worldwide	11,600	663,807	679,412	679,412
Strategic Hotel Cap Inc	11,500	179,014	207,000	209,530
Thomas Properties Group Inc	8,600	111,517	107,586	108,102
Trizec Properties Inc	9,100	184,750	187,187	188,867
United Dominion Realty Tr	14,428	334,138	346,993	346,993
Ventas Incorporated	8,000	207,289	241,600	241,600
Vornado Realty Tr	1,700	132,898	136,680	136,680
Winston Hotels Incorporated	8,500	\$ 97,144	\$ 95,710	\$ 96,985
Subtotal - Real Estate Securities	458,001	\$ 13,196,908	\$ 14,234,791	\$ 14,292,836
Real Estate Commingled				
UBS Realty Investors - Commingled	58,038,985	\$ 58,038,985	\$ 63,584,244	\$ 63,584,244
Subtotal - Real Estate - Commingled	58,038,985	58,038,985	63,584,244	63,584,244
Total Fund	<u>218,894,171</u>	<u>\$ 711,755,454</u>	<u>\$ 932,494,809</u>	<u>\$ 933,469,421</u>

Benefits Section

Pre-Retirement Topics

Allowable Service Credit	A full year's service credit equals 170 days worked. Partial years are calculated based on the ratio of days worked to 170 days. No more than one year of service credit is allowable during any fiscal year.
Definition of Salary	Minnesota Statutes Section 354A and the Association Articles and Bylaws define salary. Salary is the entire compensation upon which member contributions are required and made.
Refund of Contributions	In lieu of a monthly retirement benefit, a member who resigns from the place of their employment may apply for a refund of employee contributions, plus interest of 6% compounded annually. Coordinated Plan members have access to a refund of contributions at any age. Basic Plan members who are eligible for a pension may not take a refund of contributions.
Repaying a Refund of Contributions	A member who received a refund may reinstate previous Saint Paul service by repaying the amount refunded plus 8.5% interest compounded annually from the date the refund was taken. The repayment can only be made after the member has accumulated at least two years of allowable service since the last refund was taken.
Purchasing Service	Members may purchase prior military service during a "window period" scheduled to expire on May 16, 2007. The cost to purchase service is actuarially calculated. As of January 1, 2002, active members are allowed to use tax-sheltered money to purchase service credit in SPTRFA.
Beneficiary	A beneficiary is the person or persons designated to receive a refund of employee contributions plus interest, if applicable, upon the death of the member if no survivor or family benefit is payable. If no valid beneficiary designation form is on file for a member, any refund of contributions plus interest, if applicable, will be paid to the member's estate.
Marriage Dissolution	Minnesota Statutes Chapter 518 covers marriage dissolutions and requires that SPTRFA receive a copy of the petition and summons, as well as a copy of the affidavit of service before information will be released. In the event that the court orders that future pension benefits be divided, a formula for splitting the benefit should be put into the dissolution decree. All inquires are treated with attention to member confidentiality needs.

Retirement Topics

Basic and Coordinated Plans

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

Coordinated Plan members are those hired after June 30, 1978 and contribute both to SPTRFA and Social Security. Coordinated Plan members are vested once they have three years of retirement service credit.

Steps to Retirement

When planning to retire, members should contact SPTRFA to set up an appointment to apply for pension benefits. All inquiries are handled with requisite confidentiality.

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

Deferred Pension

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

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

Combined Service

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

The total credited years of service in all funds will be considered when determining eligibility for benefits. No consolidation of assets will occur. Instead, benefit payments will be made separately by each fund in which the member has credited service.

Retirement Topics, Continued

Disability Benefit	<p>A disability benefit is payable to members who become totally and permanently disabled. Members must be vested to be eligible for a disability benefit. Members may not have more than 60 sick days remaining at the time of application for the benefit, and they must have used all sick days prior to beginning the benefit.</p> <p>A Basic Plan member's disability benefit is calculated to be 75% of the member's earnings for the last full year of service, less any benefits received from Workers' Compensation or Social Security.</p> <p>In the Coordinated Plan, the disability benefit is calculated as the unreduced pension benefit amount using the member's years of service and final average salary at the time of the disability, less any benefits received from Workers' Compensation. The member may also apply for a disability benefit from Social Security.</p>
Basic Plan Retirement Options	<p>Basic Plan members receive a formula benefit payable for life. An automatic survivor benefit is based on the ages of the member and spouse at the time of retirement. The survivor benefit does not cause a reduction in the member's benefit.</p>
Coordinated Plan Retirement Options	<p>At the time of retirement, Coordinated Plan members select one from the five benefit annuity options below:</p>
C-1 No Refund	<p>Monthly benefit payable for life to the member with no refund payable to a beneficiary.</p>
C-2 Guaranteed Refund	<p>Monthly benefit payable for life to the member that is reduced by use of actuarial tables to provide reduced benefit payments to the member and a guaranteed refund of the remaining balance plus interest to the designated beneficiary (or if none, their estate).</p>
C-3 15-Year Certain	<p>Monthly benefit reduced by use of actuarial tables to provide reduced benefit payments payable for life to the member with the guarantee that payments will be made for at least 15 years. If the member dies before receiving payments for the guaranteed 15 years, the designated beneficiary (or if none, their estate) will be paid the same monthly annuity for the remaining years of the guarantee.</p>
C-4 100% Joint & Survivor	<p>Monthly benefit payable for life to the member that is reduced by use of actuarial tables to provide the same monthly benefit amount payable to the survivor for life with no refund.</p>
C-5 50% Joint & Survivor	<p>Monthly benefit payable for life to the member that is reduced by use of actuarial tables to provide reduced payments for life to the member and 50% of the reduced amount payable to the survivor for life with no refund.</p> <p>If a Coordinated Member elects a joint and survivor option, and the spouse dies before the member, the member benefit will be increased to the C-1 amount.</p>

Post-Retirement Topics

Teaching After Retirement

Prior to age 65, if a retired member of SPTRFA is reemployed by Saint Paul Public Schools (SPPS) or by Saint Paul College (SPC), pension benefits may be affected. If earnings exceed the offset threshold set by the Social Security Administration, the following year's pension will be reduced by one dollar for every three dollars the member earns over the threshold. The amount of the reduction will be placed into a savings account for the retiree, earning 6% interest compounded annually. When the retiree has terminated service for one year or reaches age 65, whichever is later, the retiree will receive the amount in the savings account, including interest.

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

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

Period of Separation

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

Post-Retirement Increase

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

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

Basic Plan - Summary of Tier Benefits

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

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

Normal Benefit	Minimum		Computation of Annual Benefit
	Age	Service	
Tier 1			
Unreduced	Rule of 90		
	60	25	FAS x YOS x 2.0%
Reduced	55	5	Reduced by 0.25% for each month a member's age is under 65.
	55	25	Reduced by 0.25% for each month a member's age is under 60.
Tier 2			
Unreduced	65	5	FAS x YOS x 2.5%
Reduced	55	5	Formula reduced by the use of actuarial tables.
Deferred Retirement			
	55	5	Annual Benefit (see above). Augmented by 3% per year from date of resignation to age 55, then 5% per year starting from the January 1 after age 55 to date of retirement.

Formula Key:

FAS: Final Average Salary

YOS: Years of Service

2.0% or 2.5%: Percentage Multiplier

Coordinated Plan - Summary of Tier Benefits

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

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

Normal Benefit	Minimum		Computation of Annual Benefit
	Age	Service	
Tier 1			
Unreduced	Rule of 90		
	62	30	(FAS x First 10 YOS x 1.2%) +
	65	3	(FAS x YOS greater than 10 x 1.7%)
Reduced	55	3	Reduced by a 0.25% discount for each month a member's age is under 65.
	Any Age	30	Reduced by a 0.25% discount for each month a member's age is under 62.
Tier 2			
Unreduced	If first employed before July 1, 1989:		
	65	3	FAS x YOS x 1.7%
	If first employed on or after July 1, 1989:		
	65-66	3	FAS x YOS x 1.7%
Reduced	55	3	Reduced by the use of actuarial tables.
	Any Age	30	Reduced by the use of actuarial tables.
Deferred Retirement			
	55	3	Annual Benefit (see above).
	Any Age	30	Augmented by 3% per year from date of resignation to age 55, then 5% per year starting from the January 1 after age 55 to date of retirement.

Formula Key:

FAS: Final Average Salary

YOS: Years of Service

1.2% or 1.7%: Percentage Multiplier

2006 Administrative Service Charge Test

Each year a calculation must be performed to determine whether SPTRFA members are required to pay an "Administrative Service Charge" in addition to the regular member contributions to the retirement fund. This provision was added to law as part of a supplemental funding initiative approved by the Minnesota Legislature in 1993 (codified under Minn. Stat. § 354A.12).

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

Our administrative expenses for the fiscal year ending June 30, 2005 remained well below the trigger points set in State law. Therefore, no additional service charge applies.

Retirement History Record

Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid (\$)	Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid (\$)
June 1910	15	13	\$ 4,860	December 1970	31	719	\$ 2,385,868
June 1931	8	125	69,024	December 1971	47	731	2,522,350
June 1932	8	130	72,961	December 1972	51	745	2,742,660
June 1933	2	126	74,190	December 1973	36	744	3,039,253
June 1934	6	127	74,120	December 1974	46	754	3,372,453
June 1935	9	131	74,001	December 1975	52	778	3,765,322
June 1936	14	135	75,864	December 1976	77	883	4,393,513
June 1937	19	151	80,747	December 1977	63	919	5,050,507
June 1938	17	160	89,709	December 1978	48	946	5,523,548
June 1939	11	161	93,184	December 1979	40	946	6,240,309
June 1939 to				December 1980	47	963	6,623,804
December 1939	0	158	23,870	December 1981	47	981	7,139,037
December 1940	71	222	170,685	December 1982	61	996	7,725,617
December 1941	35	246	210,257	December 1983	72	1,042	8,555,099
December 1942	27	266	234,217	December 1984	64	1,061	9,466,664
December 1943	38	286	253,031	January 1985 to			
December 1944	34	311	282,299	June 1985	59	1,103	5,324,727
December 1945	56	350	308,113	June 1986	66	1,134	11,267,144
December 1946	51	378	337,512	June 1987	117	1,191	12,478,180
December 1947	28	387	360,571	June 1988	70	1,210	14,690,455
December 1948	42	413	375,912	June 1989	67	1,236	15,506,957
December 1949	42	441	419,618	June 1990	67	1,270	17,382,410
December 1950	30	461	450,641	June 1991	80	1,309	18,811,677
December 1951	27	476	472,670	June 1992	83	1,357	20,509,335
December 1952	28	486	508,923	June 1993	120	1,426	22,763,806
December 1953	32	487	525,959	June 1994	92	1,469	25,044,494
December 1954	10	482	529,429	June 1995	113	1,539	26,792,534
December 1955	38	509	666,994	June 1996	119	1,595	29,446,215
December 1956	46	529	750,146	June 1997	179	1,720	32,056,967
December 1957	59	560	840,883	June 1998	129	1,789	37,852,099
December 1958	41	579	1,019,502	June 1999	114	1,861	41,724,751
December 1959	30	585	1,084,506	June 2000	144	1,964	47,121,179
December 1960	38	600	1,144,380	June 2001	130	2,050	53,851,893
December 1961	39	611	1,230,715	June 2002	127	2,136	58,738,724
December 1962	49	624	1,352,779	June 2003	126	2,248	63,357,052
December 1963	42	647	1,467,461	June 2004	141	2,361	67,941,921
December 1964	33	653	1,545,252	June 2005	192	2,505	72,448,201
December 1965	40	668	1,631,554				
December 1966	43	676	1,770,083				
December 1967	36	682	1,862,249				
December 1968	45	695	1,969,760				
December 1969	53	726	2,319,186				

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