

LEGISLATIVE REFERENCE LIBRARY



3 0307 00019 4061

1988-1989

Annual Report

of the BOARD OF TRUSTEES

For the Period

July 1, 1988 — June 30, 1989

LEGISLATIVE REFERENCE LIBRARY
6-13 State Office Bldg
St. Paul, Minnesota 55155

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
St. Paul, Minnesota 55104

LB
2842.2
.534x
1988/89



Pursuant to Mn Stat 356.20

BOARD OF TRUSTEES

James P. Gillach	President
Joan A. Hunziker	Vice-President
Eugene R. Waschbusch	Secretary-Treasurer
Carol J. Adams	Trustee
Feryle W. Borgeson	Trustee
Cheryl Carlson	Trustee
Lyle T. Farmer	Trustee
Frank D. Jondal	Trustee
Frank L. Kernik	Trustee
Daniel F. Bostrom Chairman, Board of Education ISD #625	Ex-Officio, Trustee

Auditor
Office of the State Auditor

Investment Counsel
Capital Supervisors, Inc.

Legal Counsel
Doherty, Rumble and Butler

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
1619 Dayton Avenue Room 309
St. Paul, Minnesota 55104
612-642-2550

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Letter of Transmittal	4
 AUDITOR'S SECTION	
Auditor's Opinion	6
Statement of Net Assets Available for Plan Benefits	8
Statement of Changes in Net Assets Available for Plan Benefits	10
Notes to the Financial Statements	12
Analysis of Funding Progress	21
Revenues of Source, Expenses by Type Last Ten Fiscal Periods	22
Revenues by Source, Expenses by Type - Graph	23
 ACTUARIAL SECTION	
Actuary's Report	24
Report Highlights	25
Accounting Balance Sheet	26
Changes in Assets Available for Benefits	27
Reconciliation of Members	28
Actuarial Balance Sheet	29
Determination of Unfunded Actuarial Accrued Liability and Supplemental Contribution Rate	30
Changes in Unfunded Actuarial Accrued Liability	31
Determination of Contributions Sufficiency	32
SPTRFA Current Membership and Benefit Recipients - Graph	33
SPTRFA Summary of Net Assets, Required Reserves - Graph	34
 FINANCIAL SECTION	
SPTRFA Statement of Revenues and Expenditures	36
Letter from Investment Counsel	38
SPTRFA Changes in Investment Holdings	39
Current Stock Holdings as of June 30, 1989	46
Government & Agency Bond Holdings as of June 30, 1989	47
Corporate Bond Holdings as of June 30, 1989	48
Total Portfolio Holdings	49
Investment Changes 1989 vs. 1988 - Graph	50
 MEMBERSHIP SECTION	
Retirement Record	51

Saint Paul Teachers' Retirement Fund Association

BOARD OF TRUSTEES

MEMBERS

Carol J. Adams
Fayle W. Borgeson
Cheryl Carlson
Daniel F. Bostrom, Ex-Officio

Lyle T. Farmer
Franklin D. Jondal
Frank L. Kernik

James P. Gillach
Joan A. Hunziker
Eugene R. Waschbusch

OFFICERS

President
Vice-President
Secretary-Treasurer

1619 DAYTON AVENUE, ROOM 309

SAINT PAUL, MINNESOTA 55104

PHONE: 642-2550

The Board of Trustees of St. Paul Teachers' Retirement Fund Association submits herewith the Financial Report for the fiscal year July 1, 1988 to June 30, 1989 in accordance with the provisions of Minnesota Statutes 356.20.

The financial statements of the Association were audited by the State Auditor of Minnesota. A copy of his report is included as a part of this report.

Portions of the Actuarial Valuation from the actuary retained by the Legislative Commission on Pensions and Retirement, the Wyatt Company, are included in this report. The complete report is on file in our office.

REVENUES

The reserves required to finance benefits come from employee and employer contributions and through investment gains. During fiscal year 1988-89, total contributions amounted to \$15,830,280. Investment income for the same period was \$22,176,520.

EXPENSES

This fiscal year benefits to our annuitants, disabilitants, survivors and dependent children totaled \$15,908,135. Refunds to members who left our Association totaled \$251,638. Administrative expenses amounted to \$315,157. Net assets available for plan benefits increased \$21,532,183 during fiscal year 1989.

INVESTMENTS

You are encouraged to read the letter from Capital Supervisors, our investment counsel. A complete summary of all investment changes during the fiscal year along with a list of our investment portfolio on June 30, 1989 is included in this report.

MEMBER SERVICES

This year the Association began visits to the schools and other sites where members are working to give individual pension estimates and to answer questions about our pension plans. The member reaction received by the Association indicated a favorable response to these visits. All schools will be visited on an every other year basis. Again this year all members over 50 years old are receiving a pension benefit projection showing their estimated pension benefit at ages 55, 60 and 65 and on July 1, 1989.

BENEFIT CHANGES

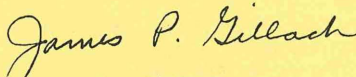
This past year saw a major improvement in pension benefits which affected every active and retired member of our Association. Active teachers now have three year vesting, 6% interest on refunds and the greater benefit computed under Tier I or Tier II formulas. Tier I benefits are computed using the formula percentages in effect prior to May 16, 1989 but now with a reduced discount of 3% per year for early retirement or no discount if the Rule of 90 applies. Tier II is the benefit formula that allows 1.5% each year of Coordinated service and 2.5% each year of Basic service with normal retirement age of 65. If a member retires under Tier II before age 65, an actuarial discount for early retirement is applied.

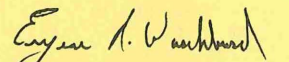
Pre-70 retirees now have a "Floor of Respectability" of \$400 per year of St. Paul Service. Annuitants who retired after December 31, 1969 will experience an increased Bonus (13th) check.

In summary, Fiscal year 1988-89 was a positive year for our fund. The year end value of total assets available for benefits valued at cost was \$249,935,431. Investment returns paid for all pension and fiscal year expenses with a surplus for future benefit payments.

On behalf of the members of the Board of Trustees we wish to express our gratitude to the Association staff, ISD #625, to the Governor and the State legislature who have helped assure our successful operation. We pledge to continue to administer the affairs of the Association in the most competent and efficient manner possible.

Respectfully submitted,


James P. Gillach
President


Eugene R. Waschbusch
Secretary-Treasurer



ARNE H. CARLSON
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR
SUITE 400
525 PARK STREET
SAINT PAUL 55103

296-2551

INDEPENDENT AUDITOR'S OPINION

To the Board of Trustees
St. Paul Teachers' Retirement
Fund Association
Saint Paul, Minnesota


We have audited the statement of net assets available for plan benefits of the St. Paul Teachers' Retirement Fund Association as of June 30, 1989 and 1988, and the related statement of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the St. Paul Teachers' Retirement Fund Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1 to the financial statements, the Association's policy is to prepare its financial statements on the basis of accounting practices prescribed by State of Minnesota statutes. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the St. Paul Teachers' Retirement Fund Association as of June 30, 1989 and 1988, and changes in its financial status for the years then ended, in conformity with the basis of accounting as described in Note 1.

Our audits were made for the purpose of forming an opinion on the statement of net assets available for plan benefits and the statement of changes in net assets available for plan benefits taken as a whole. The schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements listed above. Such information for the period July 1, 1987, through June 30, 1989, has been subjected to the auditing procedures applied in the audit of the financial statements listed above and, in our opinion, is fairly stated in all material respects in relation to the statement of net assets available for plan benefits and the statement of changes in net assets available for plan benefits, taken as a whole. The other supplementary information presented was audited by other auditors who issued unqualified opinions thereon, on the basis of accounting described in Note 1.



ARNE H. CARLSON
State Auditor

September 15, 1989

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

EXHIBIT 1

COMPARATIVE STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
JUNE 30, 1989 AND 1988

	1989	1988
Assets		
Cash	<u>\$ 255,659</u>	<u>\$ 374,842</u>
Investments (aggregate market value of \$279,765,848)		
Commercial paper and certificates of deposit	\$ 80,499,547	\$ 51,313,944
United States Government Securities, direct and guaranteed	38,740,388	32,870,681
Corporate bonds	69,318,809	58,190,192
Common stock	60,783,085	82,915,619
Real estate, limited partnership	728,800	728,800
Participation loan receivable	<u>225,975</u>	<u>225,975</u>
Total investments - Note 2	<u>\$ 250,296,604</u>	<u>\$ 226,245,211</u>
Receivables		
Contributions	\$ 783,212	\$ 795,602
Interest	2,816,275	2,340,013
Dividends	270,553	331,050
Security sales	-	1,160,034
Bonds, principal repayments	250,312	385,642
Net gain on partial redemption	<u>767</u>	<u>1,977</u>
Total receivables	<u>\$ 4,121,119</u>	<u>\$ 5,014,318</u>
Furniture and fixtures (at cost, less accumulated depreciation of \$16,080 and \$10,603 in 1989 and 1988, respectively)	<u>\$ 21,226</u>	<u>\$ 24,511</u>
Total Assets	<u>\$ 254,694,608</u>	<u>\$ 231,658,882</u>
Liabilities		
Accrued bonus payable to annuitants - Note 3	\$ 2,485,795	\$ 2,084,929
Accounts payable	29,122	26,426
Security purchases payable	<u>2,244,260</u>	<u>1,144,279</u>
Total Liabilities	<u>\$ 4,759,177</u>	<u>\$ 3,255,634</u>
Net Assets Available for Plan Benefits - Note 4	<u>\$ 249,935,431</u>	<u>\$ 228,403,248</u>

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

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

EXHIBIT 1
(Continued)

COMPARATIVE STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
JUNE 30, 1989 AND 1988

	<u>1989</u>	<u>1988</u>
Summary of net assets available for plan benefits		
Actuarial present value of credited projected benefits payable to		
Beneficiaries now receiving benefits	\$ 140,084,000	\$ 128,858,000
Deferred vested and inactive teachers	2,129,000	1,836,000
Active teachers	<u>263,441,000</u>	<u>229,812,000</u>
Total projected benefits payable - Note 4	\$ 405,654,000	\$ 360,506,000
Unfunded actuarial present value of credit projected benefits - Note 4	<u>(155,718,569)</u>	<u>(132,102,752)</u>
Total Net Assets Available for Plan Benefits -Note 4	<u>\$ 249,935,431</u>	<u>\$ 228,403,248</u>

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

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

EXHIBIT 2

COMPARATIVE STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	<u>1989</u>	<u>1988</u>
Additions		
Investment income (loss)		
Interest	\$ 15,854,469	\$ 10,256,645
Dividends	2,735,744	3,323,172
Gain on sale of investments	7,584,753	14,539,939
Loss on sale of investments	(3,896,178)	(7,644,672)
Gain on partial redemption	136,118	688,125
Loss on partial redemption	(8,595)	(50,048)
Direct investment expenses	<u>(229,790)</u>	<u>(221,010)</u>
Total investment income	\$ 22,176,521	\$ 20,892,151
Contributions		
Governmental units		
State of Minnesota	\$ 9,175,759	\$ 8,837,033
Other	29,277	29,089
Members		
Required withholdings	6,468,746	6,204,110
Voluntary	<u>156,498</u>	<u>110,159</u>
Total contributions - Note 5	\$ 15,830,280	\$ 15,180,391
Other income		
Miscellaneous	\$ 312	\$ 22,216
Total Additions	\$ 38,007,113	\$ 36,094,758
Deductions		
Benefits to participants		
Retirement	\$ 14,557,719	\$ 13,703,903
Disability	522,077	428,513
Survivor	801,007	699,443
Dependent children	27,332	34,322
Contribution refunds	<u>251,638</u>	<u>655,392</u>
Total benefits and refunds	\$ 16,159,773	\$ 15,521,573
Administrative expenses	<u>315,157</u>	<u>273,852</u>
Total Deductions	\$ 16,474,930	\$ 15,795,425

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

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

EXHIBIT 2
(Continued)

COMPARATIVE STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	<u>1989</u>	<u>1988</u>
Change in net assets available for plan benefits	\$ 21,532,183	\$ 20,299,333
Net assets available for plan benefits, beginning	<u>228,403,248</u>	<u>208,103,915</u>
Net Assets Available for Plan Benefits, Ending - Note 4	<u>\$ 249,935,431</u>	<u>\$ 228,403,248</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 FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The St. Paul Teachers' Retirement Fund is a defined benefit pension plan administered by the St. Paul Teachers' Retirement Fund Association, pursuant to Minn. Stat. chs. 354A and 356. The Fund's membership consists of eligible employees of Independent School District 625, St. Paul. The Association is governed by a ten-member board of trustees.

A. Basis of Accounting and Financial Statement Presentation

The St. Paul Teachers' Retirement Fund Association maintains its accounting records on the accrual basis. Minn. Stat. § 356.20 establishes cost as the accounting basis for investments. Statutory provisions differ from generally accepted accounting principles (GAAP), which require that all investments be stated at cost, increased by unamortized bond premium and decreased by unamortized bond discounts. The accompanying financial statements were prepared on the basis prescribed by statutes and are not intended to present financial position or results of operations of the Association in accordance with generally accepted accounting principles.

B. Investments

Investments are reported at cost.

C. Revenue Recognition

Investment income is recognized when earned.

Member employee contributions are recorded as revenues when withheld or when paid directly by the member employee.

Employer contributions are computed as a percentage of covered payroll. These revenues are recorded based upon covered payroll.

2. Deposits and Investments

Deposits

Minn. Stat. § 118.005 authorized the Association to deposit its cash in financial institutions designated by the Board of Trustees. At June 30, 1989 and 1988, the Association had cash deposits of \$255,659 and \$374,842, respectively, all of which were insured or collateralized with securities held by the Association or its agent in the Association's name.

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

2. Deposits and Investments (Continued)

Investments

The Association's investments are categorized to give an indication of the level of credit risk assumed by the fund at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Association or its agent in the Association's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Association's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Association's name. This risk categorization does not reflect market risk.

Minn. Stat. § 11A.24 authorizes the types of securities available to the Association for investment. Following are the carrying amounts and market values of the Association's investments at June 30, 1989, and the level of credit risk for these investments.

	Risk Category	Carrying Amount	Market Value
Commercial paper	2	\$ 80,499,547	\$ 80,499,547
United States Government securities, direct and guaranteed	1	38,740,388	42,670,434
Corporate bonds	1	69,318,809	72,092,569
Common stocks	1	60,783,085	83,541,162
Real estate limited partnerships	1	728,800	736,161
Participation loan receivable	1	225,975	225,975
Total Investments		<u>\$ 250,296,604</u>	<u>\$ 279,765,848</u>

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

3. 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

3. Description of Plans (Continued)

General

The St. Paul Teachers' Retirement Fund Association was created to provide retirement and other specified benefits for its members. The Association maintains two defined benefit pension plans covering all teachers in the St. Paul Public School System. The basic plan provides all retirement benefits for its members, while the coordinated plan combines benefits from the plan with Social Security.

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.

Other Benefits

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

Bonus Payments

The plans provide a bonus payment plan for all annuitants who have been receiving benefits for at least three years. The amount of the bonus is equal to up to one percent of the asset value of the fund at the end of the previous fiscal year and is payable in each year that the fund earns a return on its assets of at least six percent. The amount of the bonus is determined by the board of trustees subject to the one percent maximum. Each annuitant receiving benefits for more than three years receives a bonus payment based upon a combination of years of service and years in which benefit payments have been received by the eligible person. Bonus payments totaling \$2,485,795 and \$2,084,929 were accrued for the years ended June 30, 1989 and 1988, respectively.

4. Funding Status and Progress

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help

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

4. Funding Status and Progress (Continued)

users assess the Association's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employees retirement systems.

Credited projected benefits are those future periodic payments, including lump-sum distributions, that are attributable under the plans' provisions to the service employees have rendered. Credited projected benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. The credited projected benefits for active employees are based on their age, service, and earnings up to the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances--retirement, death, disability--are included, to the extent that they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of credited projected benefits is determined by an actuary, using the entry age normal cost method, and is that amount that results from applying actuarial assumptions to adjust the credited projected benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

There were several changes in actuarial assumptions in 1989 that were recognized in the actuarial valuation used at June 30, 1989. The significant actuarial assumptions used in the valuations were:

	Effect of Change in Actuarial Assumption on Pension Benefit Obligation
(1) (a) The 1983 Group Annuity Mortality Table, as adjusted, was used at June 30, 1988, for life expectancy of participants.	\$ 18,252,000
(b) The 1971 Group Annuity Mortality Table, as adjusted, was used at June 30, 1989, for life expectancy of participants.	
(2) Retirement age assumptions (the assumed average retirement age was the greater of 62 and one year from valuation date or earliest date eligible for unreduced benefit.)	

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

4. Funding Status and Progress (Continued)

(3) (a)	Investment return of 8 percent at June 30, 1988.	
(b)	Investment return of 8.5 percent at June 30, 1989.	(27,661,000)
(4)	Salary scale (6.5 percent per year compounded annually).	-
(5)	Unfunded actuarial present. Value of credited projected benefits amortized based on a percentage of payroll through the year:	
(a)	2010 at June 30, 1988.	
(b)	2020 at June 30, 1989	-
	Total	<u>\$ (9,409,000)</u>

The foregoing actuarial assumptions are based on the presumption that the plans will continue. Were the plans to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of credited projected benefits.

Total unfunded pension benefit obligation of the Association as of June 30, 1989, is shown below.

	<u>Old Assumptions</u>	<u>New Assumptions</u>	<u>Change</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$138,795,000	\$142,213,000	\$ 3,418,000
Current Employees			
Accumulated employee contributions including allocated investment income	94,854,000*	94,854,000*	-
Employer-financed vested	154,478,000	141,030,000	(13,448,000)
Employer-financed nonvested	<u>26,936,000</u>	<u>27,557,000</u>	<u>621,000</u>
Total Pension Benefit Obligation	<u>\$415,063,000</u>	<u>\$405,654,000</u>	<u>\$ (9,409,000)</u>

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

4. Funding Status and Progress (Continued)

	<u>Old Assumptions</u>	<u>New Assumptions</u>	<u>Change</u>
Net assets available for benefits (market value of \$279,404,675)		<u>249,935,431</u>	
Unfunded Pension Benefit Obligation		<u>\$155,718,569</u>	

*Estimated

The measurement of the pension benefit obligation is based on an actuarial valuation as of June 30, 1989. Net assets available to pay pension benefits were valued as of the same date.

5. Contributions Required and Made

Under the basic program, member employees contributed eight percent of their salaries during the years ended June 30, 1989 and 1988. Employer contributions are paid in an amount provided for by statute, which was 12.63 percent for the years ended June 30, 1989 and 1988.

Effective July 1, 1978, the Association established, pursuant to Minnesota statutes, a coordinated retirement program for all new teachers qualifying for membership and any present members who wished to coordinate with Social Security. Participants contributed 4.5 percent of their salaries to the coordinated plan for the years ended June 30, 1989 and 1988. Employer contributions of 4.5 percent under this program were also paid for the years then ended.

Contributions to the Fund for the years ended June 30, 1989 and 1988, were:

	<u>1989</u>	<u>1988</u>
Employer	\$ 9,205,036	\$ 8,866,122
Employee	<u>6,625,244</u>	<u>6,314,269</u>
Total	<u>\$15,830,280</u>	<u>\$15,180,391</u>

Using the above actuarial assumptions prescribed by state statutes as of June 30, 1989, the consulting actuary has calculated the employer's required contribution rate to be:

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

5. Contributions Required and Made (Continued)

	Percentage of Covered Payroll		
	Basic Plan	Coordinated Plan	Combined
Employee contribution	8.00%	4.50%	6.60%
Employer contribution	12.63%	4.50	9.38
Total contribution	20.63%	9.00%	15.98%
Normal cost	13.95%	8.33%	11.71%
Amortization of unfunded actuarial accrued liability			7.49
Allowance for expenses			0.55
Total required contributions			19.75%
Contribution sufficiency (deficiency)			(3.77)%

The actuarial present value of credited projected benefits is in excess of the net assets available for plan benefits by approximately \$155,718,569 and \$132,102,752 at June 30, 1989 and 1988, respectively.

There were several changes in benefits in 1989 that were recognized in the actuarial valuation used at June 30, 1989. The significant changes in benefits are summarized below:

- The service requirement for the normal retirement benefit, early retirement benefit, disability benefit, surviving spouse annuity and deferred benefit for Coordinated members was reduced from five years to three years. The uninterrupted service requirement for the disability benefit for Coordinated members was reduced from five years to two years.
- The retirement benefit for Basic members was changed to be equal to the greater of:
 - Two percent of average salary for each year of service up to a maximum of 40 years. The early retirement reduction is .25 percent for each month that retirement precedes age 65 or age 60 if 25 years of service. If member meets the Rule of 90 requirement, there is no early retirement reduction; or

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

5. Contributions Required and Made (Continued)

- Two and one-half percent of average salary for each year of service. The early retirement reduction is an actuarial equivalent reduction with augmentation at three percent per year to age 65.
- Special rules apply to those Coordinated members who were hired before July 1, 1989. The retirement benefit was changed to be equal to the greater of:
 - One percent of average salary for the first ten years of service and 1.5 percent of average salary for each additional year. The early retirement reduction is .25 percent for each month that retirement precedes age 65 or age 62 if 30 years of service. If member meets the Rule of 90 requirement, there is no early retirement reduction; or
 - One and one-half percent of average salary for each year of service. The early retirement reduction is an actuarial equivalent reduction with augmentation at three percent per year to age 65.
- The deferred annuity is now augmented at five percent a year for each year that the benefit is deferred beyond age 55.
- The interest rate credited on refund of member contributions was increased from five percent to six percent.
- The joint and survivor annuity option now provides a bounce back feature without additional reduction.

	<u>Impact Due To Changes In Plan Provisions</u>
Pension Benefit Obligation	\$ 30,034,000
Normal Cost	1.51%
Supplemental Contribution	<u>.87</u>
Required Contribution	2.38%

The following shows the impact of the changes in plan benefits on the pension benefit obligation under the old actuarial assumptions.

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

5. Contributions Required and Made (Continued)

	<u>Old Benefits</u>	<u>New Benefits</u>	<u>Change</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$138,216,000	\$138,795,000	
Current Employees			
Accumulated employee contributions including allocated investment income	86,443,000*	94,854,000*	
Employer-financed vested	131,797,000	154,478,000	
Employer-financed nonvested	<u>28,573,000</u>	<u>26,936,000</u>	
Total Pension Benefit Obligation	<u>\$385,029,000</u>	<u>\$415,063,000</u>	<u>\$ 30,034,000</u>

*Estimated

6. Ten-Year Historical Trend Information

Historical trend information designed to provide information about the Fund's progress in accumulating sufficient assets to pay benefits when due is presented as supplementary information in Schedules 1 and 2.

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

Schedule 1

ANALYSIS OF FUNDING PROGRESS
(in millions of dollars)
LAST THREE FISCAL PERIODS

Fiscal Year*	Net Assets Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Actuarial Credited Pension Benefit Obligation	Annual Covered Payroll	Unfunded Actuarial Credited Pension Benefit Obligation as a Percentage of Covered Payroll
1987	\$ 208.1	\$ 340.6	61.1%	\$ 132.5	\$ 88.7	149.4%
1988	228.4	360.5	63.4	132.1	91.2	144.8
1989	249.9	405.6	61.6	155.7	95.4	163.2

*Year ended June 30.

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

Schedule 2

REVENUES BY SOURCE AND EXPENSES BY TYPE
LAST TEN FISCAL PERIODS

Fiscal Year	Revenues by Source			
	Employee Contributions	Contributions	Investment Income	Total
1980 (a)	\$ 4,416,510	\$ 6,687,085	\$ 7,959,985	\$ 19,063,580
1981 (a)	4,503,691	6,763,210	10,343,521	21,610,422
1982 (a)	4,823,200	7,256,112	9,603,909	21,683,221
1983 (a)	5,690,593	5,990,211	12,122,545	23,803,349
1984 (a)	5,473,729	8,370,749	12,921,217	26,765,695
1985 (b)	3,143,531	4,563,109	7,030,030	14,736,670
1986 (b)	5,825,234	8,506,315	18,980,646	33,312,195
1987 (b)	6,234,314	8,478,763	37,480,797	52,193,874
1988 (b)	6,314,269	8,866,122	20,892,151	36,072,542
1989 (b)	6,625,244	9,205,036	22,176,521	38,006,801

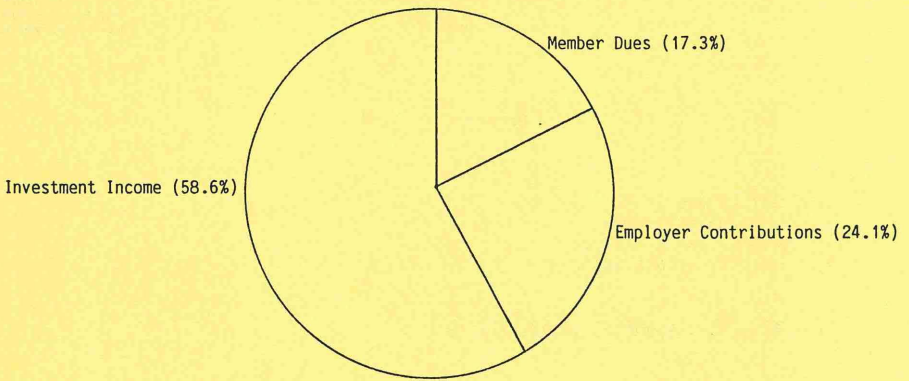
Fiscal Year	Expenses by Type			
	Benefits	Administrative Expenses	Refunds	Total
1980 (a)	\$ 6,623,324	\$ 190,399	\$ 555,534	\$ 7,369,257
1981 (a)	7,136,188	194,615	524,933	7,855,736
1982 (a)	7,787,410	164,063	887,293	8,838,766
1983 (a)	8,627,791	185,042	377,524	9,190,357
1984 (a)	9,523,821	182,908	1,329,843	11,036,572
1985 (b)	5,576,454	104,495	405,370	6,086,319
1986 (b)	11,494,373	208,133	375,930	12,078,436
1987 (b)	13,211,859	250,780	360,659	13,823,298
1988 (b)	14,866,181	273,852	655,392	15,795,425
1989 (b)	15,908,135	315,157	251,638	16,474,930

(a) Information presented is for the fiscal years ended December 31.

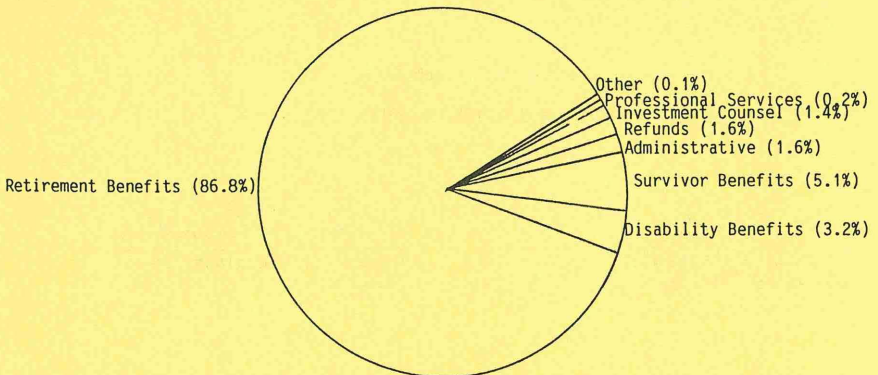
(b) Information presented is for the six months ended June 30, 1985, and fiscal years ended June 30 thereafter.

1989 REVENUE AND EXPENDITURES

Revenue by Source



Expenditures by Type



Graphs prepared by SPTRFA

THE *Wyatt* COMPANY

ACTUARIAL SERVICES
COMPENSATION PROGRAMS
ADMINISTRATIVE SYSTEMS
INTERNATIONAL SERVICES
ORGANIZATION SURVEYS

15TH FLOOR
8400 NORMANDALE LAKE BOULEVARD
MINNEAPOLIS, MINNESOTA 55437
(612) 921-8700

EMPLOYEE BENEFITS
EMPLOYEE COMMUNICATIONS
RISK MANAGEMENT
INSURANCE CONSULTING
HEALTH CARE CONSULTING

November 1, 1989

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

RE: ST. PAUL TEACHERS' RETIREMENT FUND

Commission Members:

We have prepared an actuarial valuation of the Fund as of July 1, 1989 based on membership and financial data supplied by the Fund.

We certify that to the best of our knowledge and belief this actuarial valuation was performed in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards for Actuarial Work, adopted by the Commission on September 20, 1989.

Respectfully submitted,

THE WYATT COMPANY

Robert E. Perkins

Robert E. Perkins, FSA
Consulting Actuary

Michael C. Gunvalson

Michael C. Gunvalson, FSA
Actuary

OFFICES IN PRINCIPAL CITIES AROUND THE WORLD

ST. PAUL TEACHERS' RETIREMENT FUND

REPORT HIGHLIGHTS (DOLLARS IN THOUSANDS)

	07/01/88 <u>VALUATION</u>	07/01/89 <u>VALUATION</u>
A. CONTRIBUTIONS (TABLE 11)		
1. Statutory Contributions - Chapter 354A % of Payroll	16.34%	15.98%
2. Required Contributions - Chapter 356 % of Payroll	20.84%	19.75%
3. Sufficiency (Deficiency) (A1-A2)	-4.50%	-3.77%
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$236,183	\$260,402
b. Current Benefit Obligations (Table 8)	\$360,506	\$405,654
c. Funding Ratio (a/b)	65.51%	64.19%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$236,183	\$260,402
b. Actuarial Accrued Liability (Table 9)	\$392,351	\$434,587
c. Funding Ratio (a/b)	60.20%	59.92%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$427,217	\$460,041
b. Current and Expected Future Benefit Obligations	\$505,722	\$547,666
c. Funding Ratio (a/b)	84.48%	84.00%
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	3,280	3,312
b. Projected Annual Earnings	\$95,390	\$102,290
c. Average Annual Earnings (Actual \$)	\$29,082	\$30,885
d. Average Age	42.7	43.0
e. Average Service	10.8	11.1
f. Additional Members on Leave of Absence	117	124
2. Others		
a. Service Retirements (Table 4)	1,064	1,080
b. Disability Retirements (Table 5)	30	30
c. Survivors (Table 6)	116	126
d. Deferred Retirements (Table 7)	36	36
e. Terminated Other Non-vested (Table 7)	1,056	1,186
f. Total	2,302	2,458

ST. PAUL TEACHERS' RETIREMENT FUND

TABLE 1

ACCOUNTING BALANCE SHEET
(DOLLARS IN THOUSANDS)

July 1, 1989

	<u>MARKET VALUE</u>	<u>COST VALUE</u>
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$80,981	\$80,981
2. Investments		
a. Fixed Income	111,755	108,059
b. Equity	81,030	60,783
c. Real Estate	729	729
3. Equity in Minnesota Post-Retirement Investment Fund (MPRIF)	0	0
4. Other	4,142	4,142
	-----	-----
B. TOTAL ASSETS	\$278,637	\$254,694
	=====	=====
C. AMOUNTS CURRENTLY PAYABLE	\$2,273	\$2,273
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$59,831	\$59,831
2. Employer Reserves	216,533	192,590
3. MPRIF Reserves	0	0
4. Non-MPRIF Reserves	0	0
	-----	-----
5. Total Assets Available for Benefits	\$276,364	\$252,421
	-----	-----
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	\$278,637	\$254,694
	=====	=====
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Cost Value of Assets Available for Benefits (D5)		\$252,421
2. Market Value (D5)	\$276,364	
3. Cost Value (D5)	252,421	

4. Market Over Cost (F2-F3)	\$23,943	
5. 1/3 of Market Over Cost(F4)/3		7,981

6. Actuarial Value of Assets (F1+F5) (Same as "Current Assets")		\$260,402
		=====

ST. PAUL TEACHERS' RETIREMENT FUND
CHANGES IN ASSETS AVAILABLE FOR BENEFITS
(DOLLARS IN THOUSANDS)

TABLE 2

YEAR ENDING JUNE 30, 1989

	<u>MARKET VALUE</u>	<u>COST VALUE</u>
A. ASSETS AVAILABLE AT BEGINNING OF YEAR	\$247,573	\$230,488
 B. OPERATING REVENUES		
1. Member Contributions	\$6,625	\$6,625
2. Employer Contributions	9,205	9,205
3. Investment Income	18,591	18,591
4. MPRIF Income	0	0
5. Net Realized Gain (Loss)	3,815	3,815
6. Other	0	0
7. Net Change in Unrealized Gain (Loss)	6,858	0
	-----	-----
8. Total Revenue	\$45,094	\$38,236
	-----	-----
 C. OPERATING EXPENSES		
1. Service Retirements	\$14,156	\$14,156
2. Disability Benefits	522	522
3. Survivor Benefits	828	828
4. Refunds	252	252
5. Expenses	545	545
6. Other	0	0
	-----	-----
7. Total Disbursements	\$16,303	\$16,303
	-----	-----
 D. CHANGES IN RESERVES	0	0
 E. ASSETS AVAILABLE AT END OF YEAR	\$276,364	\$252,421
	=====	=====

ST. PAUL TEACHERS' RETIREMENT FUND
RECONCILIATION OF MEMBERS

TABLE 7

	<u>ACTIVES*</u>	<u>TERMINATED</u>	
		<u>DEFERRED RETIREMENT</u>	<u>OTHER NON-VESTED</u>
A. On June 30, 1988	3,397	36	1,056
B. Additions	469	8	329
C. Deletions:			
1. Service Retirement	(39)	(2)	
2. Disability	(3)	(1)	
3. Death	(3)	(1)	0
4. Terminated-Deferred	(8)		
5. Terminated-Refund	(20)	(6)	0
6. Terminated-Other Non-vested	(324)		
7. Returned as Active		0	(30)
D. Data Adjustments	(33)	2	(169)
	Vested 2,424		
	Non-Vested 1,012		
E. Total on June 30, 1989	3,436	36	1,186

	<u>RETIREMENT ANNUITANTS</u>	<u>RECIPIENTS</u>	
		<u>DISABLED</u>	<u>SURVIVORS</u>
A. On June 30, 1988	1,064	30	116
B. Additions	48	3	16
C. Deletions:			
1. Service Retirement		0	
2. Death	(33)	(3)	(1)
3. Annuity Expired	0	0	(4)
4. Returned as Active	0	0	
D. Data Adjustments	1	0	(1)
E. Total on June 30, 1989	1,080	30	126

* Includes members on leave.

ST. PAUL TEACHERS' RETIREMENT FUND

TABLE 8

ACTUARIAL BALANCE SHEET
(DOLLARS IN THOUSANDS)

JULY 1, 1989

A. CURRENT ASSETS (TABLE 1, F6)			\$260,402
B. EXPECTED FUTURE ASSETS			
1. Present Value of Expected Future Statutory Supplemental Contributions			86,560
2. Present Value of Future Normal Costs			113,079
3. Total Expected Future Assets			199,639
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS			\$460,041
D. CURRENT BENEFIT OBLIGATIONS	<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>
1. Benefit Recipients			
a. Retirement Annuities		\$125,708	\$125,708
b. Disability Benefits		5,939	5,939
c. Surviving Spouse and Child Benefits		8,437	8,437
2. Deferred Retirements with Future Augmentation		1,535	1,535
3. Former Members without Vested Rights		594	594
4. Active Members			
a. Retirement Annuities	686	207,384	208,070
b. Disability Benefits	19,057	0	19,057
c. Survivors' Benefits	7,557	0	7,557
d. Deferred Retirements	257	25,952	26,209
e. Refund Liability Due to Death or Withdrawal	0	2,548	2,548
5. Total Current Benefit Obligations	\$27,557	\$378,097	\$405,654
E. EXPECTED FUTURE BENEFIT OBLIGATIONS			\$142,012
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS			\$547,666
G. CURRENT UNFUNDED ACTUARIAL LIABILITY (D5-A)			\$145,252
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F-C)			\$87,625

TABLE 9

ST. PAUL TEACHERS' RETIREMENT FUND

DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)
AND SUPPLEMENTAL CONTRIBUTION RATE
(DOLLARS IN THOUSANDS)

JULY 1, 1989

	ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS (1)	ACTUARIAL PRESENT VALUE OF FUTURE NORMAL COSTS (2)	ACTUARIAL ACCRUED LIABILITY (3)=(1)-(2)
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)			
1. Active Members			
a. Retirement Annuities	\$327,091	\$71,704	\$255,387
b. Disability Benefits	27,455	10,842	16,613
c. Survivors Benefits	10,502	3,629	6,873
d. Deferred Retirements	36,430	20,186	16,244
e. Refunds Due to Death or Withdrawal	3,975	6,718	(2,743)
f. Total	<u>\$405,453</u>	<u>\$113,079</u>	<u>\$292,374</u>
2. Deferred Retirements with Future Augmentation	\$1,535		\$1,535
3. Former Members Without Vested Rights	594		594
4. Annuitants in MPRIF	0		0
5. Recipients Not in MPRIF	<u>140,084</u>		<u>140,084</u>
6. Total	<u>\$547,666</u>	<u>\$113,079</u>	<u>\$434,587</u>
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)			
1. AAL (A6)			\$434,587
2. Current Assets (Table 1,F6)			<u>260,402</u>
3. UAAL (B1-B2)			<u>\$174,185</u>
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE			
1. Present Value of Future Payrolls through the Amortization Date of July 1, 2020			\$2,326,878
2. Supplemental Contribution Rate (B3/C1)			7.49%

TABLE 10

ST. PAUL TEACHERS' RETIREMENT FUND
CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)
(DOLLARS IN THOUSANDS)
YEAR ENDING JUNE 30, 1989

A. UAAL AT BEGINNING OF YEAR	\$156,168
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING	
1. Normal Cost and Expenses	\$11,746
2. Contribution	(15,830)
3. Interest on A, B1, and B2	12,330

4. Total (B1+B2+B3)	\$8,246

C. EXPECTED UAAL AT END OF YEAR (A+B4)	\$164,414
D. INCREASE (DECREASE) DUE TO ACTUARIAL LOSSES (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED	
1. Salary Increases	(\$1,882)
2. Investment Return	(5,816)
3. MPRIF Mortality	0
4. Mortality of Other Benefit Recipients	(1,642)
5. Other Items	2,332

6. Total	(\$7,008)

E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C+D6)	\$157,406
F. CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO PLAN AMENDMENTS	\$24,251
G. CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS	(\$7,472)

H. UAAL AT END OF YEAR (E+F+G)	\$174,185
	=====

ST. PAUL TEACHERS' RETIREMENT FUND
DETERMINATION OF CONTRIBUTION SUFFICIENCY
(DOLLARS IN THOUSANDS)

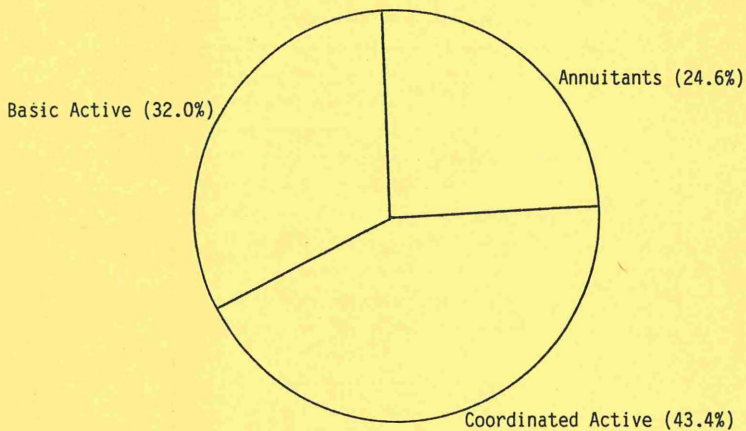
TABLE 11

JULY 1, 1989

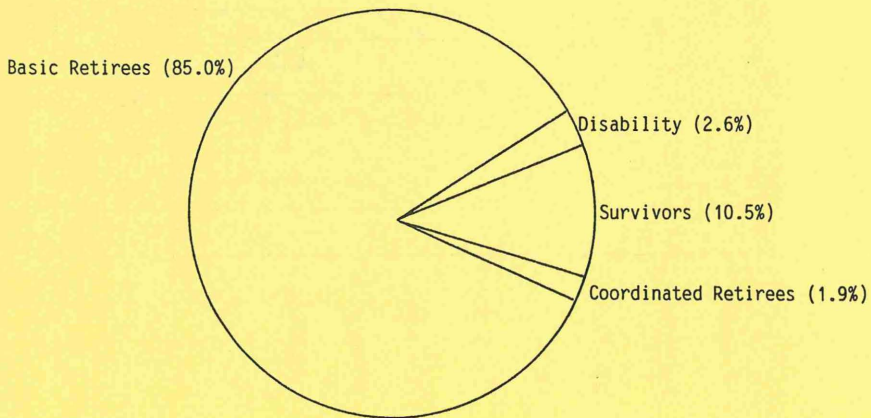
	<u>% OF</u> <u>PAYROLL</u>	<u>\$</u> <u>AMOUNT</u>
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A		
1. Employee Contributions	6.60%	\$6,754
2. Employer Contributions	9.38%	9,599
3. Total	----- 15.98% =====	----- \$16,353 =====
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	7.41%	\$7,589
b. Disability Benefits	1.17%	1,199
c. Survivors	0.41%	415
d. Deferred Retirement Benefits	2.03%	2,075
e. Refunds Due to Death or Withdrawal	0.69%	701
f. Total	----- 11.71% -----	----- \$11,979 -----
2. Supplemental Contribution Amortization by July 1, 2020 of UAAL of \$174,185	7.49%	\$7,662
3. Allowance for Expenses	0.55%	\$563
4. Total	----- 19.75%	----- \$20,204
C. CONTRIBUTION SUFFICIENCY (DEFICIENCY) (A3-B4)	-3.77%	(\$3,851)

Note: Projected Annual Payroll for Fiscal Year Beginning
on July 1, 1989 is \$102,290

SPTRFA Current Membership

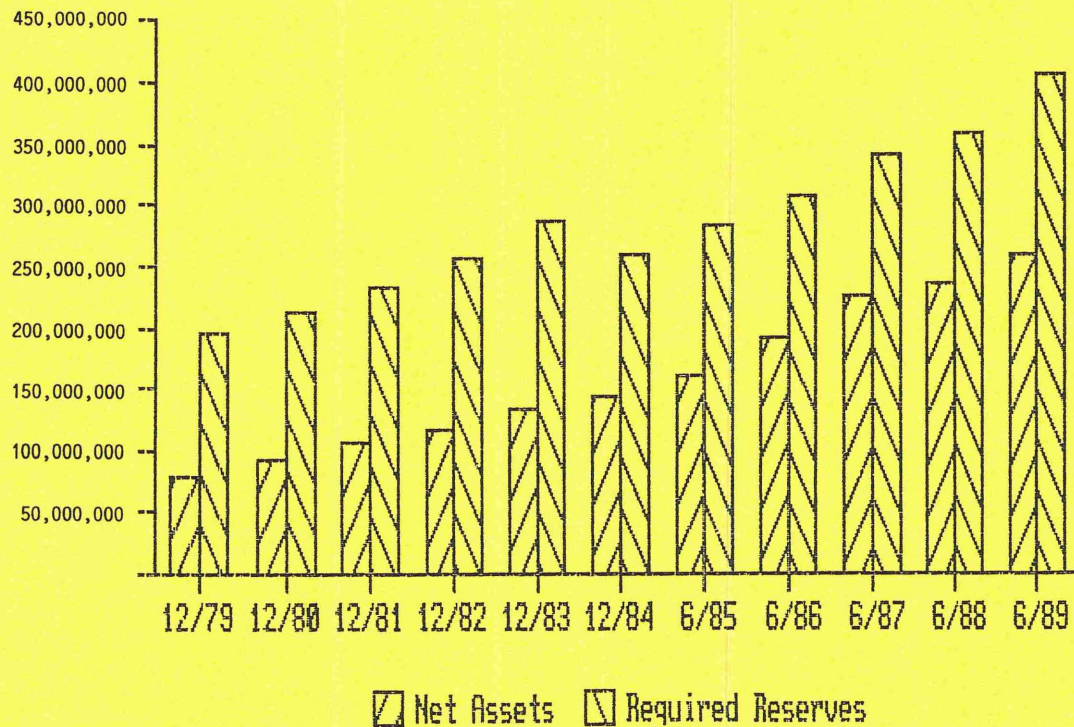


Benefit Recipients



Graphs prepared by SPTRFA

Summary of Net Assets, Required Reserves



FINANCIAL SECTION

THE FOLLOWING UNAUDITED REPORTS
WERE PREPARED BY
ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

ST PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

STATEMENT OF REVENUES AND EXPENDITURES

FOR THE PERIOD JULY 1, 1988 THROUGH JUNE 30, 1989

REVENUES

Employer Contributions		
ISD #625 -Basic	\$ 7,433,317.20	
-Coordinated	1,759,689.84	
-Extended Leave	<u>12,029.63</u>	
		\$ 9,205,036.67
Member Contributions		
Current Dues -Basic	\$ 4,710,833.16	
-Coordinated	1,759,240.06	
Repayment of Refunded Dues	135,041.53	
Extended Leave	<u>20,129.27</u>	
		\$ 6,625,244.02
Investment Income		
Interest	\$15,746,098.76	
Dividends	2,735,743.72	
Rents - BKX	108,370.12	
Gain on Sale of Bonds	467,959.66	
Loss on Sale of Bonds	(451,907.00)	
Gain on Redemption of Bonds	127,522.62	
Gain on Sale of Stock	7,116,793.53	
Loss on Sale of Stock	<u>(3,444,270.60)</u>	
		<u>\$ 22,406,310.81</u>
TOTAL REVENUES		<u><u>\$ 38,236,591.02</u></u>

EXPENDITURES

Benefits Paid		
Pensions	\$12,062,383.14	
Reversionary Pensions	9,540.24	
Survivor Benefits	801,007.35	
Family Benefits	27,331.50	
Disability Benefits	522,077.10	
Bonus Checks	<u>2,084,617.29</u>	
		\$ 15,506,956.62
Refunds of Dues		
Basic Refunds	\$ 79,346.68	
Coordinated Refunds	138,036.93	
Death in Active Service	<u>34,254.20</u>	
		\$ 251,637.81
Administrative Expenses		\$ 1,887.08
Bank Service Charges		\$ 3,881.48

Data Processing Expense		\$	3,850.00
Delegate Expense		\$	12,395.72
Depreciation		\$	6,498.07
Dues - Affiliations		\$	570.00
Employee Compensation -			
Salaries	\$	177,308.56	
Retirement - Employer Contribution		16,828.09	
Medical Insurance		10,481.12	
Life Insurance		<u>366.10</u>	
		\$	204,983.87
Insurance			
Data Processing	\$	113.00	
Fire, Theft, Liability		200.00	
Surety Bond		150.00	
Workers Compensation		<u>636.00</u>	
		\$	1,099.00
Investment Service -			
Investment Counsel, DTC Charges		\$	229,790.08
Office Equipment		\$	3,213.00
Office Expenses		\$	6,458.24
Office Rent		\$	16,807.54
Postage		\$	5,862.04
Printing		\$	4,599.79
Professional Services -			
Actuarial Expense	\$	16,200.83	
Auditing Expense		8,668.50	
Legal Expense		<u>5,699.10</u>	
		\$	30,568.43
Taxes - Social Security / Employment		\$	13,407.26
Telephone		\$	<u>2,288.86</u>
TOTAL EXPENDITURES		\$	16,306,754.89
NET REVENUES OVER EXPENDITURES		\$	21,929,836.61
(To be applied to reserves)			<u><u>21,929,836.61</u></u>



Capital Supervisors, Inc. / 20 North Clark Street, Suite 700, Chicago, Illinois 60602 / Phone (312) 236-8271

A. Lee Thurow
Chairman of the Board

October 3, 1989

Mr. Eugene R. Waschbusch
Secretary - Treasurer
St. Paul Teachers' Ret. Fund Assoc.
1619 Dayton Avenue
Room 309
St. Paul, MN 55104

Dear Board Members:

Fiscal 1989 was a good year for St. Paul Teachers Pension Plan as assets increased to a new record of \$270 million as the portfolio registered a 14% return on assets. This is consistent with your historical pattern of better than 10% annual growth that you have experienced since we started working together in 1976.

During this twelve-month period the Dow Jones increased 18.0%; Shearson Lehman Bond Index, 12.3%; and Indata's Public Employees Index median, 13.9%.

Some of the opportunities we mentioned in last year's letter such as attractive bond yields obviously are starting to occur and contribute to your gains. The opportunities appear more limited this year in spite of a fast start. Therefore, we are recommending maintaining a defensive portfolio for now that contains significant bond and buying reserve components.

This emphasis on preservation of capital seems particularly appropriate for a pension plan that is at record levels. We undoubtedly will turn more aggressive at a later date as we have in the past, when we believe the risk/reward equation is more favorable.

You can be assured that we will be making every effort to maintain your pattern of significant progress. We value this relationship and appreciate our long and mutually rewarding association.

Sincerely,

Lee Thurow

LT:cmn

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

CHANGES IN INVESTMENT HOLDINGS

DURING THE FISCAL YEAR JULY 1, 1988 THROUGH JUNE 30, 1989

Investments on Hand, at Cost June 30, 1988 \$226,245,211.00

Corporate Bonds at Cost June 30, 1988 \$ 38,473,813.69

Purchases During Fiscal Year Ending 1989

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Cost Value</u>
Atlantic Richfield Corp.	04/01/00	9.7000	\$ 500,000.00	\$ 466,645.00
Consolidated Edison	01/15/00	8.9000	250,000.00	237,142.50
Houston Light & Power	02/01/19	10.2500	1,000,000.00	1,000,000.00
I.T.T. Financial Corp.	04/05/99	10.1250	2,000,000.00	2,000,000.00
I.B.M. Credit Corp.	07/15/89	7.1250	2,000,000.00	1,992,920.00
Pacific Gas & Electric	09/01/08	8.2500	1,100,000.00	906,235.00
Pacific Gas & Electric	12/01/02	8.8750	500,000.00	456,875.00
Southwestern Bell	10/18/21	11.8750	2,000,000.00	2,240,000.00
				<hr/> \$ 9,299,817.50

Sales During Fiscal Year Ending 1989

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Cost Value</u>
Atlantic Richfield Corp.	10/23/88	9.7000	\$1,000,000.00	\$1,007,860.00
Carolina Power & Light	05/01/02	7.7500	420,000.00	289,380.00
Chevron Capital Corp.	11/01/88	11.7500	2,000,000.00	2,020,000.00
Consolidated Edison	09/15/00	9.3750	250,000.00	219,697.50
General Mills	03/01/09	9.3750	1,000,000.00	1,000,000.00
J.C. Penney Co.	06/15/99	9.0000	444,000.00	316,690.20
Pacific Gas & Electric	06/01/03	8.0000	1,100,000.00	1,051,842.00
Texas Oil & Gas	10/15/91	16.6250	1,000,000.00	1,169,000.00
				<hr/> \$ 7,074,469.70

Repaid Principal \$ 565,531.67

Corporate Bonds at Cost June 30, 1989 \$ 40,133,629.82

U.S. Government & Agency Bonds at Cost June 30, 1988 \$ 30,848,329.31

Purchases During Fiscal Year Ending 1989

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Cost Value</u>
U.S. Treasury Notes	09/30/92	8.7500	\$5,000,000.00	\$4,946,093.75
U.S. Treasury Notes	04/15/91	12.3750	1,000,000.00	1,093,750.00
Bay Houston Towing	03/31/02	9.2500	2,345,000.00	2,290,455.30
Cajun Electric Power	03/15/19	9.5200	2,000,000.00	1,993,660.00
Federal Home Loan Mortg.	12/30/98	9.5000	2,000,000.00	1,982,460.00
Federal Home Loan Mortg.	03/15/09	10.2500	1,988,600.00	2,023,400.50
Federal Investment Corp.	08/03/18	10.3500	2,000,000.00	1,967,500.00
Govt Trust Certificate	05/15/02	9.4000	2,000,000.00	1,998,180.00
				<hr/> \$ 18,295,499.55

U.S. Government & Agency Bonds - Continued

Sales During Fiscal Year Ending 1989

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Cost Value</u>
U.S. Treasury Notes	06/30/89	9.6250	\$1,000,000.00	\$1,006,875.00
U.S. Treasury Notes	08/15/91	14.8750	1,000,000.00	994,650.00
Govt Trust Certificate	05/15/02	9.4000	2,000,000.00	1,998,180.00
Shipco - Title II	02/27/02	8.1000	2,500,000.00	2,334,375.00
				<u>\$ 6,334,080.00</u>
Repaid Principal				\$ 916,658.32
U.S. Government & Agency Bonds at Cost	June 30, 1989			<u>\$ 41,893,090.54</u>

Mortgage Backed Securities at Cost June 30, 1988 \$ 21,406,424.67

Purchases During Fiscal Year 1989

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Cost Value</u>
C.I.T. Group Holdings	06/15/96	8.8750	\$2,000,000.00	\$1,959,980.00
Conseco Comm'l Mortg CMO	10/15/15	9.7000	2,000,000.00	1,903,600.00
Federal Natl Mortg.	08/01/16	9.2500	180,344.16	172,228.67
				<u>\$ 4,035,808.67</u>
Repaid Principal				\$ 739,435.96
Mortgage Backed Securities at Cost	June 30, 1989			<u>\$ 24,702,797.38</u>
Foreign Bonds at Cost	June 30, 1988			\$ 332,305.00

Purchases During Fiscal Year 1989

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Cost Value</u>
Australian Student Loan	12/15/89	14.2500	\$1,000,000.00	\$ 997,373.88
Australian Wheat Board	04/25/89	8.2500	2,000,000.00	1,992,600.00
				<u>\$ 2,989,973.88</u>

Sales During Fiscal Year 1989

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Cost Value</u>
Australian Wheat Board	04/25/89	8.2500	\$2,000,000.00	\$1,992,600.00
				<u>\$ 1,992,600.00</u>
Foreign Bonds at Cost	June 30, 1989			<u>\$ 1,329,678.88</u>
Total Bonds at Cost	June 30, 1989			<u>\$108,059,196.62</u>
Real Estate Limited Partnership at Cost	June 30, 1989			\$ 728,800.00

Common Stock at Cost June 30, 1988

\$ 82,915,619.28

Purchases During Fiscal Year Ending 1989

	<u>Shares</u>	<u>Cost</u>
American Express	50,000	\$ 1,403,000.00
Bausch & Lomb Inc.	42,300	2,383,883.80
Burlington Resources Inc.	50,000	1,280,625.00
DuPont (EI) DeNemours	30,000	2,998,750.00
Flour Corp.	50,000	1,240,500.00
I.M.C. Fertilizer Group	75,000	3,216,175.00
Kerr McGee Corp.	60,000	2,539,200.00
Marion Laboratories	120,000	2,693,320.00
Scott Paper Co.	50,000	2,244,260.00
Texas Utilities Co.	25,000	708,000.00
Travelers Corp.	50,000	1,875,675.00
Unocal Corp.	50,000	2,253,000.00
Walgreen Co.	50,000	1,724,500.00

\$ 26,560,888.80

Sales During Fiscal Year Ending 1989

	<u>Shares</u>	<u>Cost</u>
A.M.P. Inc.	60,000	\$ 3,525,835.56
Allegheny Power System	100,000	4,620,195.00
American Express Inc.	50,000	1,403,000.00
Amoco Corp.	40,000	1,589,588.00
Automatic Data Processing	125,000	4,451,288.00
Boeing Co.	35,000	1,939,677.80
Federal National Mortgage	50,000	2,203,000.00
General Electric Co.	50,000	2,906,875.00
Georgia Pacific Corp.	100,000	4,184,575.14
H & R Block Inc.	100,000	1,853,693.30
Hanson Trust ADR	200,000	2,608,000.00
Humana Inc.	70,000	1,941,100.00
Intern'l Business Machines	10,000	933,200.00
International Paper Co.	50,000	2,287,412.50
Interpublic Group	40,000	662,000.00
Loews Corp.	25,000	2,078,250.00
McDonalds Corp.	20,000	462,600.00
Philip Morris Co.	25,000	2,227,650.00
Quantum Chemical Corp.	20,000	1,671,120.00
Sara Lee Corp.	40,000	716,000.00
Schering Plough Corp.	20,000	420,400.00
Upjohn Co.	60,000	1,976,487.40
Waste Management Inc.	65,000	2,031,475.00

\$ 48,693,422.70

Common Stock at Cost June 30, 1989

\$ 60,783,085.38

Changes in Stock Holdings Which Did Not Affect Cost

<u>Stock Splits</u>		<u>Shares</u>
Amoco Corp.	2 for 1	20,000
McDonalds Corp.	2 for 1	80,000

Participation Loan Receivable at Cost June 30, 1988 \$ 225,975.00

Short Term Inventory June 30, 1988

	<u>Maturity</u>	<u>Face Value</u>	<u>Cost</u>
	<u>Date</u>		
First Bank Commercial Paper	7.35 07-01-88	\$ 3,350,000.00	\$ 3,328,941.53
General Electric Capital	6.86 07-01-88	1,100,000.00	1,086,140.31
Mortgage & Realty Trust	7.37 07-05-88	2,000,000.00	1,986,986.67
Pacific Credit Corp.	7.34 07-05-88	2,000,000.00	1,986,022.22
Cox Enterprises	7.37 07-07-88	1,925,000.00	1,911,691.83
Hann Issuing Corp LC/Citibank	7.36 07-07-88	1,000,000.00	993,900.00
General Electric Capital	7.34 07-08-88	2,000,000.00	1,987,833.33
Chrysler Financial Corp.	7.27 07-11-88	2,600,000.00	2,576,080.00
Cummins Engine	7.41 07-11-88	2,350,000.00	2,331,288.13
Lomas & Nettleton Co.	7.56 07-12-88	2,600,000.00	2,580,500.00
Columbia Pictures	7.40 07-13-88	2,000,000.00	1,985,708.33
Lomas & Nettleton Co.	7.55 07-14-88	1,900,000.00	1,886,541.67
Equitable Life Lease	7.45 07-15-88	1,250,000.00	1,242,034.72
International Multifoods	7.40 07-15-88	2,600,000.00	2,584,075.00
Pac Funding Trust LC/Security Pac	7.35 07-15-88	1,800,000.00	1,786,860.00
General Motors Acceptance	7.38 07-18-88	2,000,000.00	1,985,756.94
First Bank Commercial paper	7.38 07-20-88	1,250,000.00	1,241,346.53
Brown Group	7.45 07-25-88	1,600,000.00	1,588,817.78
General Motors Acceptance Corp.	7.41 07-25-88	2,100,000.00	2,083,707.50
First Bank Discounted CD	7.25 07-27-88	500,000.00	494,621.50
Norwest Commercial Paper	7.42 07-27-88	1,750,000.00	1,739,244.79
MidAtlantic Fuel LC/First Chicago	7.45 07-29-88	1,750,000.00	1,738,488.89
Ford Motor Credit Corp.	7.13 08-01-88	1,200,000.00	1,181,982.00
V.F. Corp.	7.51 08-01-88	1,600,000.00	1,586,424.44
Commonwealth Fuel	7.47 08-04-88	2,400,000.00	2,378,786.67
Lowe's Corp.	7.47 08-04-88	2,000,000.00	1,980,625.56
General Electric Capital	7.62 08-10-88	2,000,000.00	1,982,802.78
Merrill Lynch Group	7.20 09-01-88	1,100,000.00	1,076,735.00
		<u>\$ 51,725,000.00</u>	<u>\$ 51,313,944.12</u>

Short Term Inventory June 30, 1989

		<u>Maturity</u>	<u>Face Value</u>	<u>Cost</u>
		<u>Date</u>		
General Electric Capital Corp.	9.46	07-03-89	\$ 1,200,000.00	\$ 1,185,975.00
General Motors Acceptance Corp.	9.48	07-05-89	2,000,000.00	1,982,766.67
Norwest Commercial Paper	9.30	07-05-89	1,000,000.00	994,861.11
TULP Funding LC/Deutsche Bank	9.49	07-05-89	2,000,000.00	1,981,200.00
Discover Card Credit	9.54	07-06-89	2,450,000.00	2,426,204.37
Seventy-Five State Street	9.57	07-06-89	1,100,000.00	1,089,861.67
N.W.C. LC/Deutsche Bank	9.51	07-07-89	1,500,000.00	1,486,262.50
Rio Grande Resources LC/Sec Pac	9.56	07-07-89	1,800,000.00	1,780,155.00
Imperial Premium Finance	9.26	07-10-89	2,000,000.00	1,986,200.00
Lomas Mortgage USA, Inc.	9.62	07-10-89	500,000.00	494,711.11
Lomas Mortgage USA, Inc.	9.38	07-10-89	1,000,000.00	991,991.67
News America LC/Natl Bank	9.58	07-10-89	1,000,000.00	1,879,986.67
Ryder System Inc.	9.27	07-10-89	2,200,000.00	2,182,571.11
United Capital Services LC/FUJI	9.52	07-10-89	1,000,000.00	987,727.78
Discover Card Credit	9.30	07-11-89	1,000,000.00	992,821.11
First Bank Commercial Paper	9.50	07-11-89	1,500,000.00	1,484,725.00
I.T.T. Corp.	9.45	07-11-89	1,300,000.00	1,286,832.08
Midwest Commercial Paper	9.28	07-12-89	2,700,000.00	2,676,540.00
Norwest Commercial Paper	9.40	07-12-89	1,650,000.00	1,641,429.17
Bankers Acceptance - First Bank	9.35	07-13-89	1,850,000.00	1,838,542.33
Chemlow Capital LC/Algemene Bank	9.29	07-13-89	1,700,000.00	1,686,938.33
Chrysler Financial Corp.	9.39	07-13-89	2,300,000.00	2,277,421.67
Allied-Lyons North America Corp.	9.20	07-14-89	1,500,000.00	1,488,500.00
First Bank Commercial Paper	9.33	07-14-89	1,350,000.00	1,338,900.00
Franciscan Services LC/Sumitomo	9.27	07-14-89	1,500,000.00	1,488,500.00
Bombadier Credit LC/	9.31	07-17-89	1,200,000.00	1,188,321.33
International Multifoods Corp.	9.38	07-17-89	1,500,000.00	1,487,600.00
Indianan Michigan Power Co.	9.29	07-18-89	1,500,000.00	1,486,200.00
Norwest Commercial Paper	9.38	07-19-89	2,000,000.00	1,982,950.00
Yamaha LC/Dai-Ichi Bank	9.36	07-19-89	2,000,000.00	1,984,516.67
General Motors Acceptance Corp.	9.33	07-20-89	2,250,000.00	2,230,343.75
Indiana Michigan Power Co.	9.37	07-20-89	1,800,000.00	1,786,050.00
South Dakota Student Loan	9.36	07-20-89	2,000,000.00	1,984,516.67
Greyhound Corp.	9.38	07-21-89	2,000,000.00	1,983,466.67
Merrill-Lynch Realty	9.34	07-21-89	1,750,000.00	1,733,362.85
N.Z.I. Capital Corp.	9.43	07-24-89	2,000,000.00	1,983,377.78
Discover Card Credit	9.41	07-25-89	2,000,000.00	1,986,494.44
Nippon Oil Ltd. LC/Mitsui Bank	9.33	07-25-89	1,000,000.00	993,305.00
Soo Line Corp. LC/First Bank	9.50	07-25-89	1,000,000.00	983,897.22
Lomas Mortgage USA, Inc.	9.44	07-26-89	1,900,000.00	1,882,728.47
P.R.M. Funding LC/Bank of Paris	9.36	07-26-89	2,000,000.00	1,986,566.67
Discover Card Credit	9.37	07-27-89	2,000,000.00	1,981,440.00
Marubeni Int'l Finance LC/Fuji	9.34	07-27-89	1,000,000.00	992,790.00
Norwest Commercial Paper	9.42	07-28-89	2,000,000.00	1,984,416.67
Sears Roebuck Acceptance Corp.	9.40	07-28-89	1,000,000.00	992,743.33
Tokai Credit Corp LC/Tokai Bank	9.38	07-28-89	1,900,000.00	1,884,293.33
General Electric Capital Corp.	9.28	08-01-89	1,200,000.00	1,186,842.00
Midwest Commercial Paper	9.41	08-01-89	2,500,000.00	2,479,266.67
McGuire Thomas LC/Sumitoma Bank	9.40	08-02-89	1,700,000.00	1,682,433.33
			<hr/>	<hr/>
			\$ 81,200,000.00	\$ 80,499,547.20

Investments on Hand Restated at Cost	June 30, 1988	\$226,245,211.00
Total Purchases - Fixed Income & Equities		\$ 61,181,988.00
Total Sales - Fixed Income & Equities		\$ 64,094,572.00
Net Increase in Short Term Inventory		\$ 29,185,603.00
Repaid Principal		\$ 2,221,626.00

Investments on Hand at Cost	June 30, 1989	<u>\$250,296,604.00</u>
-----------------------------	---------------	-------------------------

Bonds at Cost	\$108,059,197.00
Real Estate Limited Partnership at Cost	\$ 728,800.00
Stock at Cost	\$ 60,783,085.00
Participation Loan Receivable at Cost	\$ 225,975.00
Short Term at Cost	\$ 80,499,547.00
	<u>\$250,296,604.00</u>

ASSET LISTING

St. Paul Teachers' Retirement Fund Association
Current Stock Holdings As of June 30, 1989

<u>Name</u>	<u>Shares</u>	<u>Total Cost</u>	<u>Market</u>
Bausch & Lomb Inc.	42,300	\$ 2,383,883.80	\$ 2,331,787.50
Bristol Myers Company	70,000	1,518,150.00	3,403,750.00
Burlington Resources Inc.	50,000	1,280,625.00	2,262,500.00
Columbia Gas System	60,000	1,983,600.00	2,790,000.00
Digital Equipment	40,000	5,910,187.50	3,695,000.00
DuPont (EI) DeNemours	30,000	2,998,750.00	3,307,500.00
Federal Natl. Mortg. Assn.	50,000	2,202,575.00	4,431,250.00
Fluor Corp.	50,000	1,240,500.00	1,487,500.00
IMC Fertilizer Group	75,000	3,216,175.00	2,521,875.00
Int'l Business Machines	30,000	2,799,487.78	3,345,000.00
Interpublic Group	120,000	1,323,699.88	3,600,000.00
Kerr McGee Corp.	60,000	2,539,200.00	2,662,500.00
Loews Corp.	25,000	2,078,402.00	2,737,500.00
Marion Laboratories	120,000	2,693,320.00	2,895,000.00
Mc Donalds Corp.	160,000	1,850,000.00	4,620,000.00
Millipore Corp.	100,000	3,648,310.60	3,237,500.00
Minnesota Mining & Mfg.	50,000	1,666,353.07	3,581,250.00
Sara Lee Corp.	80,000	1,431,737.50	4,370,000.00
Schering Plough Corp.	80,000	1,681,725.00	5,330,000.00
Scott Paper Co.	50,000	2,244,260.00	2,375,000.00
Southern Company	200,000	3,543,550.00	5,275,000.00
Texas Utilities Company	100,000	2,468,445.00	3,112,500.00
Travelers Corp.	50,000	1,875,675.00	2,025,000.00
Tyco Laboratories, Inc.	100,000	2,226,973.14	3,887,500.00
Unocal Caorp.	50,000	2,253,000.00	2,256,250.00
Walgreen Company	50,000	1,724,500.00	2,150,000.00
		<hr/>	<hr/>
		\$ 60,783,085.27	\$ 83,691,162.50

St. Paul Teachers' Retirement Fund Association
Government & Agency Bond Holdings as of June 30, 1989

Description	Maturity		Par	Cost	Market Value
	Rate	Date			
Bay Houston Towing Title II	9.250	03-31-02	\$ 2,177,000.00	\$ 2,126,369.70	\$ 2,188,057.34
C.A.T.S. - Series D	0.000	05-15-01	3,000,000.00	942,150.00	1,106,250.00
Cajun Electric Power Corp.	9.520	03-15-19	2,000,000.00	1,993,660.00	2,118,600.00
Centex Acceptance	12.000	01-01-01	220,109.53	219,746.58	376,151.10
CIT Group Holdings	8.875	06-15-96	2,000,000.00	1,959,980.00	1,997,500.00
QMD Securites Series H	9.000	08-01-05	2,000,000.00	1,998,125.00	1,998,125.00
QMD Trust 15	5.000	12-20-16	2,000,000.00	1,465,000.00	2,000,000.00
QMD Trust One-2 Class C	9.050	07-20-04	378,872.68	377,926.26	416,453.64
Community Program Loan Trust	4.500	10-01-97	2,000,000.00	1,484,375.00	1,484,375.00
Community Program Loan Trust	4.500	04-01-02	3,000,000.00	1,966,200.00	1,966,200.00
Conseco Comm'l Mortg QMD	9.700	10-15-15	2,000,000.00	1,903,600.00	2,025,000.00
Drexel Burnham QMD	8.550	09-20-15	2,000,000.00	1,987,500.00	1,987,500.00
Federal Home Loan Bank	9.500	12-30-98	2,000,000.00	1,982,460.00	1,957,800.00
Federal Home Loan QMD	12.000	04-01-15	125,587.90	131,241.32	134,050.53
Federal Home Loan Mort.	8.850	03-15-08	1,185,000.00	835,375.00	1,124,209.50
Federal Home Loan Mort.	9.400	09-15-08	979,200.00	794,702.60	953,838.72
Federal Home Loan Mort.	9.875	03-15-09	460,800.00	434,741.35	457,436.16
Federal Home Loan Mort.	10.250	03-15-09	2,476,800.00	2,430,242.50	2,490,670.08
Federal Home Loan Mort.	12.450	09-15-09	1,043,200.00	1,146,181.09	1,097,342.08
Federal Investment Corp.	10.350	08-03-18	2,000,000.00	1,967,500.00	2,345,620.00
Federal Natl Mortgage Assn.	9.250	08-01-16	162,155.77	154,858.75	157,873.15
Federal Natl Mortgage Assn.	12.500	03-15-91	750,000.00	751,406.25	786,562.50
First Boston Mortg Sec Trust	9.450	08-20-08	2,000,000.00	1,938,750.00	2,000,000.00
GNMA Pool #33300	9.500	08-15-09	570,971.82	438,035.64	571,636.35
GNMA Pool #35121	9.500	10-15-09	98,378.16	76,367.39	98,445.69
GNMA Pool #37637	9.500	12-15-09	508,969.79	395,103.88	509,294.03
GNMA Pool #48044	13.750	04-15-96	32,389.05	31,888.14	36,244.41
GNMA Pool #49506	13.750	05-15-96	26,335.99	25,932.19	29,488.22
Kidd Pedy Mtg Aset Trust 1-C	8.950	10-20-12	2,000,000.00	1,940,826.00	2,000,000.00
Morgan Stanley Mtg - QMD	8.050	01-20-15	2,000,000.00	1,917,500.00	1,917,500.00
Rural Electric Cooperative	9.700	09-30-17	2,000,000.00	2,000,000.00	2,000,000.00
Salomon Brothers QMD	8.100	05-01-17	2,000,000.00	1,999,000.00	1,922,500.00
Thrift Financial Corp. QMD	8.800	05-20-13	2,000,000.00	1,992,000.00	1,992,000.00
U.S. Patriot Ships #3	8.000	08-07-04	1,343,000.00	1,225,904.05	1,217,093.75
U.S. Treasury Bonds	7.500	11-15-16	1,000,000.00	867,187.50	936,250.00
U.S. Treasury Bonds	7.875	02-15-00	500,000.00	460,625.00	488,125.00
U.S. Treasury Bonds	8.000	08-15-01	500,000.00	374,375.00	496,250.00
U.S. Treasury Bonds	8.375	08-15-00	200,000.00	199,458.00	201,938.00
U.S. Treasury Bonds	8.750	05-15-17	1,000,000.00	998,980.00	1,071,870.00
U.S. Treasury Bonds	9.125	05-15-09	1,000,000.00	960,625.00	1,079,060.00
U.S. Treasury Bonds - Strip	0.000	05-15-03	4,000,000.00	969,800.00	1,310,000.00
U.S. Treasury Notes	8.000	07-15-94	2,000,000.00	1,931,250.00	1,991,240.00
U.S. Treasury Notes	8.500	05-15-97	5,000,000.00	4,859,950.00	5,092,200.00
U.S. Treasury Notes	8.625	08-15-97	2,000,000.00	1,986,800.00	2,052,500.00
U.S. Treasury Notes	8.750	09-30-92	5,000,000.00	4,946,093.75	5,085,950.00
U.S. Treasury Notes	12.375	04-15-91	1,000,000.00	1,093,750.00	1,066,870.00
U.S. Treasury Notes	13.000	11-15-90	2,000,000.00	1,915,625.00	2,117,500.00
U.S. Treasury Notes	14.625	02-15-92	1,000,000.00	998,710.00	1,156,250.00
U.S.A.T. Mort. Secs. Inc.	8.950	12-25-05	1,000,000.00	998,010.00	998,010.00

\$75,738,770.69 \$66,595,887.94 \$70,607,830.25

St. Paul Teachers' Retirement Fund Association
Corporate Bond Holdings as of June 30, 1989

<u>Description</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Par</u>	<u>Cost</u>	<u>Market Value</u>
American General Notes	9.500	12-15-94	\$ 2,000,000.00	\$ 1,995,000.00	\$ 2,020,000.00
American Tel. & Tel.	6.000	08-01-00	500,000.00	323,873.00	407,500.00
American Tel. & Tel.	7.750	01-15-97	1,600,000.00	1,278,096.00	1,507,120.00
Atlantic Richfield Corp.	8.625	04-01-00	500,000.00	466,645.00	481,250.00
Australian Student Loan	14.250	12-15-89	1,000,000.00	997,373.88	950,462.00
Burlington Northern Equip.	11.625	01-15-91	1,000,000.00	1,000,000.00	1,035,000.00
CBS Inc.	10.875	08-01-95	2,000,000.00	2,188,420.00	2,080,000.00
Conrail Corp.	11.000	01-01-99	685,768.55	685,768.55	800,576.03
Consolidated Edison of N.Y.	8.900	01-15-00	250,000.00	237,142.50	248,437.50
Continental Pipeline Co.	7.500	05-01-94	49,000.00	49,000.00	46,717.58
DCS Capital Corp.	12.375	10-15-96	2,000,000.00	2,011,000.00	2,245,000.00
Eaton Corp.	8.000	08-15-06	2,000,000.00	1,851,020.00	1,880,000.00
General Electric Credit	8.750	11-15-92	2,000,000.00	1,991,240.00	2,000,000.00
General Motors Acceptance	5.500	12-15-01	1,100,000.00	759,253.00	830,500.00
General Motors Co.	7.500	08-15-93	1,000,000.00	962,730.00	948,750.00
General Motors Co.	8.000	04-01-96	500,000.00	472,650.00	473,750.00
Houston Light & Power	8.750	03-01-05	500,000.00	351,670.00	469,375.00
Houston Light & Power	10.250	02-01-19	1,000,000.00	1,000,000.00	1,033,160.00
IBM Credit Corp.	7.125	07-15-89	2,000,000.00	1,992,920.00	1,997,500.00
ICI North America	8.875	01-15-03	785,000.00	596,199.00	737,900.00
Illinois Bell Telephone	4.375	07-01-32	950,000.00	343,225.50	618,687.50
ITT Financial Corp.	10.125	04-05-99	2,000,000.00	2,000,000.00	2,095,000.00
Olympic Pipeline Note	8.850	09-01-01	898,300.00	692,822.34	871,351.00
Pacific Bell Tell	11.375	08-15-24	2,000,000.00	2,277,500.00	2,175,000.00
Pacific Gas & Electric	6.750	12-01-00	475,000.00	366,462.50	395,437.50
Pacific Gas & Electric	6.875	12-01-99	250,000.00	199,487.50	212,187.50
Pacific Gas & Electric	8.250	09-01-08	1,100,000.00	906,235.00	991,375.00
Pacific Gas & Electric	8.875	12-01-02	500,000.00	456,875.00	480,625.00
Penbroke Capital Co.	11.500	08-01-05	2,000,000.00	1,921,800.00	2,344,400.00
Penin Properties Inc.	8.750	12-01-99	143,705.30	143,705.30	140,112.67
Pitney Bowes Credit Notes	8.625	02-15-08	2,000,000.00	2,000,000.00	1,995,880.00
Procter & Gamble	7.000	05-15-02	1,000,000.00	886,510.00	841,250.00
Province of Ontario	7.850	05-15-01	500,000.00	332,305.00	456,875.00
Research Properties Inc.	8.250	11-01-99	356,899.52	357,791.77	337,270.05
San Diego Gas & Electric	8.000	09-01-01	500,000.00	528,750.00	456,250.00
Shell Oil Co.	8.000	04-15-07	1,300,000.00	1,120,301.00	1,186,250.00
So. New England Tell.	4.375	12-01-01	500,000.00	311,520.00	333,125.00
Southwestern Bell Telephone	5.875	06-01-03	1,000,000.00	417,920.00	757,500.00
Southwestern Bell Telephone	6.750	06-01-08	325,000.00	255,628.75	259,187.50
Southwestern Bell Telephone	11.875	10-18-21	2,000,000.00	2,240,000.00	2,217,500.00
Trailer Train Company	11.875	07-15-96	641,249.61	641,249.61	741,061.00
Union Pacific Corp.	7.875	12-15-96	1,000,000.00	926,030.00	927,500.00
Union Tank Car Equipment	15.875	12-15-96	664,000.00	664,000.00	818,380.00
Wisconsin Natural Gas Co.	4.875	10-01-90	325,000.00	263,188.50	309,968.75
			<u>\$44,898,922.98</u>	<u>\$41,463,308.70</u>	<u>\$44,155,171.58</u>

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION
REAL ESTATE AND PARTICIPATION LOAN RECEIVABLE AS OF JUNE 30, 1989

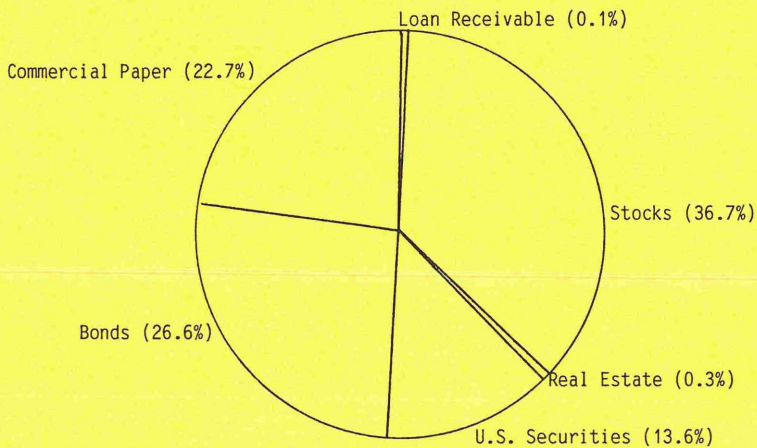
REAL ESTATE	<u>RATE</u>	<u>COST</u>	<u>MARKET VALUE</u>
Lartnec Investments Inc.	13.00	\$ 728,800.00	\$ 736,161.00
PARTICIPATION LOAN RECEIVABLE			
Interim Construction Financing - Central Village	Adjustable	\$ 225,975.00	\$ 225,975.00

TOTAL PORTFOLIO HOLDINGS

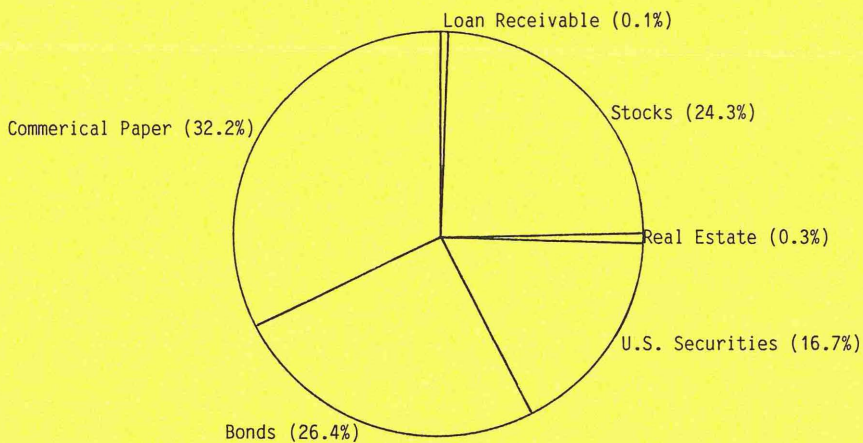
	<u>COST</u>	<u>MARKET VALUE</u>
BONDS	\$ 108,059,197.00	\$ 114,763,002.00
PARTICIPATION LOAN RECEIVABLE	\$ 225,975.00	\$ 225,975.00
REAL ESTATE	\$ 728,800.00	\$ 736,161.00
SHORT TERM INVESTMENTS	\$ 80,499,547.00	\$ 80,499,547.00
STOCK	<u>\$ 60,783,085.00</u>	<u>\$ 83,691,163.00</u>
TOTAL VALUE	<u>\$ 250,296,604.00</u>	<u>\$ 279,915,848.00</u>

INVESTMENT CHANGES FISCAL YEAR 1989

Investments Beginning Fiscal Year 1988-89



Investments Ending Fiscal Year 1988-89



Graphs prepared by SPTRFA

RETIREMENT RECORD

YEAR	PENSIONS GRANTED	PERSONS ON PAYROLL		BENEFITS PAID DURING YEAR	YEAR	PENSIONS GRANTED	PERSONS ON PAYROLL		BENEFITS PAID DURING YEAR
		AT END OF YEAR					AT END OF YEAR		
1910	15	13	\$	4,860.00	1960	38	600	\$	1,144,380.21
1930-31	8	125		69,023.70	1961	39	611		1,230,715.41
1931-32	8	130		72,961.43	1962	49	624		1,352,779.11
1932-33	2	126		74,190.43	1963	42	647		1,467,460.56
1933-34	6	127		74,119.87	1964	33	653		1,545,252.32
1934-35	9	131		74,000.70	1965	40	668		1,631,554.34
1935-36	14	135		75,864.08	1966	43	676		1,770,082.68
1936-37	19	151		80,747.43	1967	36	682		1,862,248.99
1937-38	17	160		89,709.13	1968	45	695		1,969,759.81
1938-39	11	161		93,184.46	1969	53	726		2,319,185.68
1939-					1970	31	719		2,385,867.50
Dec. 39	0	158		23,869.78	1971	47	731		2,522,349.85
1940	71	222		170,685.43	1972	51	745		2,742,660.45
1941	35	246		210,256.94	1973	36	744		3,039,252.98
1942	27	266		234,217.27	1974	46	754		3,372,452.55
1943	38	286		253,030.76	1975	52	778		3,765,322.19
1944	34	311		282,299.18	1976	77	883		4,393,513.35
1945	56	350		308,112.55	1977	63	919		5,050,507.44
1946	51	378		337,511.79	1978	48	946		5,523,548.09
1947	28	387		360,570.89	1979	40	946		6,240,308.59
1948	42	413		375,912.29	1980	47	963		6,623,803.55
1949	42	441		419,617.54	1981	47	981		7,139,037.16
1950	30	461		450,641.30	1982	61	996		7,725,616.62
1951	27	476		472,669.54	1983	72	1042		8,555,098.87
1952	28	486		508,922.59	1984	64	1061		9,466,663.63
1953	32	487		525,959.02	Jan-				
1954	10	482		529,428.97	June 85	59	1103		5,324,727.30
1955	38	509		666,993.54	June 86	66	1134		11,267,144.00
1956	46	529		750,146.33	June 87	117	1191		12,478,180.00
1957	59	560		840,882.59	June 88	70	1210		14,690,455.00
1958	41	579		1,019,501.72	June 89	67	1236		15,506,957.00
1959	30	585		1,084,505.78					