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1985-1986

# *Annual Report*

of the  
**BOARD OF TRUSTEES**

*For the Period*

*July 1, 1985 — June 30, 1986*

LEGISLATIVE REFERENCE LIBRARY  
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Saint Paul, Minnesota 55155

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION  
St. Paul, Minnesota 55102



Pursuant to MS 356.20

St Paul Teachers

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1985/86

## BOARD OF TRUSTEES

Eugene R. Waschbusch		President
Barbara A. Wencil		Vice-President
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Marjorie A. Kight		Trustee
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Daniel F. Bostrom	Chairman, Board of Education City of St. Paul	Ex-Officio, Trustee

### Auditors

McGladrey Hendrickson & Pullen

Investment Counsel

Capital Supervisors, Inc.

Legal Counsel

Doherty, Rumble and Butler

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

**Room 303 555 Wabasha Street**

**St. Paul, Minnesota 55102**

**612-222-8689**



# Saint Paul Teachers' Retirement Fund Association

## BOARD OF TRUSTEES

555 WABASHA STREET, ROOM 303

SAINT PAUL, MINNESOTA 55102

PHONE: 222-8689

### MEMBERS

James P. Gillach  
Joan A. Hunziker  
Franklin D. Jondal  
Daniel F. Bostrom, Ex-Officio

Frank L. Kernik  
Marjorie A. Kight  
Leon C. Linden

### OFFICERS

Eugene R. Waschbusch      President  
Barbara A. Wencil      Vice-President  
Lyle T. Farmer      Secretary-Treasurer

The Board of Trustees of St. Paul Teachers' Retirement Fund Association submits herewith the Financial Report for the fiscal year July 1, 1985 to June 30, 1986 in accordance with the provisions of Minnesota Statutes 356.20.

The total membership increased from 4,018 to 4,209. The regularly appointed members increased by 120, the substitutes currently working increased by 62, the inactive members decreased by 22, and the number of retirees at year end increased by 31 over last year. The complete membership statistics are included in this report.

We are showing the value of our investments at both cost and market in this report. The cost value is \$170,929,848.00 and the market value is \$237,186,795.00. Investments include bonds, stock and short term instruments.

You are encouraged to read the letter from Capital Supervisors, our Investment Counsel, as well as the complete listing of our holdings.

The financial statements of the Association were audited by McGladrey Hendrickson & Pullen, Certified Public Accountants. A copy of their report is included as a part of this report.

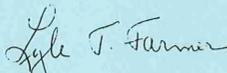
Portions of the Actuarial Valuation from the actuary retained by the Legislative Commission on Pensions and Retirement, the Wyatt Company, are included in this report. The complete report is on file in our office.

On behalf of the members of the Board of Trustees we pledge to continue to administer the affairs of the Association in the most competent and efficient manner possible.

Respectfully submitted,



Eugene R. Waschbusch  
President



Lyle T. Farmer  
Secretary-Treasurer



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

We have examined the balance sheet of the ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION as of June 30, 1986, and the related statement of revenues, expenses and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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.

As discussed in Note 5, the statutory contribution for the combined plans by the State of Minnesota and the fund participants is at a rate of 17.18%. This rate is less than the 20.77% actuarially-computed funding rate required. The excess of the required funding rate over the statutory rate does not affect the accompanying financial statements, but it may result in the impairment of future benefits to be paid by the fund. At June 30, 1986, the present value of accumulated plan benefits exceeds the net assets available for plan benefits by approximately \$138,798,661.

In our opinion, the financial statements referred to above present fairly the financial status of the St. Paul Teachers' Retirement Fund Association as of June 30, 1986 and changes in its financial status for the year then ended, in conformity with the basis of accounting as described in Note 1, which basis has been applied on a consistent basis.

St. Paul, Minnesota  
August 20, 1986

*McGladrey Hendrickson & Pullen*

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

BALANCE SHEET  
June 30, 1986

ASSETS

INVESTMENTS (aggregate market value of \$231,139,631) (Note 4):	
Commercial paper and certificates of deposit	\$ 14,785,381
United States Government Securities, direct and guaranteed	19,812,804
Corporate bonds	51,308,284
Common stocks	77,901,417
Real estate, limited partnership	728,800
Participation loan receivable	345,997
	<u>\$164,882,683</u>
RECEIVABLES	
Governmental units	\$ 654,777
Interest	2,142,414
Dividends	313,901
Security sales receivable	2,785,294
Bonds, principal repayments	776,879
	<u>\$ 6,673,265</u>
CASH	<u>\$ 259,728</u>
FURNITURE AND FIXTURES, at cost, less accumulated depreciation of \$6,597	<u>\$ 21,261</u>
Total assets	<u>\$171,836,937</u>

LIABILITIES AND FUND BALANCE

LIABILITIES	
Accounts payable	\$ 3,641
Security purchases payable	903,448
Accrued bonus payable to annuitants	1,196,509
Total liabilities	<u>\$ 2,103,598</u>
FUND BALANCE	
Actuarial present value of credited projected benefits payable to:	
Beneficiaries now receiving benefits	\$105,741,000
Deferred vested and inactive teachers	1,523,000
Active teachers	201,268,000
	<u>\$308,532,000</u>
Unfunded actuarial present value of credited projected benefits	<u>(138,798,661)</u>
Total fund balance	<u>\$169,733,339</u>
Total liabilities and fund balance	<u>\$171,836,937</u>

See Notes to Financial Statements.

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE  
Year Ended June 30, 1986

Fund balance, beginning	<u>\$148,499,580</u>
Add:	
Investment income (loss)-	
Interest	\$ 9,047,958
Dividends	3,647,719
Gain on sale of investments	7,935,600
Loss on sale of investments	(1,545,535)
Direct investment expenses	<u>(105,096)</u>
	<u>\$ 18,980,646</u>
Contributions:	
Governmental units-	
State of Minnesota	\$ 7,378,251
Federal programs and other	<u>1,128,064</u>
	<u>\$ 8,506,315</u>
Members-	
Required withholdings	\$ 5,740,621
Voluntary	<u>84,613</u>
	<u>\$ 5,825,234</u>
Total additions	<u>\$ 33,312,195</u>
Deduct:	
Benefits to participants-	
Retirement	\$ 10,408,675
Disability	460,840
Survivor	566,360
Dependent children	58,498
Contribution refunds	<u>375,930</u>
	<u>\$ 11,870,303</u>
Administration expenses	<u>208,133</u>
Total deductions	<u>\$ 12,078,436</u>
Fund balance, ending	<u><u>\$169,733,339</u></u>

See Notes to Financial Statements.

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Basis of accounting and financial statement presentation:

The St. Paul Teachers' Retirement Fund Association maintains its accounting records on the accrual basis. Chapter 356.20 of the Minnesota State statutes establishes cost as the accounting basis for investments. Statutory provisions differ from generally accepted accounting principles (GAAP) as prescribed in the National Council on Government Accounting Statement 1, Governmental Accounting and Financial Reporting Principles, which requires that all investments be stated at cost, increased by unamortized bond premium and decreased by unaccreted 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.

Investments:

Investments are reported at cost.

Revenue recognition:

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

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

Income taxes:

The Association has received favorable determination letters from the Internal Revenue Service regarding the nontaxable status of the plans under Section 501(c)(11) of the Internal Revenue Code and their status as qualified plans under Section 401-1(b)(3) of the Code.

Note 2. Plan Description

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.

## NOTES TO FINANCIAL STATEMENTS (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 (1%) 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 (6%). 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 \$1,196,509 were accrued for the year ended June 30, 1986.

### Note 3. Funding Policy

Under the basic program, member employees contributed 8% of their salaries during the year ended June 30, 1986. Employer contributions are paid by the State of Minnesota in an amount provided by statute, which was 12.63% for the year ended June 30, 1986.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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% of their salaries to the coordinated plan for the year ended June 30, 1986. Employer contributions of 4.5% under this program were also paid by the State of Minnesota for the year then ended.

Note 4. Investments

The approximate market values of investments, based principally on published market prices as of June 30, 1986, are summarized as follows:

Commercial paper and certificates of deposit	\$ 14,785,381
United States Government securities, direct and guaranteed	23,345,803
Corporate bonds (face amount \$56,297,677)	56,809,431
Common stocks	135,124,219
Real estate limited partnership, at cost	728,800
Participation loan receivable, at cost	<u>345,997</u>
Total	<u>\$231,139,631</u>

Note 5. Actuarial Present Value of Credited Projected Benefits

Credited projected benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's 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 they are deemed attributable to employee service rendered to the valuation date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. (Continued)

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. The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (the 1983 Group Annuity Mortality Table, as adjusted, was used), (b) 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), (c) investment return (8%) and (d) salary scale (6-1/2% per year compounded annually). 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.

Using the above actuarial assumptions prescribed by state statutes as of June 30, 1986, the consulting actuary has calculated the employer's required contribution rate to be as follows:

	Percentage of Covered Payroll		
	Basic Plan	Coordinated Plan	Combined
Employee contribution	8.00 %	4.50%	6.96 %
Employer contribution	12.63	4.50	10.22
Total contribution	20.63 %	9.00%	17.18 %
Normal cost	13.07 %	7.49%	11.42 %
Amortization of unfunded actuarial accrued liability	12.50	.61	8.97
Allowance for expenses	.38	.38	.38
Total required contributions	25.95 %	8.48%	20.77 %
Contribution sufficiency (deficiency)	(5.32)%	.52%	(3.59)%

The present value of credited projected benefits is in excess of the net assets available for benefits (fund balance) by approximately \$138,798,661 at June 30, 1986.

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

STATEMENT OF INCOME AND DEDUCTIONS

For the Period July 1, 1985 to June 30, 1986

INCOME

<u>Employer Contributions</u>		
State of Minnesota-Basic	\$6,445,741.19	
-Coordinated	932,509.53	
Federal Programs -Basic	976,566.97	
-Coordinated	<u>151,496.74</u>	\$ 8,506,314.43
<u>Member Contributions</u>		
Current Dues -Basic	\$4,663,181.73	
-Coordinated	1,079,850.46	
Outside Service	6,520.58	
Repayment of Refunded Dues	40,825.02	
Extended Leave	<u>36,943.25</u>	\$ 5,827,321.03
<u>Investment Income</u>		
Interest	\$9,045,870.14	
Dividends	3,539,383.28	
Rents -BKX	108,335.90	
Gain on Sale of Stock	5,122,708.41	
Gain on Sale of Bonds	<u>2,812,892.22</u>	\$20,629,189.95
Miscellaneous Receipts		<u>19.82</u>
Total Income		<u>\$34,962,845.23</u> =====

DEDUCTIONS FROM INCOME

<u>Benefits Paid</u>		
Pensions	\$9,193,096.57	
Reversionary Pensions	19,069.26	
Survivor Benefits	566,360.15	
Family Benefits	58,498.11	
Disability Benefits	460,839.67	
Bonus Checks	<u>969,280.24</u>	\$11,267,144.00
Refund of Dues		375,930.30
Administrative Expenses		316,295.40
Loss on Sale of Stock		1,173,191.67
Loss on Sale of Bonds		372,342.50
Applied to Total Reserves Required		<u>21,457,941.36</u>
Total Deductions from Income		<u>\$34,962,845.23</u> =====

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR FISCAL YEAR JULY 1, 1985 TO JUNE 30, 1986

Cash on Hand, June 30, 1985 \$ 51,582.82

RECEIPTS

Employer Contributions		
State of Minnesota		
-Basic	6,458,749.80	
-Coordinated	922,034.69	
ISD #625 (Federal Programs)		
-Basic	414,164.00	
-Coordinated	46,435.00	
ISD #625 (TVI)		
-Basic	506,305.11	
-Coordinated	91,890.33	
Member Dues		
-Basic	4,658,818.29	
-Coordinated	1,077,431.75	
-Outside Service	4,563.73	
-Refunds Repaid	10,631.46	
-Extended Leave	36,812.41	
Interest -Outside Service & Refunds Repaid	32,281.24	
Investment Income		
-Interest	7,485,880.61	
-Dividends	3,447,475.66	
Miscellaneous Receipts	19.82	
	-----	
Total Cash Receipts	\$ 25,193,493.90	
Total Receipts and Cash Balance	\$ 25,245,076.72	
	=====	

DISBURSEMENTS

Member Pensions	\$ 9,193,096.57
Bonus Checks	969,280.24
Reversionary Pensions	19,069.26
Survivor Benefits	566,360.15
Disability Benefits	460,839.67
Family Benefits	58,498.11
Refund of Dues	305,373.30
Interest on Refunds	70,557.00

DISBURSEMENTS (continued)

Administrative Expense	\$ 1,078.20
Auditing	8,675.00
Data Processing	1,254.61
Delegate Expense	6,450.28
Dues - Affiliations	270.00
Insurance - Liability, Workers Comp., Medical, Surety Bond	11,277.19
Investment Services - Investment Counsel, DTC Charges	105,096.38
Legal	1,535.75
Office Equipment	7,415.91
Office Expense and Bank Charges	7,063.90
Office Rent	5,224.15
Postage	3,728.78
Printing	3,251.61
Salaries	147,534.48
Taxes - Social Security / Unemployment	9,822.94
Telephone	1,667.19
Accounts Payable - June 30, 1986	<3,640.97>
Accounts Payable 1985 - Paid in 1986	3,792.15
Total Cash Disbursements	\$ 11,964,571.85
Net Investments Purchased	13,020,776.61
Total Disbursements	\$ 24,985,348.46
Cash on Hand, June 30, 1986	259,728.26
Total Disbursements and Cash Balance	\$ 25,245,076.72

THE *Wyatt* COMPANY

ACTUARIES AND CONSULTANTS

EMPLOYEE BENEFITS  
COMPENSATION PROGRAMS  
EMPLOYEE COMMUNICATIONS  
ADMINISTRATIVE SYSTEMS  
RISK MANAGEMENT  
INTERNATIONAL SERVICES

NORTHWESTERN FINANCIAL CENTER  
7900 XERXES AVENUE SOUTH, SUITE 1200  
MINNEAPOLIS, MINNESOTA 55431  
(612) 835-1500

OFFICES IN PRINCIPAL CITIES  
AROUND THE WORLD

December 2, 1986

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

**RE: ST. PAUL TEACHERS' RETIREMENT FUND**

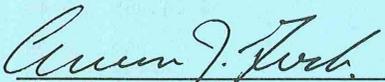
Gentlemen:

We have prepared an actuarial valuation of the Fund as of July 1, 1986 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 June 30, 1986 and amended on July 21 and July 28 of 1986.

Respectfully submitted,

THE WYATT COMPANY

  
Allan J. Grosh, FSA  
Consulting Actuary

  
Robert E. Perkins, FSA  
Consulting Actuary

**ST. PAUL TEACHERS' RETIREMENT FUND**

**REPORT HIGHLIGHTS  
(DOLLARS IN THOUSANDS)**

	<u>07/01/85 VALUATION</u>	<u>07/01/86 VALUATION</u>
<b>A. CONTRIBUTIONS (TABLE 11)</b>		
1. Statutory Contributions - Chapter 354A % of Payroll	17.71%	17.18%
2. Required Contributions - Chapter 356 % of Payroll	21.95%	20.77%
3. Sufficiency (Deficiency) (A1-A2)	-4.24%	-3.59%
<b>B. FUNDING RATIOS</b>		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$159,874	\$193,015
b. Current Benefit Obligations (Table 8)	\$282,588	\$308,532
c. Funding Ratio (a/b)	56.57%	62.56%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$159,874	\$193,015
b. Actuarial Accrued Liability (Table 9)	\$307,407	\$337,777
c. Funding Ratio (a/b)	52.01%	57.14%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$340,343	\$382,493
b. Current and Expected Future Benefit Obligations	\$403,836	\$440,367
c. Funding Ratio (a/b)	84.28%	86.86%
<b>C. PLAN PARTICIPANTS</b>		
1. Active Members		
a. Number (Table 3)	2,888	3,105
b. Projected Annual Earnings	\$75,852	\$84,932
c. Average Annual Earnings (Actual \$)	\$26,265	\$27,353
d. Average Age	42.9	42.7
e. Average Service	11.6	11.1
f. Additional Members on Leave of Absence	134	106
2. Others		
a. Service Retirements (Table 4)	963	991
b. Disability Retirements (Table 5)	28	34
c. Survivors (Table 6)	112	112
d. Deferred Retirements (Table 7)	36	30
e. Terminated Other Non-vested (Table 7)	1,770	1,852
f. Total	2,909	3,019

TABLE 1

## ST. PAUL TEACHERS' RETIREMENT FUND

ACCOUNTING BALANCE SHEET  
(DOLLARS IN THOUSANDS)

July 1, 1986

	<u>MARKET VALUE</u>	<u>COST VALUE</u>
A. ASSETS		
1. Cash and Cash Equivalents	\$15,391	\$15,391
2. Investments		
a. Fixed Income	80,155	71,121
b. Equity	135,124	77,901
c. Real Estate	729	729
3. Equity in Minnesota Post-Retirement Investment Fund (MPRIF)	0	0
4. Other	6,695	6,695
	-----	-----
B. TOTAL ASSETS	\$238,094	\$171,837
	=====	=====
C. AMOUNTS CURRENTLY PAYABLE	\$907	\$907
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$49,209	\$49,209
2. Employer Reserves	187,978	121,721
3. MPRIF Reserves	0	0
4. Non-MPRIF Reserves	0	0
	-----	-----
5. Total Assets Available for Benefits	\$237,187	\$170,930
	-----	-----
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	\$238,094	\$171,837
	=====	=====
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Cost Value of Assets Available for Benefits (D5)		\$170,930
2. Market Value (D5)	\$237,187	
3. Cost Value (D5)	170,930	
	-----	
4. Market Over Cost (F2-F3)	\$66,257	
5. 1/3 of Market Over Cost(F4)/3		22,085
		-----
6. Actuarial Value of Assets (F1+F5) (Same as "Current Assets")		\$193,015
		=====

TABLE 3

## ST. PAUL TEACHERS' RETIREMENT FUND

## ACTIVE MEMBERS AS OF JUNE 30, 1986

AGE	YEARS OF SERVICE								TOTAL
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30+	
<25	73	26							99
25-29	126	106	26						258
30-34	106	116	134	18					374
35-39	71	97	147	132	136				583
40-44	64	79	79	83	193	51			549
45-49	40	45	54	49	118	100	39		445
50-54	27	35	44	38	80	58	81	26	389
55-59	16	18	23	18	40	40	44	62	261
60-64	11	7	11	8	22	19	17	25	120
65+	7	2	3		2	5	3	5	27
TOTAL	541	531	521	346	591	273	184	118	3,105

## AVERAGE ANNUAL EARNINGS

AGE	YEARS OF SERVICE								ALL
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30+	
<25	4,797	18,857							8,490
25-29	4,347	19,362	21,359						12,230
30-34	3,706	18,269	21,874	26,931					15,850
35-39	4,464	19,202	25,334	29,410	34,561				24,848
40-44	4,124	19,555	29,697	34,626	36,163	36,724			28,927
45-49	3,383	19,262	30,298	33,698	36,651	38,968	38,362		31,477
50-54	2,453	18,163	26,781	34,597	35,941	38,002	37,805	39,481	31,782
55-59	3,127	16,150	26,327	30,774	35,277	37,961	38,407	41,875	33,394
60-64	1,611	9,720	22,853	31,678	35,153	37,889	37,773	41,015	31,261
65+	1,866	9,725	13,626		38,031	33,904	33,378	40,162	22,960
ALL	3,982	18,738	25,468	31,833	35,771	38,028	37,992	41,093	25,684

## PRIOR FISCAL YEAR EARNINGS (IN THOUSANDS) BY YEARS OF SERVICE

	<1	1-4	5-9	10-14	15-19	20-24	25-29	30+	TOTAL
	2,154	9,950	13,269	11,014	21,140	10,382	6,991	4,849	79,749

TABLE 4

## ST. PAUL TEACHERS' RETIREMENT FUND

## SERVICE RETIREMENTS AS OF JUNE 30, 1986

AGE	YEARS RETIRED							TOTAL
	<1	1-4	5-9	10-14	15-19	20-24	25+	
<50								0
50-54								0
55-59	30	38	1					69
60-64	20	126	30					176
65-69	9	78	74	4				165
70-74	1	11	104	55	2			173
75-79			4	101	21	4		130
80-84				35	74	22	13	144
85+					23	37	74	134
TOTAL	60	253	213	195	120	63	87	991

## AVERAGE ANNUAL ANNUITY

AGE	YEARS RETIRED							ALL
	<1	1-4	5-9	10-14	15-19	20-24	25+	
<50								0
50-54								0
55-59	17,257	13,240	17,019					15,042
60-64	17,509	15,974	10,381					15,195
65-69	15,616	13,541	13,484	8,307				13,502
70-74	7,739	15,974	9,409	9,013	5,251			9,643
75-79			8,267	8,003	5,106	3,212		7,396
80-84				8,714	5,419	4,292	2,774	5,809
85+					5,064	4,309	3,505	3,995
ALL	16,936	14,813	10,976	8,422	5,293	4,233	3,396	10,032

## TOTAL ANNUAL ANNUITY (IN THOUSANDS) BY YEARS OF RETIREMENT

<1	1-4	5-9	10-14	15-19	20-24	25+	TOTAL
1,016	3,748	2,338	1,642	635	267	295	9,941

## ST. PAUL TEACHERS' RETIREMENT FUND

TABLE 5

## DISABILITY RETIREMENTS AS OF JUNE 30, 1986

AGE	YEARS DISABLED							TOTAL
	<1	1-4	5-9	10-14	15-19	20-24	25+	
<50		1	1					2
50-54		2	1					3
55-59		4	2	2				8
60-64		3	1					4
65-69		3	4	2				9
70-74			1	2	1			4
75-79						1		1
80-84					1		2	3
85+								0
TOTAL	0	13	10	6	3	0	2	34

## AVERAGE ANNUAL BENEFIT

AGE	YEARS DISABLED							ALL
	<1	1-4	5-9	10-14	15-19	20-24	25+	
<50		16,405	9,709					13,057
50-54		23,007	14,929					20,314
55-59		22,284	8,588	12,408				16,391
60-64		24,578	17,030					22,691
65-69		12,792	16,732	12,332				14,441
70-74			12,951	7,389	6,228			8,489
75-79					4,400			4,400
80-84					3,482		2,252	2,662
85+								0
TOTAL	0	20,282	13,872	10,710	4,703	0	2,252	14,272

## TOTAL ANNUAL BENEFIT (IN THOUSANDS) BY YEARS OF DISABILITY

<1	1-4	5-9	10-14	15-19	20-24	25+	TOTAL
0	263	139	64	14	0	5	485

ST. PAUL TEACHERS' RETIREMENT FUND

TABLE 6

SURVIVORS AS OF JUNE 30, 1986

AGE	YEARS SINCE DEATH							TOTAL
	<1	1-4	5-9	10-14	15-19	20-24	25+	
<50		5	9		1			15
50-54		2						2
55-59	2	2	2					6
60-64		6	5	2				13
65-69	2	9	5	4				20
70-74		5	5	1				11
75-79	3	9	5	2	3	1		23
80-84		7	2	2			2	13
85+		3	1	4	1			9
TOTAL	7	48	34	15	5	1	2	112

AVERAGE ANNUAL BENEFIT

AGE	YEARS SINCE DEATH							ALL
	<1	1-4	5-9	10-14	15-19	20-24	25+	
<50		6,829	4,707		3,350			5,324
50-54		6,275						6,275
55-59	21,630	8,841	6,882					12,451
60-64		8,559	6,678	3,210				7,012
65-69	8,486	5,422	7,086	4,982				6,056
70-74		8,841	7,567	3,547				7,781
75-79	2,996	5,308	6,909	3,248	2,080	1,371		4,583
80-84		4,718	7,864	3,406			2,064	4,592
85+		6,873	1,102	2,840	4,734			4,202
ALL	9,888	6,462	6,299	3,638	2,865	1,371	2,064	5,964

TOTAL ANNUAL BENEFIT (IN THOUSANDS) BY YEARS SINCE DEATH

<1	1-4	5-9	10-14	15-19	20-24	25+	TOTAL
69	311	214	55	14	1	4	668

**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, 1985	3,022	36	1,770
B. Additions	530	1	272
C. Deletions:			
1. Service Retirement	(54)	(11)	
2. Disability	0		
3. Death	(2)	(1)	
4. Terminated-Deferred	0		
5. Terminated-Refund	(60)	0	(94)
6. Terminated-Other Non-vested	(272)		
7. Returned as Active		0	0
D. Data Adjustments	47	5	(96)
	Vested 1,565		
	Non-Vested 1,646		
E. Total on June 30, 1986	3,211	30	1,852

	<u>RECIPIENTS</u>		
	<u>RETIREMENT ANNUITANTS</u>	<u>DISABLED</u>	<u>SURVIVORS</u>
A. On June 30, 1985	963	28	112
B. Additions	66	0	7
C. Deletions:			
1. Service Retirement		(1)	
2. Death	(35)	0	(4)
3. Annuity Expired	0	0	(3)
4. Returned as Active	0	0	
D. Data Adjustments	(3)	7	0
E. Total on June 30, 1986	991	34	112

## ST. PAUL TEACHERS' RETIREMENT FUND

TABLE 8

ACTUARIAL BALANCE SHEET  
(DOLLARS IN THOUSANDS)

JULY 1, 1986

A. CURRENT ASSETS (TABLE 1, F6)				\$193,015
B. EXPECTED FUTURE ASSETS				
1. Present Value of Expected Future Supplemental Contributions				86,888
2. Present Value of Future Normal Costs				102,590
3. Total Expected Future Assets				189,478
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS				\$382,493
D. CURRENT BENEFIT OBLIGATIONS				
	<u>Non-Vested</u>	<u>Vested</u>		<u>Total</u>
1. Benefit Recipients				
a. Retirement Annuities		\$96,151		\$96,151
b. Disability Benefits		3,924		3,924
c. Surviving Spouse's Benefits		5,501		5,501
d. Surviving Children's Benefits		165		165
2. Deferred Retirements with Future Augmentation		970		970
3. Former Members without Vested Rights		553		553
4. Active Members				
a. Retirement Annuities	7,620	156,072		163,692
b. Disability Benefits	1,080	13,000		14,080
c. Survivors' Benefits	362	9,220		9,582
d. Deferred Retirements	0	0		0
e. Refund Liability Due to Death or Withdrawal	2,928	10,986		13,914
5. Total Current Benefit Obligations	\$11,990	\$296,542		\$308,532
E. EXPECTED FUTURE BENEFIT OBLIGATIONS				\$131,835
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS				\$440,367
G. CURRENT UNFUNDED LIABILITY (D5-A)				\$115,517
H. CURRENT AND FUTURE UNFUNDED LIABILITY (F-C)				\$57,874

ST. PAUL TEACHERS' RETIREMENT FUND

TABLE 9

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

JULY 1, 1986

	ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS <u>(1)</u>	ACTUARIAL PRESENT VALUE OF FUTURE NORMAL COSTS <u>(2)</u>	ACTUARIAL ACCRUED LIABILITY <u>(3)=(1)-(2)</u>
<b>A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)</b>			
1. Active Members			
a. Retirement Annuities	\$278,192	\$70,619	\$207,573
b. Disability Benefits	21,073	\$9,269	11,804
c. Survivors Benefits	13,793	\$5,337	8,456
d. Deferred Retirements	0	\$0	0
e. Refunds Due to Death or Withdrawal	20,045	\$17,365	2,680
f. Total	----- \$333,103 -----	----- \$102,590 -----	----- \$230,513 -----
2. Deferred Retirements with Future Augmentation	\$970		\$970
3. Former Members Without Vested Rights	553		553
4. Annuitants in MPRIF	0		0
5. Recipients Not in MPRIF	105,741		105,741
6. Total AAL	----- \$440,367 =====	----- \$102,590 =====	----- \$337,777 =====
<b>B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)</b>			
1. AAL (A6)			\$337,777
2. Current Assets (Table 1,F6)			193,015
3. UAAL (B1-B2)			----- \$144,762 =====
<b>C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE</b>			
1. Present Value of Future Payrolls Through the Amortization Date of July 1, 2009			\$1,613,381
2. Supplemental Contribution Rate (B3/C1)			8.97%

**ST. PAUL TEACHERS' RETIREMENT FUND**  
**CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)**  
**(DOLLARS IN THOUSANDS)**  
**YEAR ENDING JUNE 30, 1986**

**TABLE 10**

A. UAAL AT BEGINNING OF YEAR	\$147,533
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING	
1. Normal Cost and Expenses	\$9,844
2. Contribution	(14,302)
3. Interest on A, B1, and B2	11,624
4. Total (B1+B2+B3)	\$7,166
C. EXPECTED UAAL AT END OF YEAR (A+B4)	\$154,699
D. INCREASE (DECREASE) DUE TO ACTUARIAL LOSSES (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED	
1. Salary Increases	\$3,374
2. Investment Return	(17,913)
3. MPRIF Mortality	0
4. Mortality of Other Benefit Recipients	(626)
5. Other Items	5,222
6. Total	(\$9,943)
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C+D6)	\$144,756
F. CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO PLAN AMENDMENTS	\$6
G. CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS	\$0
H. UAAL AT END OF YEAR (E+F+G)	\$144,762

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

TABLE 11

JULY 1, 1986

	<u>% OF PAYROLL</u>	<u>\$ AMOUNT</u>
<b>A. STATUTORY CONTRIBUTIONS - CHAPTER 354A</b>		
1. Employee Contributions	6.96%	\$5,913
2. Employer Contributions	10.22%	8,679
3. Total	----- 17.18% =====	----- \$14,592 =====
<b>B. REQUIRED CONTRIBUTIONS - CHAPTER 356</b>		
1. Normal Cost		
a. Retirement Benefits	7.91%	\$6,714
b. Disability Benefits	1.05%	896
c. Survivors	0.61%	519
d. Deferred Retirement Benefits	0.00%	0
e. Refunds Due to Death or Withdrawal	1.85%	1,567
f. Total	----- 11.42% -----	----- \$9,696 -----
2. Supplemental Contribution Amortization by July 1, 2009 of UAAL of \$144,762	8.97%	\$7,621
3. Allowance for Expenses	0.38%	\$323
4. Total	----- 20.77% -----	----- \$17,640 -----
<b>C. CONTRIBUTION SUFFICIENCY (DEFICIENCY) (A3-B4)</b>		
	-3.59%	(\$3,048)

Note: Projected Annual Payroll for Fiscal Year Beginning on July 1, 1986 is \$84,932



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

July 29, 1986

Mr. Lyle T. Farmer  
Chairman, Investment Committee  
Saint Paul Teachers' Retirement  
Fund Association  
555 Wabasha Street  
Room 303  
Saint Paul, Minnesota 55102

Dear Members of the Board:

The fiscal year ended June 30, 1986 continued the pattern of good absolute and relative performance for your portfolio. Assets and income are at new record highs with the portfolio market value well in excess of \$200 million. This completes 10 1/2 years of our association with black or positive gains in each year.

The total portfolio increased 31.5% last year. Common stocks were the leaders advancing 43.9% while bonds rose 20.6% in value. Comparative numbers are often a bit suspect but these results probably place your portfolio in the top 25% of similar portfolios for the last twelve months. In any event, they were certainly above average and the kind of numbers we would like to report every year.

During the last twelve months the economy didn't live up to our expectations but the markets did better with stocks leading as anticipated. The next twelve months look more difficult. We still anticipate fair gains but at a lesser rate. In fact, that's not all bad since 30% years simply are not sustainable and we would prefer a more moderate pace that avoids severe corrections. Nevertheless, common stocks still look like the investment of choice and we see another good, if not spectacular year.

There are many factors we will be watching to signal the need for cautious investing. Inflation and interest rates first come to mind but the list is quite extensive. Despite the strong recent years we haven't forgotten the lessons of the '70's and continue to emphasize preservation of principal.

As always, we want to thank you for letting us work with you. We are well aware of your goals and will be striving to maintain the pattern of past years.

Sincerely,

Lee Thurow  
Chairman of the Board

LT:bj

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION

CHANGES IN INVESTMENT HOLDINGS

DURING THE FISCAL YEAR JULY 1, 1985 THROUGH JUNE 30, 1986

Investments on Hand, at Cost June 30, 1985 \$147,496,609.00

Corporate Bonds at Cost June 30, 1985 37,516,435.91

Purchases During Fiscal Year Ending 1986

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Cost</u>
Associates Corp.	04-15-98	7.625	\$ 1,000,000.00	\$ 1,000,000.00
Atlantic Richfield Corp.	02-15-93	9.250	1,000,000.00	999,000.00
Atlantic Richfield Corp.	10-24-88	9.700	1,000,000.00	1,007,860.00
Commonwealth Edison	02-01-98	6.250	1,400,000.00	957,992.00
Dow Chemical Co.	07-14-02	7.400	1,300,000.00	926,731.00
Exxon Corp.	07-15-98	6.500	1,000,000.00	874,740.00
Ford Motor Co.	01-15-94	7.850	500,000.00	483,150.00
Ford Motor Credit	03-15-04	9.850	1,000,000.00	905,940.00
General Electric Credit	11-01-01	5.500	1,000,000.00	583,050.00
Mobil Corp.	06-15-01	8.500	1,000,000.00	943,410.00
Sohio BP Transalaska PL	12-01-99	9.750	1,400,000.00	1,410,500.00
Southern Bell Tel. & Tel.	11-01-21	16.000	1,750,000.00	2,051,675.00
Texaco Inc.	07-15-97	5.750	1,150,000.00	768,677.50
Texas Oil & Gas Co.	10-15-91	16.625	1,000,000.00	1,169,000.00
Wisconsin Power & Light	08-01-98	6.250	300,000.00	225,723.00
			\$15,800,000.00	\$ 14,307,448.50

Sales During Fiscal Year Ending 1986

Amoco Co.	01-15-98	6.000	\$ 2,150,000.00	\$ 1,325,260.00
Bear Creek Security Corp.	03-01-88	8.125	422,448.25	422,438.23
Caterpillar Tractor	11-01-01	8.000	1,300,000.00	900,922.00
Commonwealth Edison	04-01-97	5.375	1,400,000.00	776,929.50
Ford Motor Co.	08-01-04	9.150	1,025,000.00	716,113.00
Ford Motor Credit	07-15-93	7.875	500,000.00	385,230.00
General Electric Credit	11-01-01	5.500	1,000,000.00	583,050.00
Inland Steel Co.	01-15-07	7.900	750,000.00	737,302.50
Mobil Corp.	06-15-01	8.500	1,000,000.00	690,190.00
New York Tel. Co.	08-15-12	8.300	500,000.00	289,965.00
Pacific Tel. & Tel.	11-01-20	15.000	1,000,000.00	1,144,195.00
Sohio Pipeline Co.	05-01-01	8.750	1,400,000.00	1,085,840.00
Teledyne Inc.	06-01-04	10.000	750,000.00	564,345.00
Virginia Electric & Power	03-01-07	8.625	300,000.00	297,750.00
Virginia Electric & Power	09-01-06	8.750	500,000.00	353,155.00
			\$13,997,448.25	\$ 10,272,685.23

Repaid Principal \$ 361,120.59

Redeemed During Fiscal Year Ending 1986

Pacific Lighting Service 11-01-85 9.300 \$ 500,000.00 \$ 519,030.00

Corporate Bonds at Cost June 30, 1986 \$ 40,671,048.59

U.S. Gov't & Agency Bonds at Cost June 30, 1985 \$ 17,609,677.94

Purchases During Fiscal Year Ending 1986

	Maturity Date	Interest Rate	Par Value	Cost
Federal Home Loan Mortgage	09-15-09	12.450	\$ 988,000.00	\$ 1,109,030.00
U.S. Treasury Notes	06-30-89	9.625	1,000,000.00	1,006,875.00
			\$ 1,988,000.00	\$ 2,115,905.00

Sales During Fiscal Year Ending 1986

U.S. Treasury Bonds	08-15-93	8.625	\$ 700,000.00	\$ 507,500.00
U.S. Treasury Notes	05-15-89	9.250	1,000,000.00	886,250.00
U.S. Treasury Notes	05-15-91	15.750	1,575,000.00	548,226.00
U.S. Treasury Notes	05-15-90	15.750	1,575,000.00	618,880.50
			\$ 4,850,000.00	\$ 2,560,856.50

Repaid Principal \$ 941,982.38

Redeemed During Fiscal Year Ending 1986

Federal Farm Credit Bank	01-20-86	15.800	\$ 1,000,000.00	\$ 1,000,000.00
--------------------------	----------	--------	-----------------	-----------------

U.S. Gov't & Agency Bonds at Cost June 30, 1986 \$ 15,222,744.06

Mortgage Backed Securities at Cost June 30, 1985 \$ 10,329,498.43

Purchases During Fiscal Year Ending 1986

Coll. Mortgage Series H	08-01-05	9.000	\$ 2,000,000.00	\$ 1,998,125.00
Coll. Mortgage Trust	07-20-04	9.050	1,000,000.00	997,500.00
Fed. Home Loan Mortg. CMO	05-31-94	10.000	1,500,000.00	1,496,570.00
Fed. Home Loan Mortg. CMO	04-01-15	12.000	786,324.97	821,709.59
Ryland Acceptance Corp.	10-01-96	9.950	1,000,000.00	999,062.50
USAT Mortg. Securities Inc.	12-25-02	8.950	1,000,000.00	998,010.00
			\$ 7,286,324.97	\$ 7,310,977.09

Sales During Fiscal Year Ending 1986

G.N.M.A. Pool #43755	10-15-10	11.500	\$ 270,858.87	\$ 284,420.85
G.N.M.A. Pool #44797	08-15-10	11.500	469,739.94	423,375.15
			\$ 740,598.81	\$ 707,796.00

Repaid Principal \$ 2,037,688.68

Mortgage Backed Securities at Cost June 30, 1986 \$ 14,894,990.84

Foreign Bonds at Cost June 30, 1985 \$ 754,817.50

Sales During Fiscal Year Ending 1986

Quebec Hydro	12-15-95	9.750	\$ 250,000.00	\$ 180,052.50
Quebec Hydro Electric	06-01-93	6.250	300,000.00	242,460.00
			\$ 550,000.00	\$ 422,512.50

Foreign Bonds at Cost June 30, 1986 \$ 332,305.00

Total Bonds at Cost June 30, 1986 \$ 71,121,088.49

Real Estate Limited Partnership at Cost June 30, 1986 \$ 728,799.00

Common Stock at Cost June 30, 1985 \$ 69,104,378.74

Purchases During Fiscal Year Ending 1986

	Shares	Cost
Alexander & Baldwin	50,000	\$ 2,327,500.00
Archer Daniels Midland	100,000	2,723,426.00
Automatic Data Processing	40,000	2,519,638.00
Bristol Myers Co.	10,000	646,750.00
Genuine Parts Co.	35,000	1,323,850.00
H & R Block Inc.	100,000	3,706,693.30
Int'l Multifoods Corp.	42,400	1,626,877.50
Interpublic Group	10,000	563,649.88
Mc Donald's Corp.	10,000	822,100.00
Melville Corp.	20,000	1,424,040.00
Minnesota Mining & Mfg.	8,000	639,704.00
Ogden Corp.	100,000	3,162,231.90
Pfizer Inc.	10,000	515,350.00
P.P.G. Industries	25,000	1,370,975.00
Salomon Inc.	35,000	1,931,875.00
Sara Lee Corp.	30,000	1,766,600.00
Southern Company	75,000	1,664,375.00
State Street Boston	10,000	302,250.00
Telex Corp.	35,000	2,095,905.00
U.S.G. Corp.	10,000	671,636.20
V.F. Corp.	15,000	893,212.50
Worthington Industries	34,000	793,125.00
		\$ 33,491,764.28

Sales During Fiscal Year Ending 1986

	Shares	Cost
American Home Products	10,000	\$ 426,000.00
Amsted Industries	25,000	1,019,275.00
C.B.I. Industries	20,000	845,237.50
Colt Industries	40,000	2,255,112.50
Commonwealth Edison	80,000	1,857,650.00
Exxon Corp.	45,000	1,418,361.33
F.M.C. Corp.	25,000	1,127,037.50
Hospital Corp. of America	50,000	2,215,312.50
Intel Corp.	40,000	1,400,000.00
Int'l Multifoods Corp.	60,000	2,191,837.50
J.C. Penney Inc.	40,000	1,948,500.00
Jeffries Group	40,000	495,000.00
M.C.A. Inc.	15,000	631,100.00
Southwest Airlines	89,950	2,109,773.50
Southwestern Bell Corp.	30,000	1,824,829.77
Temple Inland Inc.	10,200	360,774.00
United Technologies	50,000	1,675,712.50
V.F. Corp.	30,000	893,212.50
		\$ 24,694,726.10

Common Stock at Cost June 30, 1986 \$ 77,901,416.92

Changes in Stock Holdings Which Did Not Affect Cost

Stock Splits	Shares		Shares
Alexander & Baldwin	3 for 2	25,000	McDonald's Corp. 3 for 2 30,000
Automatic Data Processing	2 for 1	40,000	State Street Boston 2 for 1 40,000
General Re Corp.	2 for 1	33,600	Super Valu Stores 2 for 1 70,000
Interpublic Group	2 for 1	70,000	U.S.G. Corp. 2 for 1 70,000
Liz Claiborne	2 for 1	25,000	

Short Term Inventory June 30, 1985

		Maturity Date	Face Value	Cost
Commercial Credit Co.	8.04	07-01-85	\$ 1,000,000.00	\$ 989,400.00
American National CD	8.05	07-01-85	740,936.82	730,000.00
General Electric Credit	7.30	07-08-85	300,000.00	298,127.08
Ford Motor Credit Corp.	7.44	07-08-85	235,000.00	233,695.75
Con Agra Inc.	7.60	07-10-85	700,000.00	695,595.83
Barclays American	7.48	07-15-85	695,000.00	692,411.13
General Motors Acceptance	7.43	07-15-85	475,000.00	473,340.14
General Motors Acceptance	7.36	07-17-85	260,000.00	257,732.94
John Deere Credit Corp.	7.14	07-17-85	430,000.00	427,540.64
Montgomery Ward Credit	7.46	07-22-85	1,180,000.00	1,170,297.78
Sears Roebuck Acceptance	7.29	07-24-85	560,000.00	556,616.67
Prudential Funding Corp.	7.16	07-29-85	1,250,000.00	1,239,645.83
American National CD	8.00	08-01-85	762,833.33	750,000.00
Westinghouse Credit Corp.	6.96	08-05-85	520,000.00	515,415.33
General Electric Credit	7.22	08-08-85	660,000.00	653,708.00
General Motors Acceptance	7.23	08-13-85	1,000,000.00	989,473.61
American National CD	7.55	09-03-85	793,413.83	780,000.00

Total Short Term June 30, 1985 \$11,562,183.98 \$ 11,453,000.73

Short Term Inventory June 30, 1986

		Maturity Date	Face Value	Cost
American National CD	6.55	07-01-86	\$ 725,502.00	\$ 720,000.00
U.S. Treasury Notes	6.00	07-02-86	910,303.33	910,000.00
Prudential Funding Corp.	6.84	07-03-86	1,500,000.00	1,491,783.33
Chrysler Financial Corp.	6.98	07-07-86	1,400,000.00	1,394,864.72
General Motors Acceptance	6.67	07-09-86	225,000.00	224,210.31
Sears Roebuck Acceptance	6.68	07-14-86	1,940,000.00	1,932,474.42
General Motors Acceptance	6.67	07-17-86	1,020,000.00	1,016,796.92
Bankers Acpt/Rep. Bank NY	6.69	07-22-86	240,000.00	238,404.00
General Electric Credit	6.79	07-24-86	1,450,000.00	1,442,115.63
Prudential Funding Corp.	6.68	07-25-86	1,450,000.00	1,442,500.28
Bankers Acpt/1st Bank SP	6.74	07-28-86	1,020,000.00	1,014,684.67
American National CD	6.50	08-01-86	987,785.56	980,000.00
Norwest Commercial Paper	6.93	08-01-86	2,000,000.00	1,977,457.22

Total Short Term June 30, 1986 \$14,868,590.89 \$ 14,785,381.50

Investments on Hand at Cost	June 30, 1985	\$147,496,609.00
Total Purchases - Fixed Income & Equities		57,226,095.00
Total Sales - Fixed Income & Equities		40,177,606.00
Net Increase in Short Term Inventory		3,332,380.00
Repaid Principal		<u>3,340,792.00</u>
Investments on Hand at Cost	June 30, 1986	\$164,536,686.00
		=====
Bonds at Cost		\$ 71,121,088.00
Real Estate Limited Partnership at Cost		728,799.00
Stock at Cost		77,901,417.00
Short Term at Cost		<u>14,785,382.00</u>
		\$164,536,686.00
		=====

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION  
COMMON STOCK HOLDINGS AS OF JUNE 30, 1986

Name	Shares	Cost	Market
Alexander & Baldwin	75000	\$2,327,500.00	\$2,812,500.00
American Home Products	25000	\$1,065,150.00	\$2,250,000.00
Archer Daniels Midland	150000	\$2,723,426.00	\$2,737,500.00
Automatic Data Processing	80000	\$2,519,638.00	\$2,830,000.00
Boeing Company	90000	\$3,072,575.00	\$5,670,000.00
Bristol Myers Company	60000	\$2,228,100.00	\$5,160,000.00
Capital Holding	120000	\$1,305,717.00	\$4,530,000.00
Deluxe Check Printers	60000	\$756,537.00	\$4,350,000.00
General Electric Co.	70000	\$2,773,274.00	\$5,670,000.00
General Re Corp.	67200	\$2,073,280.00	\$4,200,000.00
Genuine Parts Co.	60000	\$2,097,975.00	\$2,752,500.00
H & R Block Inc.	100000	\$3,706,693.00	\$3,987,500.00
Houston Industries	100000	\$1,984,950.00	\$3,150,000.00
Int'l Business Machines	65000	\$6,065,688.00	\$9,522,500.00
Interpublic Group	140000	\$2,316,700.00	\$4,060,000.00
Liz Claiborne Inc.	50000	\$597,500.00	\$2,350,000.00
Mc Donalds Corp.	90000	\$3,122,150.00	\$6,581,248.00
Melville Corp.	20000	\$1,424,040.00	\$1,420,000.00
Minnesota Mining & Mfg.	25000	\$1,666,353.00	\$2,843,750.00
NCR Corp.	40000	\$1,169,263.00	\$2,055,000.00
Norfolk Southern Co.	30000	\$1,708,063.00	\$2,640,000.00
Ogden Corp.	100000	\$3,162,232.00	\$4,012,499.00
Pfizer Inc.	80000	\$2,248,250.00	\$5,720,000.00
PPG Industries	25000	\$1,370,975.00	\$1,703,125.00
Salomon Inc.	35000	\$1,931,875.00	\$1,701,875.00
Sara Lee Corp.	80000	\$2,863,737.00	\$5,620,000.00
Schering Plough Corp.	50000	\$2,102,125.00	\$4,218,750.00
Southern Company	200000	\$3,543,550.00	\$4,750,000.00
State Street Boston	90000	\$1,714,500.00	\$5,107,500.00
Super Valu Stores	140000	\$1,481,027.00	\$3,780,000.00
Telex Corp.	70000	\$3,613,980.00	\$4,165,000.00
Texas Utilities Company	75000	\$1,760,445.00	\$2,296,875.00
U.S.G. Corp.	140000	\$2,650,399.00	\$5,722,500.00
Worthington Industries	160459	\$2,753,750.00	\$4,753,597.00
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		\$77,901,417.00	\$135,124,219.00

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION  
GOVERNMENT & AGENCY BOND HOLDINGS AS OF JUNE 30, 1986

NAME	INTEREST RATE	MATURITY DATE	PAR	COST	MARKET VALUE
American Southwest Financial	13.500	12/01/93	\$1,000,000.00	\$976,250.00	\$1,160,000.00
Centex Acceptance	12.000	01/01/01	\$1,000,000.00	\$998,100.00	\$1,090,000.00
CMO Securities Series H3	9.000	08/01/05	\$2,000,000.00	\$1,998,125.00	\$2,010,000.00
CMO Trust One-2 Class C	9.050	07/20/04	\$1,000,000.00	\$997,500.00	\$1,010,000.00
Federal Home Loan Mort. CMO	10.000	05/31/94	\$1,500,000.00	\$1,496,570.00	\$1,547,340.00
Federal Home Loan Mort. Corp.	9.400	09/15/08	\$1,455,200.00	\$967,970.00	\$1,477,028.00
Federal Home Loan Mort. Corp.	10.250	03/15/09	\$1,070,000.00	\$917,269.06	\$1,096,749.00
Federal Home Loan Mort. Corp.	11.250	12/15/95	\$835,213.28	\$828,963.28	\$841,477.00
Federal Home Loan Mort. Corp.	11.875	03/31/96	\$644,004.34	\$657,129.34	\$650,444.00
Federal Home Loan Mort. Corp.	12.450	09/15/09	\$1,580,800.00	\$1,712,335.63	\$1,802,112.00
Federal Home Loan Mort. Corp.	9.875	03/15/09	\$670,800.00	\$529,953.75	\$687,570.00
Federal Home Loan Mort. Corp.	12.000	04/01/15	\$571,277.41	\$606,662.03	\$589,844.00
Federal Home Loan Mort. Corp.	8.850	03/15/08	\$1,589,000.00	\$1,200,750.00	\$1,549,275.00
Federal Natl. Mortgage Assn.	12.500	03/15/91	\$750,000.00	\$751,406.25	\$862,267.00
GNMA Pool #33300	9.500	08/15/09	\$850,380.44	\$619,396.39	\$840,515.00
GNMA Pool #35121	9.500	10/15/09	\$145,941.50	\$107,418.36	\$144,248.00
GNMA Pool #37637	9.500	12/15/09	\$665,149.70	\$479,268.45	\$657,434.00
GNMA Pool #48044	13.750	04/15/96	\$320,262.04	\$311,984.14	\$341,879.00
GNMA Pool #49506	13.750	05/15/96	\$225,642.57	\$217,356.43	\$240,872.00
Guaranteed Mort. Corp. Q3	11.875	07/01/96	\$1,000,000.00	\$979,375.00	\$1,115,000.00
Investors GNMA CMO	11.625	08/25/02	\$165,427.57	\$156,590.69	\$181,970.00
Norwest Mort. Insured #1	12.125	01/01/96	\$665,527.44	\$669,277.44	\$745,390.00
Norwest Mort. Insured #2	12.250	10/01/96	\$1,000,000.00	\$1,000,000.00	\$1,130,000.00
Norwest Mortgage Convent.	12.000	02/01/97	\$650,751.25	\$648,251.25	\$715,826.00
Ryland Acceptance Corp.	9.950	10/09/96	\$884,386.91	\$883,449.41	\$894,595.00
U.S. Treasury Bonds	8.000	08/15/01	\$500,000.00	\$374,375.00	\$512,810.00
U.S. Treasury Bonds	8.375	08/15/00	\$200,000.00	\$199,458.00	\$209,874.00
U.S. Treasury Bonds	9.125	05/15/09	\$1,000,000.00	\$960,625.00	\$1,126,250.00
U.S. Treasury Bonds	7.875	02/15/00	\$500,000.00	\$460,625.00	\$506,560.00
U.S. Treasury Notes	9.625	06/30/89	\$1,000,000.00	\$1,006,875.00	\$1,063,440.00
U.S. Treasury Notes	12.500	05/15/87	\$500,000.00	\$499,500.00	\$524,685.00
U.S. Treasury Notes	14.625	02/15/92	\$1,000,000.00	\$998,710.00	\$1,313,440.00
U.S. Treasury Notes	12.375	08/15/87	\$1,000,000.00	\$997,930.00	\$1,060,310.00
U.S. Treasury Notes	13.000	11/15/90	\$2,000,000.00	\$1,915,625.00	\$2,396,880.00
U.S. Treasury Notes	14.875	08/15/91	\$1,000,000.00	\$994,650.00	\$1,302,500.00
U.S.A.T. Mort. Secs. Inc.	8.950	12/25/05	\$1,000,000.00	\$998,010.00	\$998,010.00
			\$31,939,764.45	\$30,117,734.90	\$34,396,594.00

ST. PAUL TEACHERS' RETIREMENT FUND ASSOCIATION  
CORPORATE BOND HOLDINGS AS OF JUNE 30, 1986

NAME	INTEREST RATE	MATURITY DATE	PAR	COST	MARKET VALUE
American Tel. & Tel.	6.000	08/01/00	\$700,000.00	\$409,066.00	\$557,375.00
American Tel. & Tel.	7.750	01/15/97	\$2,000,000.00	\$1,597,440.00	\$1,940,320.00
Associates Corp. of North Am.	7.625	04/15/98	\$1,000,000.00	\$1,000,000.00	\$961,250.00
Atlantic City Electric	11.875	11/01/93	\$1,000,000.00	\$984,270.00	\$1,126,250.00
Atlantic Richfield Corp.	9.250	02/15/93	\$1,000,000.00	\$999,000.00	\$1,047,500.00
Atlantic Richfield Corp.	9.700	10/24/88	\$1,000,000.00	\$1,007,860.00	\$1,049,030.00
Burlington Northern Equip.	11.625	01/15/91	\$1,000,000.00	\$1,000,000.00	\$1,131,660.00
Carolina Power & Light	7.750	05/01/02	\$500,000.00	\$289,380.00	\$440,000.00
Carolina Power & Light	6.875	10/01/98	\$1,100,000.00	\$755,260.00	\$930,875.00
Chevron Capital Corp.	11.750	11/01/88	\$2,000,000.00	\$2,020,000.00	\$2,150,000.00
Columbia Gas System	11.750	10/01/99	\$1,000,000.00	\$967,700.00	\$1,042,500.00
Commonwealth Edison	6.250	02/01/98	\$1,400,000.00	\$957,992.00	\$1,125,250.00
Conrail Corp.	11.000	01/01/99	\$866,587.35	\$866,587.35	\$1,031,412.00
Consolidated Edison of N.Y.	9.375	09/15/00	\$250,000.00	\$219,697.50	\$255,000.00
Continental Pipeline Co.	7.500	05/01/94	\$79,000.00	\$79,000.00	\$76,774.00
DCS Capital Corp.	12.375	10/15/96	\$2,000,000.00	\$2,011,000.00	\$2,213,120.00
Deere & Co.	11.500	11/01/89	\$1,000,000.00	\$990,610.00	\$1,038,750.00
Diamond Shamrock Corp.	9.125	11/15/00	\$500,000.00	\$580,000.00	\$461,875.00
Dow Chemical Co.	7.400	07/15/02	\$1,300,000.00	\$926,731.00	\$1,109,875.00
Eltra Corp.	8.500	01/15/01	\$750,000.00	\$725,625.00	\$702,187.00
Exxon Corp.	6.500	07/15/98	\$1,000,000.00	\$874,740.00	\$883,750.00
Ford Motor Co.	7.850	01/15/94	\$500,000.00	\$483,150.00	\$486,875.00
Ford Motor Credit Co.	9.850	03/15/04	\$1,000,000.00	\$905,940.00	\$1,021,250.00
General American Trans.	9.000	11/15/98	\$600,000.00	\$592,500.00	\$580,500.00
Harris Corp.	7.750	12/15/01	\$250,000.00	\$139,917.50	\$220,312.00
Houston Light & Power	8.750	03/01/05	\$500,000.00	\$351,670.00	\$467,500.00
ICI North America	8.875	01/15/03	\$785,000.00	\$596,199.00	\$756,543.00
Illinois Bell Telephone	4.375	07/01/03	\$950,000.00	\$543,225.50	\$594,937.00
Internorth Inc.	12.500	10/15/87	\$500,000.00	\$498,750.00	\$524,375.00
J.C. Penney Co.	9.000	06/15/99	\$500,000.00	\$356,635.00	\$490,625.00
Long Island Lighting	7.500	12/01/01	\$500,000.00	\$296,280.00	\$371,250.00
Long Island Lighting	7.625	09/01/02	\$500,000.00	\$411,145.00	\$371,875.00
Mobil Corp.	8.500	06/15/01	\$1,000,000.00	\$943,410.00	\$936,250.00
Natural Gas Pipeline	15.375	06/01/92	\$1,000,000.00	\$1,115,900.00	\$1,131,250.00
Olympic Pipeline Note	8.850	09/01/01	\$949,150.00	\$720,400.00	\$855,763.00
Pacific Gas & Electric	6.750	12/01/00	\$475,000.00	\$366,462.50	\$388,312.00
Pacific Gas & Electric	6.875	12/01/99	\$250,000.00	\$199,487.50	\$209,062.00
Pacific Telephone & Telegraph	6.500	07/01/03	\$325,000.00	\$250,510.00	\$255,937.00
Pembroke Capital Co.	11.500	08/01/05	\$2,000,000.00	\$1,921,800.00	\$2,300,240.00
Penin Properties Inc.	8.750	12/01/99	\$165,889.23	\$165,889.23	\$155,942.00
Philadelphia Electric Co.	4.500	05/01/94	\$200,000.00	\$132,888.00	\$149,250.00
Phillips Petroleum	7.625	03/15/01	\$500,000.00	\$331,110.00	\$387,500.00
Province of Ontario	7.850	05/15/01	\$500,000.00	\$332,305.00	\$479,375.00
Research Properties Inc.	8.250	11/01/99	\$414,389.02	\$415,639.02	\$401,339.00
San Diego Gas & Electric	8.000	09/01/01	\$500,000.00	\$528,750.00	\$449,375.00
Sohio BP Transalaska Pipeline	9.750	12/01/99	\$2,264,000.00	\$2,189,160.00	\$2,365,880.00
Southern Bell Telephone	16.000	11/01/21	\$1,750,000.00	\$2,051,675.00	\$1,973,125.00
Southwestern Bell Telephone	5.875	06/01/03	\$1,000,000.00	\$417,920.00	\$731,250.00

NAME	INTEREST	MATURITY	PAR	COST	MARKET
	RATE	DATE			VALUE
Texaco Inc.	5.750	07/15/97	\$1,150,000.00	\$768,677.50	\$830,875.00
Texas Oil & Gas	16.625	10/15/91	\$1,000,000.00	\$1,169,000.00	\$1,152,500.00
Trailer Train Company	11.875	07/15/96	\$801,687.49	\$801,687.49	\$885,139.00
Union Carbide	8.500	01/15/05	\$1,200,000.00	\$824,400.00	\$961,500.00
Union Tank Car Equipment	15.875	12/15/96	\$830,000.00	\$830,000.00	\$1,060,325.00
Wisconsin Natural Gas Co.	4.875	10/01/90	\$325,000.00	\$263,188.50	\$291,281.00
Wisconsin Power & Light	6.250	08/01/98	\$300,000.00	\$225,723.00	\$246,375.00
			46,930,703.09	41,003,353.59	45,758,640.00

TOTAL PORTFOLIO HOLDINGS

	COST	MARKET VALUE
SHORT TERM INVESTMENTS	\$14,785,382.00	\$14,785,382.00
STOCK	\$77,901,417.00	\$135,124,219.00
BONDS	\$71,121,088.00	\$80,155,234.00
TOTAL VALUE	\$164,536,686.00	\$230,064,835.00



## RETIREMENT RECORD

Year	Pensions Granted	Persons on Payroll at end of year	Benefits Paid During Year
1910	15	13	\$ 4,860.00
1930-31	8	125	69,023.70
1931-32	8	130	72,961.43
1932-33	2	126	74,190.43
1933-34	6	127	74,119.87
1934-35	9	131	74,000.70
1935-36	14	135	75,864.08
1936-37	19	151	80,747.43
1937-38	17	160	89,709.13
1938-39	11	161	93,184.46
1939-Dec. '39	0	158	23,869.78
1940	71	222	170,685.43
1941	35	246	210,256.94
1942	27	266	234,217.27
1943	38	286	253,030.76
1944	34	311	282,299.18
1945	56	350	308,112.55
1946	51	378	337,511.79
1947	28	387	360,570.89
1948	42	413	375,912.29
1949	42	441	419,617.54
1950	30	461	450,641.30
1951	27	476	472,669.54
1952	28	486	508,922.59
1953	32	487	525,959.02
1954	10	482	529,428.97
1955	38	509	666,993.54
1956	46	529	750,146.33
1957	59	560	840,882.59
1958	41	579	1,019,501.72
1959	30	585	1,084,505.78
1960	38	600	1,144,380.21
1961	39	611	1,230,715.41
1962	49	624	1,352,779.11
1963	42	647	1,467,460.56
1964	33	653	1,545,252.32
1965	40	668	1,631,554.34
1966	43	676	1,770,082.68
1967	36	682	1,862,248.99
1968	45	695	1,969,759.81
1969	53	726	2,319,185.68
1970	31	719	2,385,867.50
1971	47	731	2,522,349.85
1972	51	745	2,742,660.45
1973	36	744	3,039,252.98
1974	46	754	3,372,452.55
1975	52	778	3,765,322.19
1976	77	883	4,393,513.35
1977	63	919	5,050,507.44
1978	48	946	5,523,548.09
1979	40	946	6,240,308.59
1980	47	963	6,623,803.55
1981	47	981	7,139,037.16
1982	61	996	7,725,616.62
1983	72	1042	8,555,098.97
1984	64	1061	9,466,663.63
Jan.-June 1985	59	1103	5,324,727.30
June 1986	66	1134	11,267,144.00