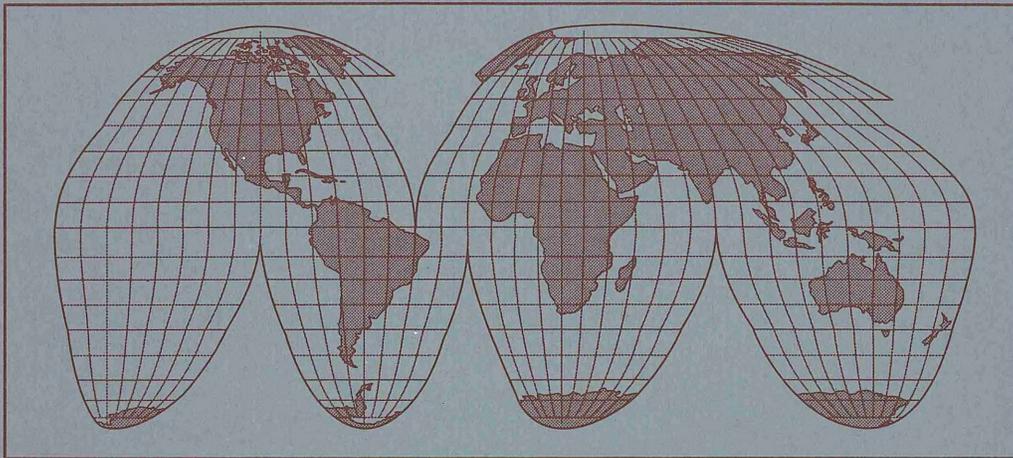


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ANNUAL REPORT 1995 - 1996



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

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St. Paul Teachers' Retirement Fund Association

1995-96 Annual Report

Board of Trustees

James P. Gillach	President
Carol J. Adams	Vice President
Eugene R. Waschbusch	Secretary-Treasurer
Becky Montgomery	Ex-Officio
Feryle W. Borgeson	Trustee
Richard J. Cherveney	Trustee
Franklin D. Jondal	Trustee
John R. Kunz	Trustee
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Executive and Professional

Actuaries

Milliman & Robertson, Inc.
Gabriel, Roeder, Smith & Company

Auditor

Office of the State Auditor

Investment Counsel

Barclays Global Investors
Investment Advisors, Inc.
Morgan Stanley Asset Management
Oppenheimer Capital Management
State Street Research
Voyageur Asset Management

Legal Counsel

Doherty, Rumble and Butler

Mission Statement

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

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

Table of Contents

RECEIVED

Introductory Section

Letter of Transmittal	JAN 24 1997	4
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STATE OFFICE BUILDING
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Financial Section

Report of Independent Accountants	6
Balance Sheet	7
Statement of Revenues, Expenses and Changes in Fund Balance	9
Notes to Financial Statements	10
Schedules to Financial Statements	20

Actuarial Section

Actuarial Certification Letter	22
Report Highlights	23
Accounting Balance Sheet	25
Change in Assets Available for Benefits	26
Reconciliation of Members	27
Actuarial Balance Sheet	28
Supplemental Contribution Rate	29
Changes in Unfunded Actuarial Accrued Liability (UAAL)	30
Determination of Contribution Sufficiency	31

Investment Section

Fixed Income Securities	32
Domestic and International Equities	34
Miscellaneous and Total Portfolio Holdings	36

Graphic Section

Calculation of Administrative Service Charge	37
Revenue by Source	38
Expenditures by Type	38
Summary of Net Assets and Required Reserves	39
Total Portfolio Holdings - Market Value	39

Historical Section

Retirement Record	40
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St. Paul Teachers' Retirement Fund Association

BOARD OF TRUSTEES

MEMBERS

Feryle W. Borgeson
Richard J. Cherveney
Franklin D. Jondal
Becky Montgomery, Ex-Officio

John R. Kunz
Erma E. McGuire
Richard K. Wagenknecht

OFFICERS

James P. Gillach
Carol J. Adams
Eugene R. Waschbusch

President
Vice President
Secretary-Treasurer

1619 Dayton Avenue, Room 309
Saint Paul, MN 55104-6206
Phone (612) 642-2550
Fax (612) 642-2553

The Board of Trustees of St. Paul Teachers' Retirement Fund Association (SPTRFA) submits herewith the Financial Report for the fiscal year July 1, 1995 to June 30, 1996 in accordance with the provisions of Minnesota Statutes 356.20.

The financial statements of the Association were audited by the Office of the State Auditor. A copy of the report is included in this document.

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

Legal services were performed by the firm of Doherty, Rumble & Butler, our legal counsel.

REVENUES

The reserves required to finance benefits come from employee and employer contributions and through investment gains. During fiscal year 1995-96, total contributions amounted to \$24,194,453. Realized investment income, that is dividends, interest and gains on sales, for the same period was \$46,056,531.

EXPENSES

Benefits to annuitants, disabilitants, survivors and dependent children for the fiscal year totaled \$29,913,843. Refunds to members who left the Association totaled \$357,456. Administrative expenses amounted to \$354,058. Revenues in excess of benefit payments and expenses amounted to \$39,625,627 during fiscal year 1995-96. This year benefits and refunds accounted for 98.8% of all expenses.

INVESTMENTS

The investments of SPTRFA had a rate of return of 16.59% for the fiscal year ending June 30, 1996. This return is well over the 8.5% rate the actuaries assume when determining our funding status. Our 16.59% return placed us in the top 34% of comparable pension funds in the country.

MEMBER SERVICES

Member service continues to be an important reason for our independent existence. Again this year, through school visitations, each member was able to obtain pertinent information about his/her pension benefits.

Additionally, each member over 45 years old was mailed a pension benefit estimate showing the July 1, 1996 benefit available and estimated benefits at ages 55, 60 and 65.

The document you are reading is the complete Annual Report of the Board of Trustees. A copy of this report will be mailed to each school building and location where members work. To save printing costs each member has been sent a summary version of this report which contains all of the relevant information but less detail. A complete Annual Report will be sent to any member on request.

FUNDING

The Actuary for the State of Minnesota, Milliman & Robertson, Inc. determines the funding status of our Association. This year, the actuarial value of our assets increased by \$49,198,000 to \$494,931,000. Our accrued liability funding ratio has improved to 74.53%.

LEGISLATION

The 1996 legislative session was positive for SPTRFA. The good news was that the legislature provided another step toward the full funding of SPTRFA when we were given a share of the excess police and fire amortization aid. This additional aid along with continuing excellent investment returns has reduced our contribution deficiency to 1.06% of payroll. Just four years ago in 1992 our contribution deficiency was 4.65% of payroll or over \$5,000,000 per year.

This report contains a summary of the calculation of the member service charge. The service charge this year is .06% (.0006) of payroll for active members and the same .06% (.0006) of benefits received for retirees. This is a .01% decrease from last year.

On behalf of the members of the Board of Trustees we wish to express our gratitude to the Association staff, ISD #625, and to others 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



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 400
525 PARK STREET
SAINT PAUL 55103

JUDITH H. DUTCHER
STATE AUDITOR

(612) 296-2551 (Voice)
(612) 297-5353 (TDD)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
St. Paul Teachers' Retirement
Fund Association

We have audited the basic financial statements of the St. Paul Teachers' Retirement Fund Association as of and for the years ended June 30, 1996 and 1995, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 1996 and 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules referred to in the table of contents are not a required part of the basic financial statements but are required by the Governmental Accounting Standards Board. Such information as of and for the years ended June 30, 1996 and 1995, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the information as of and for the years ended June 30, 1987 through 1994, in these schedules which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

JUDITH H. DUTCHER
STATE AUDITOR

GREG HIERLINGER, CPA
ASSISTANT STATE AUDITOR

September 30, 1996

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

EXHIBIT 1

**COMPARATIVE BALANCE SHEET
JUNE 30, 1996 AND 1995**

	1996	1995
<u>Assets</u>		
Cash	\$ 353,287	\$ 484,235
Investments		
Commercial paper (market value approximates cost)	\$ 25,627,851	\$ 23,558,351
U.S. government securities (market value of \$101,692,314 and \$117,087,660 in 1996 and 1995, respectively)	104,996,618	118,127,172
Corporate bonds (market value of \$27,954,242 and \$31,308,593 in 1996 and 1995, respectively)	28,844,390	30,881,067
Common stocks (market value of \$210,268,730 and \$163,175,100 in 1996 and 1995, respectively)	155,590,364	127,115,308
Collective Trust Funds (aggregate market value of \$168,048,109 and \$114,379,827 in 1996 and 1995, respectively)		
Bond Index Fund	59,487,357	33,661,176
Equity Index Fund	35,826,557	34,563,777
International Equity Index Fund	43,215,930	29,980,128
First American Institutional Money Fund (market value approximates cost)	14,456,883	14,796,547
BZW Barclays money market (market value approximates cost)	-	15,000,000
Real estate, limited partnership (market value of \$678,128 in both 1996 and 1995)	671,347	671,347
Total investments	\$ 468,717,297	\$ 428,354,873
Receivables		
Contributions	\$ 876,593	\$ 880,278
State amortization aid	464,653	-
Interest	1,683,349	2,872,101
Dividends	549,764	372,299
Security sales	239,570	-
Other	652,198	590,640
Total receivables	\$ 4,466,127	\$ 4,715,318
Furniture and fixtures (at cost, less accumulated depreciation of \$43,906 and \$36,881 in 1996 and 1995, respectively)	\$ 16,413	\$ 22,426
Total Assets	\$ 473,553,124	\$ 433,576,852

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 BALANCE SHEET
JUNE 30, 1996 AND 1995**

	1996	1995
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accrued bonus payable to annuitants	\$ 4,949,310	\$ 4,458,214
Accounts payable	85,837	244,515
Security purchases payable	384,742	366,515
Total Liabilities	\$ 5,419,889	\$ 5,069,244
Fund Balance		
Actuarial present value of credited projected benefits payable to		
Retirees and beneficiaries now receiving benefits	\$ 269,596,000	\$ 248,399,000
Deferred vested and inactive teachers	5,748,000	4,458,000
Active teachers	356,049,000	347,580,000
Total actuarial present value of credited projected benefits	\$ 631,393,000	\$ 600,437,000
Unfunded actuarial present value of credited projected benefits	(163,259,765)	(171,929,392)
Total Fund Balance	\$ 468,133,235	\$ 428,507,608
Total Liabilities and Fund Balance	\$ 473,553,124	\$ 433,576,852

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 REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995**

	1996	1995
Revenues		
Investment income		
Interest	\$ 15,907,225	\$ 17,132,098
Dividends	6,126,831	5,314,638
Gain on sale of investments	25,472,375	7,736,872
Other	166,266	-
Investment expenses	(1,616,166)	(1,233,722)
Net investment income	\$ 46,056,531	\$ 28,949,886
Contributions		
Governmental units		
Employer	\$ 14,127,731	\$ 12,583,574
Direct state aid	509,000	500,000
State amortization aid	464,653	-
Members		
Required withholdings	8,379,265	8,559,156
Voluntary	713,804	228,912
Total contributions	\$ 24,194,453	\$ 21,871,642
Total Revenues	\$ 70,250,984	\$ 50,821,528
Expenses		
Benefits to participants		
Retirement	\$ 27,372,524	\$ 24,489,256
Disability	871,305	816,553
Survivor	1,643,153	1,471,867
Dependent children	26,861	14,804
Contribution refunds	357,456	429,303
Total benefits and refunds	\$ 30,271,299	\$ 27,221,783
Administrative expenses	354,058	355,226
Total Expenses	\$ 30,625,357	\$ 27,577,009
Revenues in Excess of Expenses	\$ 39,625,627	\$ 23,244,519
Fund Balance, Beginning of Year	428,507,608	405,263,089
Fund Balance, End of Year	\$ 468,133,235	\$ 428,507,608

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
AS OF AND FOR THE YEAR ENDED JUNE 30, 1996**

1. Summary of Significant Accounting Policies

Financial Reporting Entity

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

Basis of Presentation

The accompanying financial statements are presented in accordance with National Council on Governmental Accounting Statement 1 and the *Codification of Governmental Accounting and Financial Reporting Standards*, which designate accounting principles and financial reporting standards applicable to state and local governmental units. They include solely the accounts of the Association, which include all programs, activities, and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability, and death benefits required.

Basis of Accounting

The basis of accounting is the method by which revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for the Association. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred.

Investments

Investments are reported at cost, subject to adjustment for market value declines judged to be other than temporary. Substantially, all market values of investments disclosed herein are determined through published market price quotations.

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

1. Summary of Significant Accounting Policies (Continued)

Investment Income

Interest income is recognized when earned on an accrual basis and dividend income is recorded on the ex-dividend date. Purchases and sales of securities are recorded on the trade date.

Contributions

Member employee contributions are recognized when withheld or when paid directly by the member employee.

Employer contributions are recognized as a percentage of covered payroll as earned.

Direct state aid and state amortization aid are recognized pursuant to state statute.

Furniture and Fixtures

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

2. Description of Plans

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

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

General

The Association was created to provide retirement and other specified benefits for its members. The Association maintains two defined benefit pension plans covering 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.

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

2. Description of Plans (Continued)

Membership

At June 30, 1996 and 1995, the Association's membership consisted of:

	<u>1996</u>	<u>1995</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>1,731</u>	<u>1,646</u>
Current employees (including members on leave)		
Vested	2,763	2,714
Nonvested	<u>1,171</u>	<u>1,138</u>
Total current employees	<u>3,934</u>	<u>3,852</u>
Total Membership	<u><u>5,665</u></u>	<u><u>5,498</u></u>

Pension Benefits

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

Disability Benefits

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

Other Benefits

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

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

2. Description of Plans (Continued)

Bonus Payments

The plans provide a bonus payment plan for all annuitants who have been receiving benefits for a minimum of one year at each fiscal year-end. The aggregate bonus amount is determined by the Board of Trustees, but may not exceed one percent of the actuarial asset value of the St. Paul Teachers' Retirement Fund at the end of the fiscal year and is payable in each year that the Association earns a return of its assets, as defined, of at least six percent.

Each eligible annuitant receives a bonus payment amount based upon a combination of years of service and years in which benefit payments have been received by the eligible annuitant. During the years ended June 30, 1996 and 1995, annuitants had the option of electing to take their bonus as a lump sum payment or as an adjustment to their monthly annuity.

3. Deposits and Investments

Deposits

Minn. Stat. §§ 118.005 and 356A.06 authorize the Association to deposit its cash in financial institutions designated by the Board of Trustees. All cash deposits of the Association at June 30, 1996 and 1995, were insured or collateralized with securities held by the Association or its agent in the Association's name.

Investments

The Association's investments are categorized to give an indication of the level of custodial 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 counterparty's trust department or agent in the Association's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Association's name. This risk categorization does not reflect market risk.

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

3. Deposits and Investments

Investments (Continued)

Minn. Stat. § 356A.06 authorizes the types of securities available to the Association for investment. Following are the carrying amounts and market value of the Association's investments at June 30, 1996 and 1995, and the level of custodial credit risk for these investments.

<u>1996</u>	<u>Risk Category</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Commercial paper	2	\$ 25,627,851	\$ 25,627,851
U.S. government securities	1	104,996,618	101,692,314
Corporate bonds	1	28,844,390	27,954,242
Common stocks	1	155,590,364	210,268,730
Real estate limited partnership	1	<u>671,347</u>	<u>678,128</u>
Total		\$ 315,730,570	\$ 366,221,265
Add			
Collective trust funds		138,529,844	168,048,109
Mutual funds		<u>14,456,883</u>	<u>14,456,883</u>
Total Investments		<u>\$ 468,717,297</u>	<u>\$ 548,726,257</u>
<u>1995</u>	<u>Risk Category</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Commercial paper	2	\$ 23,558,351	\$ 23,558,351
U.S. government securities	1	118,127,172	117,087,660
Corporate bonds	1	30,881,067	31,308,593
Common stocks	1	127,115,308	163,175,100
Real estate limited partnership	1	<u>671,347</u>	<u>678,128</u>
Total		\$ 300,353,245	\$ 335,807,832
Add			
Collective trust funds		98,205,081	114,379,827
Mutual fund		<u>29,796,547</u>	<u>29,796,547</u>
Total Investments		<u>\$ 428,354,873</u>	<u>\$ 479,984,206</u>

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

3. Deposits and Investments

Investments (Continued)

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

4. Security Lending Program

Certain U.S. government securities, corporate stocks, and bonds owned by the Association are loaned to banks and brokers to generate additional income. Securities loaned and collateral by account, at market value, are \$136,103,675 and \$137,621,606, respectively, at June 30, 1996, and \$159,006,761 and \$161,927,024, respectively, at June 30, 1995. The collateral is held by the Association's asset custodian.

5. 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 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 employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions discussed in Note 6.

Assumptions to determine the pension benefit obligation were part of actuarial valuations at June 30, 1996 and 1995. Significant actuarial assumptions that were used in the actuarial valuations include (a) a rate of return on the investment of present and future assets of 8.5 percent per year, and (b) projected salary increases of 6.5 percent per year.

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

5. Funding Status and Progress (Continued)

The total unfunded pension benefit obligation of the Association as of June 30, 1996 and 1995, is shown below:

	1996	1995
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 275,344,000	\$ 252,857,000
Current employees		
Accumulated employee contributions, including allocated investment income	143,087,000	137,421,000
Employer-financed, vested	181,065,000	178,234,000
Employer-financed, nonvested	31,897,000	31,925,000
Total pension benefit obligation	\$ 631,393,000	\$ 600,437,000
Net assets available for benefits (market value of \$548,142,195 and \$480,136,941 in 1996 and 1995, respectively)	468,133,235	428,507,608
Unfunded Pension Benefit Obligation	\$ 163,259,765	\$ 171,929,392

The measurement of the pension benefit obligation is based on actuarial valuations as of June 30, 1996 and 1995. Net assets available to pay pension benefits were valued as of the same date.

6. Contributions Required and Made

The Association's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The Association also uses the level percentage of payroll method to amortize the unfunded liability.

The Association has two benefit plans. Prior to July 1, 1978, members were part of the basic plan. Established effective July 1, 1978, pursuant to Minnesota statutes, all new members are part of the plan coordinated with Social Security. Following are contribution rates provided for by statute as of June 30:

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

6. Contributions Required and Made (Continued)

	1996	1995
Basic Plan		
Employee contribution	8.00%	8.00%
Employer contribution		
Regular	8.00	8.00
Supplemental	3.64	4.63
Coordinated Plan		
Employee contribution	4.50	4.50
Employer contribution		
Regular	4.50	4.50
Supplemental	3.64	1.50

Legislation for 1993 required the state to annually provide the Association with direct aid until it reached the same funded status as the Minnesota Teachers' Retirement Association (TRA). Direct state aid contributions were \$509,000 and \$500,000 for fiscal years 1996 and 1995, respectively. These contributions will increase in future years by a defined reference rate.

Legislation for 1996 requires the state to annually provide certain aid to the Association until it is fully funded. The state amortization aid contribution was \$464,653 for fiscal year 1996. Beginning in fiscal year 1998, the school district must make an additional annual contribution to the Association in order for the Association to continue receiving state amortization aid.

Statutes also require active and retired members of the Association to provide contributions for the relative difference (per member) between the administrative expenses incurred by the Association and the TRA.

The actuarial valuation at June 30, 1996, recognized the following changes in plan provisions: (a) additional funding to be provided, effective July 1, 1996, through a redirection of 21 percent of excess police and fire amortization aid to the Association; and (b) additional contributions to the Association by the St. Paul Public Schools effective July 1, 1998.

The following required contribution rates have been determined by actuarial valuations performed as of July 1, 1996 and 1995:

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

6. Contributions Required and Made (Continued)

<u>July 1, 1996</u>	<u>Percentage of Covered Payroll</u>		
	<u>Basic Plan</u>	<u>Coordinated Plan</u>	<u>Combined</u>
Employee contribution	8.00%	4.50%	5.79%
Employer contribution	11.64	8.14	9.43
State contribution			
1993 legislation	.32	.32	.32
1996 legislation	.30	.30	.30
Administrative expense assessment	<u>.07</u>	<u>.07</u>	<u>.07</u>
 Total contribution	 <u>20.33%</u>	 <u>13.33%</u>	 <u>15.91%</u>
 Normal cost	 <u>14.61%</u>	 <u>8.75%</u>	 <u>10.91%</u>
Amortization of unfunded actuarial accrued liability			5.83
Allowance for expenses			<u>.23</u>
 Total required contributions			 <u>16.97%</u>
 Contribution Deficiency			 <u>(1.06)%</u>

<u>July 1, 1995</u>	<u>Percentage of Covered Payroll</u>		
	<u>Basic Plan</u>	<u>Coordinated Plan</u>	<u>Combined</u>
Employee contribution	8.00%	4.50%	5.90%
Employer contribution	11.64	8.14	9.54
State contribution - 1993 legislation	.34	.34	.34
Administrative expense assessment	<u>.09</u>	<u>.09</u>	<u>.09</u>
 Total contribution	 <u>20.07%</u>	 <u>13.07%</u>	 <u>15.87%</u>
 Normal cost	 <u>14.66%</u>	 <u>8.80%</u>	 <u>11.15%</u>
Amortization of unfunded actuarial accrued liability			6.55
Allowance for expenses			<u>.26</u>
 Total required contributions			 <u>17.96%</u>
 Contribution Deficiency			 <u>(2.09)%</u>

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

7. Risk Management

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

8. Fund Balance - Reserved

At June 30, 1996, \$464,653 of the total fund balance is considered reserved as it represents the amount of state amortization aid which, pursuant to legislation, must be separately accounted for and may not be used in determining benefit increases.

9. Ten-Year Historical Trend Information

Historical trend information designed to provide information about the Association'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 TEN 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
1990	287.3	436.9	65.8	149.6	102.3	146.2
1991	318.3	466.0	68.3	147.7	109.9	134.4
1992	348.8	503.0	69.3	154.2	115.3	133.7
1993	384.8	539.2	71.4	154.5	122.9	125.7
1994	405.3	564.5	71.8	159.2	129.3	123.1
1995	428.5	600.4	71.4	171.9	148.2	116.0
1996	468.1	631.4	74.1	163.3	148.2	110.2

* Year ended June 30

Ten-year historical trend information is required by Governmental Accounting Standards Board (GASB) Statement 5. This information is intended to help users assess the Association's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other associations.

Analysis of the dollar value of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing net assets as a percentage of the pension benefit obligation provides one indication of the Association's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the retirement system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Association's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the retirement system.

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

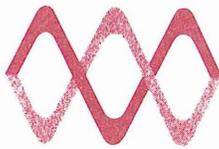
Schedule 2

**REVENUES BY SOURCE AND EXPENSES BY TYPE
LAST TEN FISCAL PERIODS**

Revenues by Source						
<u>Fiscal Year</u>	<u>Investment Income (Net)</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>State Aid</u>	<u>Total</u>	
1987	\$ 37,480,797	\$ 8,478,763	\$ 6,234,314	\$ -	\$ 52,193,874	
1988	20,892,151	8,866,122	6,314,269	-	36,072,542	
1989	22,176,521	9,205,036	6,625,244	-	38,006,801	
1990	39,039,791	9,787,509	7,123,140	-	55,950,440	
1991	32,974,091	10,254,928	7,517,740	-	50,746,759	
1992	33,909,940	10,489,037	7,821,339	-	52,220,316	
1993	40,142,844	10,839,120	8,202,134	-	59,184,098	
1994	25,199,649	11,236,192	9,100,048	500,000	46,035,889	
1995	28,949,886	12,583,574	8,788,068	500,000	50,821,528	
1996	46,056,531	14,127,731	9,093,069	973,653	70,250,984	

Expenses by Type				
<u>Fiscal Year</u>	<u>Employee Benefits</u>	<u>Administrative Expenses</u>	<u>Refunds</u>	<u>Total</u>
1987	\$ 13,211,859	\$ 250,780	\$ 360,659	\$ 13,823,298
1988	14,866,181	273,852	655,392	15,795,425
1989	15,908,135	315,157	251,638	16,474,930
1990	17,764,567	315,030	480,503	18,560,100
1991	19,215,023	340,750	235,502	19,791,275
1992*	20,917,828	275,209	505,961	21,698,998
1993	22,665,279	334,563	240,697	23,240,539
1994	24,868,189	324,684	332,676	25,525,549
1995	26,792,480	355,226	429,303	27,577,009
1996	29,913,843	354,058	357,456	30,625,357

* In connection with the legislation requiring employee contributions for administrative costs incurred, the Association refined its classification of expenses between administrative expenses and investment expenses. The administrative and investment expenses for years prior to 1992 have not been restated for the reclassification.



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November 11, 1996

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

Re: *St. Paul Teachers' Retirement Fund*

Commission Members:

Pursuant the terms of our actuarial services contract, we have performed an actuarial valuation of the St. Paul Teachers' Retirement Fund as of July 1, 1996.

The results of our calculations are set forth in the following report, as are the actuarial assumptions upon which our calculations have been made. We have relied on the basic employee data and asset figures as submitted by the St. Paul Teachers' Retirement Fund.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with the requirements of Section 356.215, Minnesota Statutes, and the requirements of the Standards of Actuarial Work, adopted by the Commission on July 8, 1992.

Respectfully submitted,

Thomas K. Custis, F.S.A., M.A.A.A.
Consulting Actuary

Lance M. Burma, F.S.A., M.A.A.A.
Consulting Actuary

Enclosure

St. Paul Teachers' Retirement Fund

Report Highlights

(dollars in thousands)

	July 1, 1995 Valuation	July 1, 1996 Valuation
A. CONTRIBUTIONS (Table 11)		
1. Statutory Contributions - Chapter 354A % of Payroll	15.87%	15.91%
2. Required Contributions - Chapter 356 % of Payroll	17.96%	16.97%
3. Sufficiency (Deficiency): (A1-A2)	(2.09)%	(1.06)%
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 445,733	\$ 494,931
b. Current Benefit Obligations (Table 8)	\$ 600,437	\$ 631,393
c. Funding Ratio: (a/b)	74.23%	78.39%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 445,733	\$ 494,931
b. Actuarial Accrued Liability (Table 9)	\$ 633,070	\$ 664,072
c. Funding Ratio: (a/b)	70.41%	74.53%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 706,209	\$ 773,005
b. Current and Expected Future Benefit Obligations	\$ 768,231	\$ 801,818
c. Funding Ratio: (a/b)	91.93%	96.41%

St. Paul Teachers' Retirement Fund

Report Highlights

(dollars in thousands)

	July 1, 1995 Valuation	July 1, 1996 Valuation
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	3,742	3,805
b. Projected Annual Earnings	\$148,221	\$155,146
c. Average Annual Earnings (Actual \$)	\$39,610	\$40,774
d. Average Age	43.9	43.8
e. Average Service	11.2	11.2
f. Additional Members on Leave of Absence*	110	129
2. Others		
a. Service Retirements (Table 4)	1,334	1,395
b. Disability Retirements (Table 5)**	35	22
c. Survivors (Table 6)	170	178
d. Deferred Retirements (Table 7)	107	136
e. Terminated Other Non-Vested (Table 7)	1,066	1,011
f. Total	2,712	2,742

* Valued as deferred retirements; liability included with actives.

** Disability retirements over age 65 have been reclassified as service retirements.

St. Paul Teachers' Retirement Fund
Accounting Balance Sheet
(dollars in thousands)

July 1, 1996

	Market Value	Cost Value
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$ 40,491	\$ 40,438
2. Investments		
a. Fixed Income	189,131	193,328
b. Equity	319,192	234,634
c. Real Estate	678	671
3. Equity in Minnesota Post-Retirement Investment Fund (MPRIF)	0	0
4. Other	4,482*	4,482*
B. TOTAL ASSETS	\$ 553,974	\$ 473,553
C. AMOUNTS CURRENTLY PAYABLE	\$ 5,429	\$ 5,429
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$ 90,305	\$ 90,305
2. Employer Reserves	458,240	377,819
3. MPRIF Reserves	0	0
4. Non-MPRIF Reserves	0	0
5. Total Assets Available for Benefits	\$ 548,545	\$ 468,124
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	\$ 553,974	\$ 473,553
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Cost Value of Assets Available for Benefits (D5)		\$ 468,124
2. Market Value (D5)	\$ 548,545	
3. Cost Value (D5)	468,124	
4. Market Over Cost: (F2-F3)	\$ 80,421	
5. 1/3 of Market Over Cost: (F4)/3		26,807
6. Actuarial Value of Assets (F1+F5)		\$ 494,931

* See "Asset Information" in Commentary Section of this report.

St. Paul Teachers' Retirement Fund
Change In Assets Available For Benefits
(dollars in thousands)

Year Ending June 30, 1996

	Market Value	Cost Value
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 480,184	\$ 428,507
B. OPERATING REVENUES		
1. Member Contributions	\$ 9,093	\$ 9,093
2. Employer Contributions	15,101	15,101
3. State Contributions	*	*
4. Investment Income	22,200	22,200
5. MPRIF Income	0	0
6. Net Realized Gain (Loss)	25,474	25,474
7. Other	0	0
8. Net Change in Unrealized Gain (Loss)	28,744	0
9. Total Revenue	\$ 100,612	\$ 71,868
C. OPERATING EXPENSES		
1. Service Retirements	\$ 27,384	\$ 27,384
2. Disability Benefits	871	871
3. Survivor Benefits	1,670	1,670
4. Refunds	357	357
5. Administrative Expenses	334	334
6. Investment Expenses	1,635	1,635
7. Total Disbursements	\$ 32,251	\$ 32,251
D. OTHER CHANGES IN RESERVES	0	0
E. ASSETS AVAILABLE AT END OF PERIOD	\$ 548,545	\$ 468,124

* included in Employer Contributions

St. Paul Teachers' Retirement Fund
Reconciliation of Members

	Actives*	Terminated	
		Deferred Retirement	Other Non-Vested
A. ON JUNE 30, 1995	3,852	107	1,066
B. ADDITIONS	483	41	204
C. DELETIONS			
1. Service Retirement	(69)	-	(16)
2. Disability	(5)	-	(1)
3. Death - Survivor	(4)	-	-
4. Death - Other	(1)	(1)	(2)
5. Terminated - Deferred	(40)	-	(1)
6. Terminated - Refund	(95)	(6)	(215)
7. Terminated - Other Non-Vested	(187)	(3)	-
8. Returned as Active	-	(2)	(24)
D. DATA ADJUSTMENTS	-	-	-
Vested	2,763		
Non-Vested	1,171		
E. TOTAL ON June 30, 1996	3,934	136	1,011

	Recipients		
	Retirement Annuitants	Disabled	Survivors
A. ON JUNE 30, 1995	1,334	35	170
B. ADDITIONS	91	9	19
C. DELETIONS			
1. Service Retirement	-	-	-
2. Death	(48)	(4)	(11)
3. Annuity Expired	-	-	-
4. Returned as Active	-	-	-
D. DATA ADJUSTMENTS**	18	(18)	-
E. TOTAL ON June 30, 1996	1,395	22	178

* Includes members on leave of absence.

** Disabled members over age 65 have been reclassified as retirement annuitants.

St. Paul Teachers' Retirement Fund
Actuarial Balance Sheet
(dollars in thousands)

July 1, 1996

A.	CURRENT ASSETS (TABLE 1, F6)		\$ 494,931
B.	EXPECTED FUTURE ASSETS		
1.	Present Value of Expected Future Statutory Supplemental Contributions		140,328
2.	Present Value of Future Normal Costs		137,746
3.	Total Expected Future Assets		278,074
C.	TOTAL CURRENT AND EXPECTED FUTURE ASSETS		\$ 773,005
D.	CURRENT BENEFIT OBLIGATIONS	<u>Non-Vested</u>	<u>Vested</u>
			<u>Total</u>
1.	Benefit Recipients		
a.	Retirement Annuities	\$	\$ 248,316
b.	Disability Benefits		5,023
c.	Surviving Spouse and Child Benefits		16,257
2.	Deferred Retirements With Future Augmentation		4,340
3.	Former Members Without Vested Rights		1,408
4.	Active Members		
a.	Retirement Annuities*	5,807	295,575
b.	Disability Benefits	19,648	0
c.	Survivors' Benefits	4,818	0
d.	Deferred Retirements	1,624	26,167
e.	Refund Liability Due to Death or Withdrawal	0	2,410
5.	Total Current Benefit Obligations	\$ 31,897	\$ 599,496
E.	EXPECTED FUTURE BENEFIT OBLIGATIONS		\$ 170,425
F.	TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS		\$ 801,818
G.	CURRENT UNFUNDED ACTUARIAL LIABILITY: (D5-A)		\$ 136,462
H.	CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY: (F-C)		\$ 28,813

* Includes members on leave of absence.

St. Paul Teachers' Retirement Fund
Determination of Unfunded Actuarial Accrued Liability (UAAL) and
Supplemental Contribution Rate
(dollars in thousands)

		July 1, 1996		
		Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
		(1)	(2)	(3)
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)				
1. Active Members				
a.	Retirement Annuities*	\$ 445,311	\$ 89,205	\$ 356,106
b.	Disability Benefits	28,885	11,969	16,916
c.	Survivors' Benefits	7,715	2,940	4,775
d.	Deferred Retirements	40,027	24,880	15,147
e.	Refunds Due to Death or Withdrawal	4,536	8,752	(4,216)
f.	Total	\$ 526,474	\$ 137,746	\$ 388,728
2. Deferred Retirements With Future Augmentation		4,340		4,340
3. Former Members Without Vested Rights		1,408		1,408
4. Annuitants in MPRIF		0		0
5. Recipients Not in MPRIF		269,596		269,596
6. Total		\$ 801,818	\$ 137,746	\$ 664,072
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)				
1. AAL: (A6)				\$ 664,072
2. Current Assets (Table 1, F6)				494,931
3. UAAL: (B1-B2)				\$ 169,141
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE				
1. Present Value of Future Payrolls Through the Amortization Date of July 1, 2020				\$ 2,899,679
2. Supplemental Contribution Rate: (B3/C1)				5.83%

* Includes members on leave of absence.

St. Paul Teachers' Retirement Fund
Changes in Unfunded Actuarial Accrued Liability (UAAL)
(dollars in thousands)

Year Ending June 30, 1996

A.	UAAL AT BEGINNING OF YEAR	\$	187,337
B.	CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING		
1.	Normal Cost and Expenses	\$	16,917
2.	Contribution		(24,194)
3.	Interest on A, B1 and B2		16,333
4.	Total: (B1+B2+B3)	\$	<u>9,056</u>
C.	EXPECTED UAAL AT END OF YEAR: (A+B4)	\$	196,393
D.	INCREASE (DECREASE) DUE TO ACTUARIAL LOSSES (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED		
1.	Salary Increases	\$	(6,788)
2.	Investment Return		(17,657)
3.	MPRIF Mortality		0
4.	Mortality of Other Benefit Recipients		(57)
5.	Other Items		(2,750)
6.	Total	\$	<u>(27,252)</u>
E.	UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS: (C+D5)	\$	169,141
F.	CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO PLAN AMENDMENTS		0
G.	CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS		0
H.	UAAL AT END OF YEAR: (E+F+G)	\$	<u><u>169,141</u></u>

St. Paul Teachers' Retirement Fund
Determination of Contribution Sufficiency
(dollars in thousands)

July 1, 1996

	Percent of Payroll	Dollar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A		
1. Employee Contributions	5.79%	\$ 8,979
2. Employer Contributions	9.43%	14,625
3. State Contribution		
a. 1993 Legislation	0.32%	500
b. 1996 Legislation	0.30%	464
4. Additional School District Contribution	0.00%	0
5. Administrative Expense Assessment	0.07%	109
6. Total	15.91%	\$ 24,677
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	6.91%	\$ 10,717
b. Disability Benefits	1.05%	1,636
c. Survivors' Benefits	0.22%	339
d. Deferred Retirement Benefits	1.97%	3,053
e. Refunds Due to Death or Withdrawal	0.76%	1,178
f. Total	10.91%	\$ 16,923
2. Supplemental Contribution Amortization by July 1, 2020 of UAAL	5.83%	\$ 9,045
3. Allowance for Expenses	0.23%	\$ 357
4. Total	16.97%	\$ 26,325
C. CONTRIBUTION SUFFICIENCY (DEFICIENCY): (A6-B4)	(1.06%)	\$ (1,648)

Note: Projected Annual Payroll for Fiscal Year Beginning on July 1, 1996 is \$155,146.

Active Fixed Income Account

As Of June 30, 1996

NAME	RATE	MATURITY	PAR	MARKET
Case Credit Corp.	6.125	2/15/03	\$500,000	\$469,688
CIT Group Holdings Inc.	6.700	5/2/01	600,000	593,208
Commercial Credit Group Inc.	6.750	5/15/00	1,000,000	997,810
Countrywide Funding Corp.	6.280	1/15/03	1,000,000	948,700
Darden Restaurant Inc.	6.375	2/1/06	1,000,000	922,970
Federal Home Ln Mtg Corp. #00469	7.500	4/1/26	1,932,728	1,891,511
Federal Home Ln Mtg Corp. #65512	7.500	11/1/25	1,753,328	1,731,392
Federal Home Ln Mtg Corp. #67232	7.000	1/1/26	1,598,392	1,522,396
Federal Home Ln Mtg Corp. #80371	8.000	12/1/25	1,089,312	1,098,600
Federal Home Ln Mtg Corp. #C00446	7.500	7/16/96	476,035	465,845
Federal Home Ln Mtg Corp. #E62995	6.500	2/1/11	1,849,497	1,757,583
Federal Home Ln Mtg Corp. #G00490	7.500	6/1/26	1,959,867	1,918,109
Federal Home Ln Mtg Corp. #G10516	6.000	7/16/96	5,310,022	4,920,155
Federal Natl Mtg Assoc. #190059	9.500	8/1/22	3,191,946	3,417,209
Federal Natl Mtg Assoc. #303920	9.500	10/1/03	684,700	729,801
Federal Natl Mtg Assoc. #303973	7.500	6/1/03	550,127	550,127
Federal Natl Mtg Assoc. #050995	7.500	1/1/24	2,552,517	2,524,348
GE Global Ininsurance Holdings Corp.	7.000	2/15/26	1,100,000	1,016,466
Govt Natl Mtg Assoc. #1996-6	6.500	2/16/20	1,475,000	1,390,108
Govt Natl Mtg Assoc. #323425	8.000	6/15/22	968,712	980,936
Govt Natl Mtg Assoc. #328116	8.000	8/15/22	741,027	750,299
Govt Natl Mtg Assoc. #360248	7.000	5/1/24	6,735,148	6,480,429
Govt Natl Mtg Assoc. #383507	6.500	3/15/09	385,958	375,882
Govt Natl Mtg Assoc. #780227	8.000	12/15/22	877,487	888,614
Govt Natl Mtg Assoc. #780263	8.000	11/15/17	657,441	667,411
Govt Natl Mtg Assoc. #780303	6.500	2/15/09	752,805	733,094
Govt Natl Mtg Assoc. #780316	6.500	7/15/09	1,640,728	1,584,410
Green Tree Recreational Equipment	5.550	8/15/00	1,184,273	1,155,013
Guaranteed Export Trust	6.550	6/15/04	800,000	795,718
Household Finance Corp.	6.875	3/1/03	900,000	891,702
Hydro Quebec	9.400	2/1/21	1,250,000	1,450,188
Nationsbank Cr Card Master Trust	6.450	8/15/00	2,000,000	1,980,000
Province of Manitoba	8.875	9/15/21	300,000	346,311
Residential Funding Mtg Inc.	6.000	3/25/26	772,909	725,774
Sears Credit Acct Master Trust	8.100	6/15/04	2,000,000	2,085,620
Southern Calif Edison Co.	5.875	1/15/01	900,000	861,327
Structured Asset Secs Corp.	6.500	2/25/28	512,665	507,434
U.S. Treasury Notes	6.250	8/31/00	4,075,000	4,045,701
U.S. Treasury Notes	12.000	8/15/13	1,450,000	2,045,414
U.S. Treasury Notes	6.250	8/15/23	400,000	362,500
U.S. Treasury Notes	8.125	8/15/21	8,685,000	9,773,317
U.S. Treasury Notes	5.125	6/30/98	2,575,000	2,527,517
U.S. Treasury Notes	6.875	3/31/00	2,425,000	2,461,375
U.S. Treasury Notes	7.125	9/30/99	1,225,000	1,251,411
U.S. Treasury Notes	7.500	11/15/01	675,000	704,957
U.S. Treasury Notes	8.500	5/15/97	5,900,000	6,034,579
TOTAL FIXED INCOME HOLDINGS			\$80,412,624	\$81,332,959
Cash Equivalents			0	15,462,696
TOTAL STATE STREET RESEARCH			\$80,412,624	\$96,795,655

Active Fixed Income Account

As Of June 30, 1996

NAME	RATE	MATURITY	PAR	MARKET
Aames Mtg Trust Ser 1996-A	7.025	2/15/24	\$1,000,000	\$982,500
Bank One Cr Card Master Trust	7.800	12/15/00	2,100,000	2,158,674
Chrysler Financial Corp.	5.875	2/7/01	2,000,000	1,919,680
Federal Home Ln Mtg Corp. #C80378	6.500	1/1/26	2,019,731	1,876,347
Federal Home Ln Mtg Corp. #D71133	7.000	5/1/26	4,022,371	3,831,135
Federal Home Ln Mtg Corp. #E00315	7.500	4/1/09	1,174,018	1,150,238
Federal Home Ln Mtg Corp. #E00414	7.500	1/11/11	692,956	691,857
First Bank Systems	6.875	4/1/06	1,000,000	967,500
Federal Natl Mtg Assoc. #250515	7.000	3/1/26	2,999,713	2,854,677
Federal Natl Mtg Assoc. Medium Term	5.940	12/12/05	1,170,138	1,174,275
Federal Natl Mtg Assoc. Medium Term	6.540	10/3/05	4,000,000	3,849,200
Govt Natl Mtg Assoc. #368865	6.500	12/15/23	2,585,002	2,419,105
Govt Natl Mtg Assoc. #417230	6.500	1/15/26	2,196,906	2,044,314
Govt Natl Mtg Assoc. #397450	7.000	5/15/24	2,473,696	2,381,609
International Lease Finance Corp.	7.450	5/21/99	1,000,000	1,021,420
Lehman Bros Holdings Inc.	6.125	2/1/01	2,000,000	1,921,240
Norwest Financial Inc.	7.750	8/15/01	1,000,000	1,038,120
Public Service Electric & Gas Co.	9.125	7/1/05	2,000,000	2,197,180
U.S. Treasury Notes	5.125	4/30/98	1,900,000	1,867,947
U.S. Treasury Notes	6.500	8/15/05	5,000,000	4,925,000
U.S. Treasury Notes	6.500	5/15/97	7,000,000	7,041,580
TOTAL FIXED INCOME HOLDINGS			\$49,334,531	\$48,313,598
Cash Equivalents			0	602,458
TOTAL VOYAGEUR ASSET MANAGEMENT			\$49,334,531	\$48,916,056

Indexed Fixed Income Fund

As of June 30, 1996

NAME	MARKET
Barclays Global Investors	\$59,484,155
TOTAL BARCLAYS GLOBAL INVESTORS	\$59,484,155

Active Domestic Equity Accounts

As Of June 30, 1996

SHARES	NAME	MARKET
55,000	Central & Southwest Corp.	\$1,588,125
50,000	Electronic Data System	2,687,500
127,600	Midwest Resources Inc.	2,201,100
20,000	Minnesota Mining & Mfg Co.	1,380,000
60,000	Southern Co.	1,477,500
128,931	Texas Utilities Co.	5,511,837
20,000	Washington Gas & Light	440,000
TOTAL IN-HOUSE PORTFOLIO		\$15,286,062

SHARES	NAME	MARKET
19,000	Abbott Laboratories	\$826,500
31,000	ABC Rail Products Corp.	670,375
34,800	Aetrium Inc.	626,400
12,100	Aksys LTD	184,525
8,000	Allstate Corp.	365,000
30,600	Amerin Corp.	818,550
8,500	Amoco Corp.	613,063
51,100	Anixter Intl Inc.	760,113
24,000	Aptargroup Inc.	726,000
13,500	Banta Corp.	340,875
23,000	Baxter International Inc.	1,086,750
14,200	Bell & Howell Holdings Co.	463,275
13,000	Bemis Inc.	455,000
12	Berkshire-Hathaway Inc.	368,400
20,400	BMC Industries Inc.	586,500
8,300	Borg Warner Automotive Inc.	327,850
34,000	Buffets Inc.	416,500
11,000	Case Corp.	528,000
8,000	Caseys General Store Inc.	159,000
26,125	Castle AM & Co.	617,203
49,000	CIMA Labs Inc.	367,500
11,000	Clarcor Inc.	272,250
15,000	Cyberoptics Corp.	232,500
15,000	Data Documents Inc.	183,750
16,000	Deere & Co.	640,000
50,000	Diametrics Medical Inc.	250,000
4,900	Diamond Home Services Inc.	82,075
3,500	EMPI Inc.	41,923
9,800	Engineering Animation Inc.	196,000
14,800	Equitable of Iowa Cos.	525,400
9,700	Fiserv Inc.	291,000
35,000	Fort Howard Corp.	695,625
47,700	FSI International Inc.	602,213
14,000	Green Tree Financial Corp.	437,500
25,000	Guarantee Life Co.	440,625
10,777	Heartland Express	288,285
22,000	Idex Corp.	836,000
27,900	Illinois Central Corp.	791,663
3,600	Illinois Tool Works Inc.	243,450
11,600	IMC Global Inc.	436,450
<i>Continued ...</i>		

SHARES	NAME	MARKET
13,000	Instent Inc.	\$282,750
24,000	ITI Technologies Inc.	792,000
7,000	Juno Ltg Inc.	119,000
35,000	Land's End Inc.	866,250
7,300	Life USA Holdings Inc.	65,100
12,950	Lindsay Mfg Co.	521,238
500	LittleFuse Inc.	18,750
5,100	Lodgenet Entertainment Corp.	70,125
8,000	Lucent Technologies Inc.	303,000
16,000	Manpower Inc.	628,000
6,000	McDonalds Corp.	280,500
28,000	Merrill Corp.	700,000
5,300	Metromail Corp.	118,588
28,000	MFS Communications Co.	1,053,500
3,500	Minnesota Mining & Mfg Co.	241,500
29,000	Newell Co.	888,125
3,300	Northfield Laboratory Inc.	48,675
14,000	Northland Cranberries Inc.	420,000
15,000	Olympic Financial LTD	345,000
14,700	Patterson Dental Co.	532,875
20,000	Pentair Inc.	600,000
22,900	Polaris Industries Inc.	781,463
8,000	Possis Medical Inc.	133,000
38,000	Racotek Inc.	178,144
14,600	Recovery Engineering Inc.	193,450
12,500	Reliastar Financial Corp.	539,063
25,200	Roosevelt Financial Group Inc.	485,100
9,800	Rural Cellular Corp. A	124,950
14,000	Sara Lee Corp.	455,000
16,500	Sears Roebuck & Co.	802,313
26,900	Secure Computing Corp.	618,700
10,000	Sheldahl Co.	208,750
12,000	Snap-On Inc.	568,500
4,000	Spyglass Inc.	85,752
17,000	Sybron International Corp.	425,000
18,000	Thermo Sentron Inc.	288,000
29,000	360 Communications Co.	696,000
9,900	Tro Learning Inc.	160,875
12,500	Urologix Inc.	168,750
31,000	US Freightways Corp.	604,500
3,000	US Satellite Broadcasting	113,250
27,300	USG Corp.	760,988
6,000	Valspar Corp	276,000
11,000	Wagreen Co.	368,500
8,700	Wausau Paper Mills Co.	171,825
15,000	WI Central Transport Corp.	487,500
15,000	Winthrop Resources Corp.	303,750
4,300	Woodhead Industries Inc.	50,525

TOTAL EQUITY HOLDINGS	\$37,738,712
Cash Equivalents	4,652,147

TOTAL INVESTMENT ADVISORS, INC.	\$42,390,859
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Active Domestic Equity Accounts

As Of June 30, 1996

SHARES	NAME	MARKET
86,000	Abbott Laboratories	\$3,741,000
91,000	Albertsons Inc.	3,765,125
48,000	Anheuser Busch Cos. Inc.	3,600,000
183,000	Archer-Daniels-Midland Co.	3,499,875
91,000	Automatic Data Processing Inc.	3,514,875
68,000	Bandag Inc.	3,264,000
112,000	Bemis Inc.	3,920,000
109,000	Circuit City Stores Inc.	3,937,625
87,000	Con Agra Inc.	3,947,625
83,000	Dillard Dept Stores Inc.	3,029,500
51,000	Gannett Inc.	3,608,250
81,000	Genuine Parts Co.	3,705,750
50,000	Grainger W.W. Inc.	3,875,000
57,000	Great Lakes Chemical Corp.	3,548,250
32,000	Hewlett Packard Co.	3,188,000
58,000	Merck & Co. Inc.	3,748,250
55,000	Motorola Inc.	3,451,250
40,000	Philip Morris Cos. Inc.	4,160,000
70,000	Pitney Bowes Inc.	3,342,500
25,000	Royal Dutch Petroleum Co.	3,843,750
110,000	Sara Lee Corp.	3,575,000
61,000	Schering Plough Corp.	3,827,750
44,000	Shell Trans. & Trading Plc.	3,872,000
67,000	Sigma Aldrich Corp.	3,584,500
126,000	SouthTrust Corp.	3,543,750
96,000	Suntrust Banks Inc.	3,552,000
106,000	Sysco Corp.	3,630,500
107,000	UST Inc.	3,664,750
151,000	Wal-Mart Stores Inc.	3,831,625
TOTAL EQUITY HOLDINGS		\$105,772,500
Cash Equivalents		7,400,819
TOTAL VOYAGEUR ASSET MANAGEMENT		\$113,173,319

Indexed Equity Fund

As Of June 30, 1996

NAME	MARKET
Barclays Global Investors	\$58,557,241
TOTAL BARCLAYS GLOBALS INVESTORS	\$58,557,241

SHARES	NAME	MARKET
50,000	ACE LTD	\$2,350,000
5,000	Alliant Techsystems Inc.	\$235,625
13,000	AMR Corp.	1,183,000
26,000	Becton Dickinson & Co.	2,086,500
40,000	Champion International Corp.	1,670,000
90,000	Countrywide Credit Inds Inc.	2,227,500
31,000	Donnelley (RR) & Sons	1,081,125
40,000	Exel Limited	2,820,000
30,000	Federal Home Loan Mtg Corp.	2,565,000
11,000	First Empire State Corp.	2,651,000
80,000	Freeport McMoran Inc.	2,550,000
20,000	Hercules Inc.	1,107,500
30,000	Intel Corp.	2,203,140
6	Laboratory Corp. - Warrants	3
30,000	Lockheed Martin Corp.	2,520,000
45,000	Loral Space & Communications	618,750
100,000	Mattel Inc.	2,862,500
96,000	McDonnell Douglas Corp.	4,680,000
20,000	Mellon Bank Corp.	1,140,000
90,000	National Semiconductor Corp.	1,395,000
20,000	Reebok International Ltd.	672,500
25,000	Transamerica Corp.	2,025,000
25,000	Union Pacific Corp.	1,746,875
35,000	VF Corp.	2,086,875
25,000	Varian Associates Inc.	1,293,750
25,000	Varity Corp.	1,203,125
17,833	Wells Fargo & Co.	4,264,316
TOTAL EQUITY HOLDINGS		\$51,239,084
Cash Equivalents		2,403,918
TOTAL OPPENHEIMER CAPITAL		\$53,643,002

International Equity Fund

As Of June 30, 1996

NAME	MARKET
Morgan Stanley Pooled International Equity Trust	\$50,006,705
TOTAL MORGAN STANLEY ASSET MANAGEMENT	\$50,006,705

Commercial Paper

As Of June 30, 1996

NAME	RATE	MATURITY	MARKET
American Express Corp.	5.88	7/1/96	\$2,199,687
Norwest Corp.	5.91	7/12/96	1,996,427
Merrill Lynch Corp.	6.01	7/15/96	1,596,627
Merrill Lynch Corp.	5.92	7/23/96	1,395,304
Ford Motor Credit Corp.	5.90	7/29/96	995,731
General Motors Acceptance Corp.	5.89	8/1/96	1,393,341
TOTAL COMMERCIAL PAPER			\$9,577,117

Real Estate Fund

As Of June 30, 1996

NAME	MARKET
Lartnec Investments, Inc.	\$678,128
TOTAL REAL ESTATE	\$678,128

Total Portfolio Holdings

As Of June 30, 1996

NAME	MARKET
Fixed Income	\$189,130,712
Equities	318,600,304
Commercial Paper	9,577,117
Cash and Cash Equivalents	30,875,325
Real Estate	678,128
TOTAL PORTFOLIO HOLDINGS	\$548,861,586

Calculation Of 1997 Administrative Service Charge

As part of the 1993 increased funding package, SPTRFA members both active and retired are paying an "administrative service charge" to be applied to the fund's administrative expenses.

The calculation of this charge is illustrated in the paragraphs to follow so that all may see that the administrative service charge is distributed equally among all SPTRFA members, both active and retired.

Following are the steps used in determining the administrative service charge:

SPTRFA's administrative expenses (\$354,058) are compared to the State of Minnesota Teachers Retirement Association's administrative expenses (\$248,234). Therefore, the 1997 administrative expense charge to SPTRFA members is \$105,824.

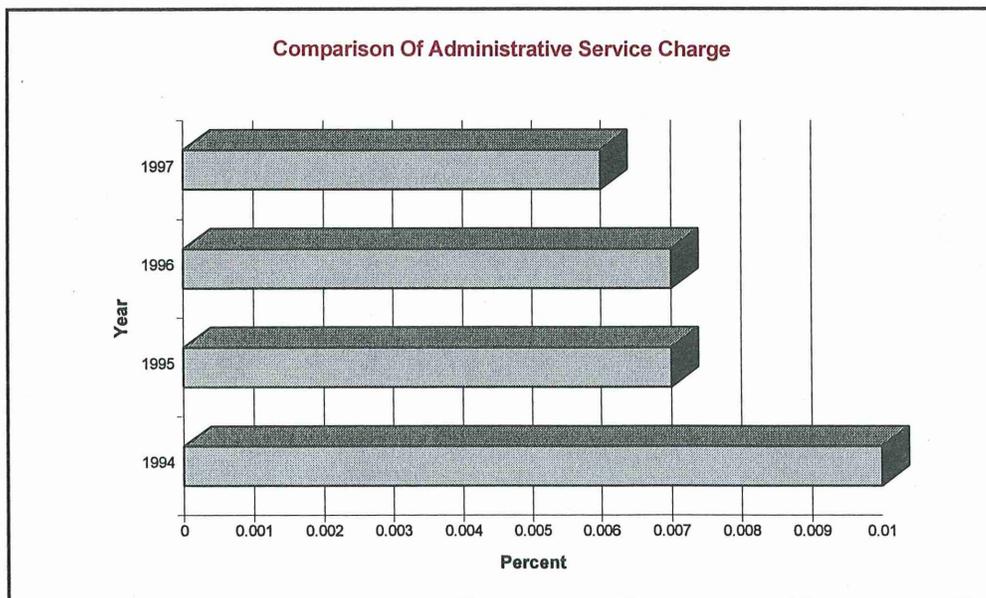
To determine the cost to each member we calculate the total payroll. This is done by adding SPTRFA's anticipated 1997 active member payroll (\$155,146,000) to the actual 1996 retiree payroll (\$29,914,000). As a result, SPTRFA's total payroll amounts to \$185,060,000.

In order to distribute the charge equally we need to break the 1997 administrative expense charge down to a percent of total payroll.

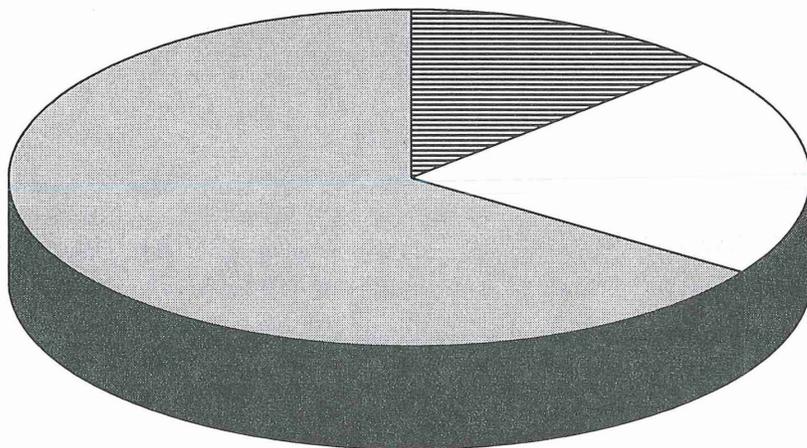
In other words, SPTRFA's administrative charge to members (\$105,824) divided by SPTRFA's total payroll (\$185,060,000) equals 0.06% or 0.0006.

This administrative expense charge will be applied to the required contribution rate of each active member.

The retiree assessment will be 0.06% of the retiree 1996 total pension payments. This amount will be deducted from the Bonus (13th) Check payable in February.

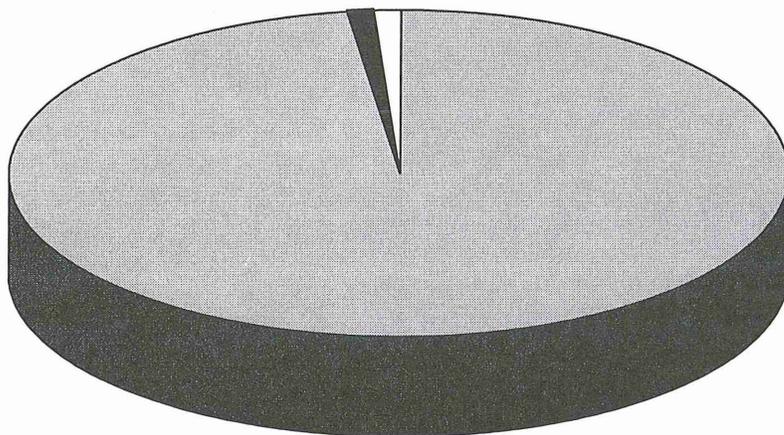


1995-96 Revenue By Source



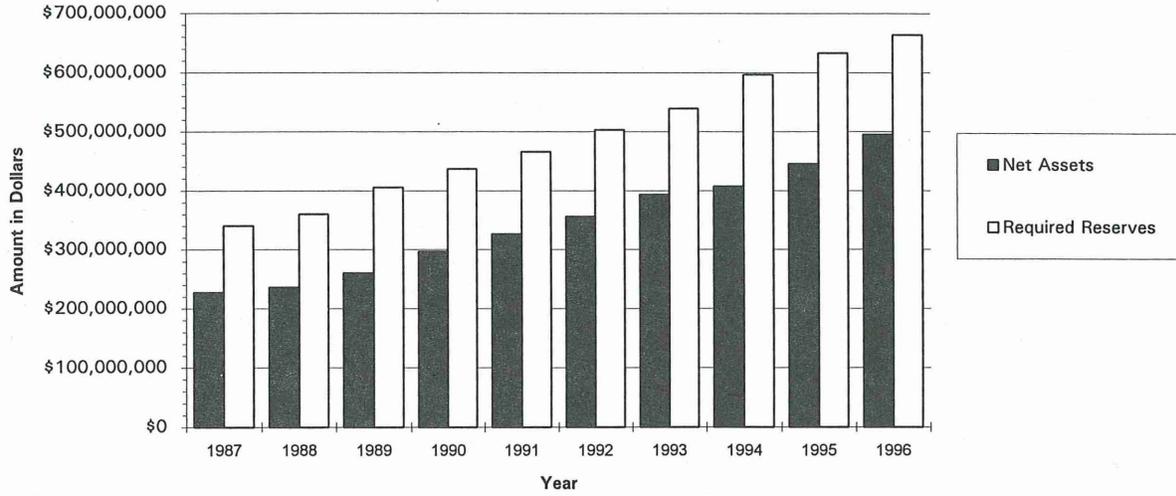
- Member Contributions
12.94%
- Employer Contributions
21.50%
- Realized Investment
Income 65.56%

1995-96 Expenses By Type

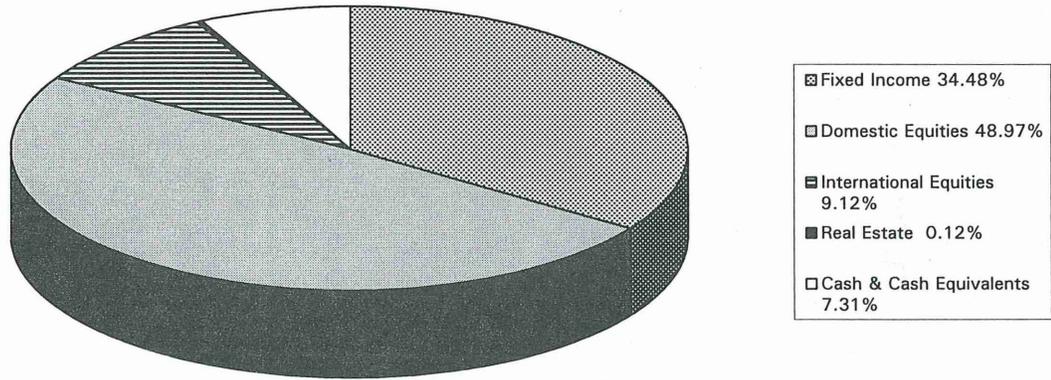


- Benefits 97.68%
- Refunds of Dues 1.17%
- Administrative Expenses
1.15%

1995-96 Summary Of Net Assets And Required Reserves



1995-96 Total Portfolio Holdings - Market Value



Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid (\$)
June 1910	15	13	\$ 4,860
June 1931	8	125	69,024
June 1932	8	130	72,961
June 1933	2	126	74,190
June 1934	6	127	74,120
June 1935	9	131	74,001
June 1936	14	135	75,864
June 1937	19	151	80,747
June 1938	17	160	89,709
June 1939	11	161	93,184

June 1939 to			
December 1939	0	158	23,870
December 1940	71	222	170,685
December 1941	35	246	210,257
December 1942	27	266	234,217
December 1943	38	286	253,031
December 1944	34	311	282,299
December 1945	56	350	308,113
December 1946	51	378	337,512
December 1947	28	387	360,571
December 1948	42	413	375,912
December 1949	42	441	419,618
December 1950	30	461	450,641
December 1951	27	476	472,670
December 1952	28	486	508,923
December 1953	32	487	525,959
December 1954	10	482	529,429
December 1955	38	509	666,994
December 1956	46	529	750,146
December 1957	59	560	840,883
December 1958	41	579	1,019,502
December 1959	30	585	1,084,506
December 1960	38	600	1,144,380
December 1961	39	611	1,230,715
December 1962	49	624	1,352,779
December 1963	42	647	1,467,461
December 1964	33	653	1,545,252
December 1965	40	668	1,631,554
December 1966	43	676	1,770,083
December 1967	36	682	1,862,249
December 1968	45	695	1,969,760
December 1969	53	726	2,319,186
December 1970	31	719	2,385,868
December 1971	47	731	2,522,350
December 1972	51	745	2,742,660
December 1973	36	744	3,039,253
December 1974	46	754	3,372,453

Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid (\$)
December 1975	52	778	\$ 3,765,322
December 1976	77	883	4,393,513
December 1977	63	919	5,050,507
December 1978	48	946	5,523,548
December 1979	40	946	6,240,309
December 1980	47	963	6,623,804
December 1981	47	981	7,139,037
December 1982	61	996	7,725,617
December 1983	72	1,042	8,555,099
December 1984	64	1,061	9,466,664

January 1985 to			
June 1985	59	1,103	5,324,727
June 1986	66	1,134	11,267,144
June 1987	117	1,191	12,478,180
June 1988	70	1,210	14,690,455
June 1989	67	1,236	15,506,957
June 1990	67	1,270	17,382,410
June 1991	80	1,309	18,811,677
June 1992	83	1,357	20,509,335
June 1993	120	1,426	22,763,806
June 1994	92	1,469	25,044,494
June 1995	113	1,539	26,792,534
June 1996	119	1,595	29,446,215