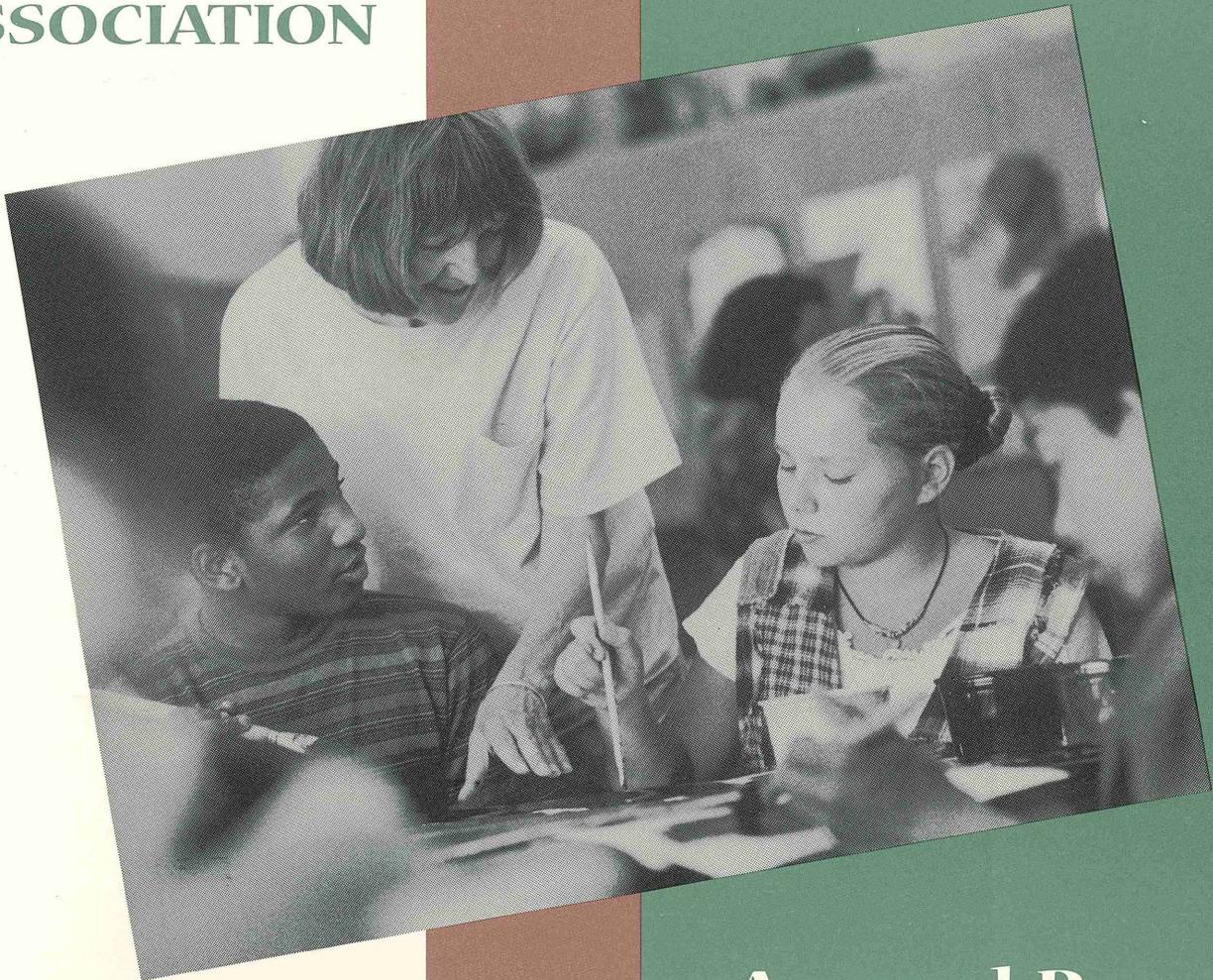


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**ST. PAUL
TEACHERS'
RETIREMENT
FUND
ASSOCIATION**



Annual Report
of the
**Board of
Trustees**



**Fiscal Year Ended
June 30, 1998**

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

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Annual Report
of the
**Board of
Trustees**



**Fiscal Year Ended
June 30, 1998**

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.

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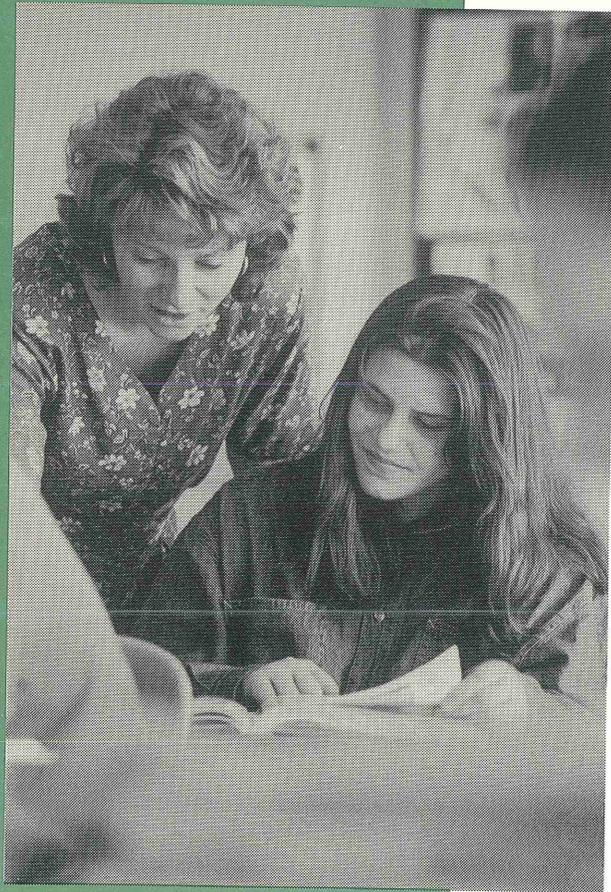
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Introductory
Section

St. Paul Teachers' Retirement Fund Association

Executive and Professional Listing

Actuaries

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

Auditor

Office of the State Auditor

Investment Counsel

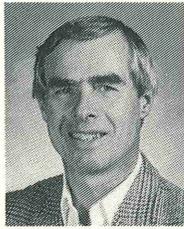
Barclays Global Investors
Capital Guardian
Investment Advisors, Inc.
Morgan Stanley Asset Management
Oppenheimer Capital
State Street Research & Management Co.
Voyageur Asset Management

Legal Counsel

Doherty, Rumble and Butler

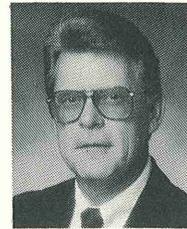
St. Paul Teachers' Retirement Fund Association

Board of Trustees



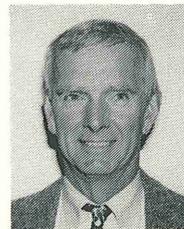
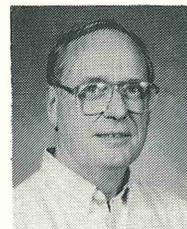
James P. Gillach
President

Richard J. Cherveney
Trustee



Carol J. Adams
Vice President

Franklin D. Jondal
Trustee



Eugene R. Waschbusch
Secretary-Treasurer

John R. Kunz
Trustee



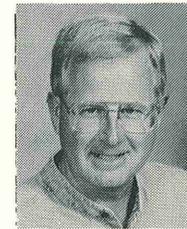
Mary Thornton Phillips
Ex-Officio Trustee

Erma E. McGuire
Trustee



Feryle W. Borgeson
Trustee

Richard K. Wagenknecht
Trustee



St. Paul Teachers' Retirement Fund Association

BOARD OF TRUSTEES

MEMBERS

Feryle W. Borgeson
Richard J. Cherveny
Franklin D. Jondal
Mary Thornton Phillips, 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 (651) 642-2550
Fax (651) 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, 1997 to June 30, 1998 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 1997-98, total contributions amounted to \$32,758,330. Investment income including unrealized market appreciation for the same period was \$103,077,580.

EXPENSES

Benefits to annuitants, disabilitants, survivors and dependent children paid in this fiscal year totaled \$37,852,099. Refunds to members who left the Association totaled \$417,089. Administrative expenses amounted to \$393,992. Realized gains, dividends and interest in excess of benefit payments and expenses amounted to \$23,438,918 during fiscal year 1997-98.

INVESTMENTS

The investments of SPTRFA had a rate of return of 16.66% for the fiscal year ending June 30, 1998. This return is well over the 8.5% rate the actuaries assume when determining our funding status. Our 16.66% exceeded our benchmark return, which was 16.38%.

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. Over 700 active members met with a retirement counselor for an individual consultation.

SPTRFA sent detailed benefit estimates to each vested member over age 45. All members under age 45 receive a statement of account. We also conducted our third annual Retirement Planning Seminar, which focuses on long term retirement planning.

The document you are reading is the complete Annual Report of the Board of Trustees. A copy of this report has been 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 funding ratio is 72.55%. This is a slight decrease from the 73.44% funding ratio for 1997. This decrease reflects the larger than expected number of new retirees due to changes in retiree health insurance coverage and substantial increases in retiree benefit payments.

LEGISLATION

The 1998 legislative session was relatively quiet for SPTRFA given that major benefit and funding improvements were made during the previous 1997 legislative session. The most notable piece of legislation that was discussed dealt with process and procedures for an active member to purchase prior maternity, military or out of state teaching service. The authorization to permit the purchase of the previous mentioned types of uncredited service was not enacted. The topic is expected to be a legislative initiative during the 1999 session.

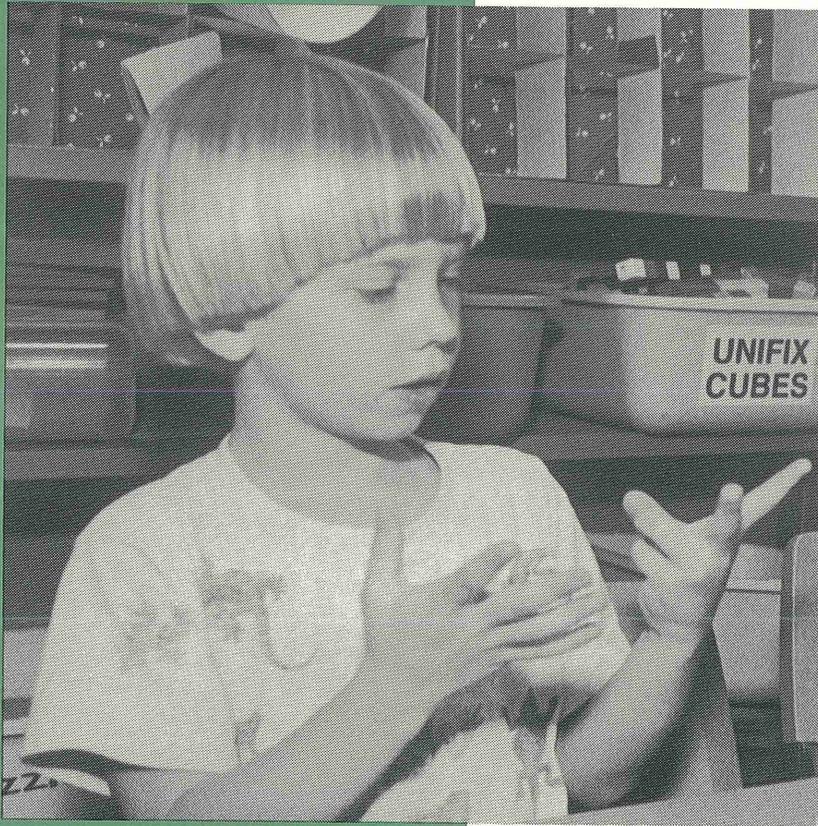
This report contains a summary of the calculation of the member service charge. The service charge this year is .0028% (.000028) of payroll for active members and the same .0028% (.000028) of benefits received for retirees. This is a substantial decrease from last year. For example, a member earning \$50,000 in 1999 will pay \$1.40 in administrative service charges.

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



Financial
Section



JUDITH H. DUTCHER
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 400
525 PARK STREET
SAINT PAUL, MN 55103-2139

(612) 296-2551 (Voice)
(612) 296-4755 (Fax)
stateauditor@osa.state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
St. Paul Teachers' Retirement Fund Association

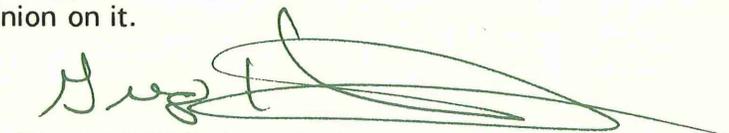
We have audited the basic financial statements of the St. Paul Teachers' Retirement Fund Association as of and for the years ended June 30, 1998 and 1997, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is 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 plan net assets of the Association as of June 30, 1998 and 1997, and the changes in plan net assets 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. We have applied certain limited procedures to the information in the 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
DEPUTY STATE AUDITOR

September 15, 1998

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

EXHIBIT 1

**COMPARATIVE STATEMENT OF PLAN NET ASSETS
JUNE 30, 1998 AND 1997**

	1998	1997
<u>Assets</u>		
Cash	\$ 965,092	\$ 891,506
Receivables		
Employer and employee contributions	\$ 1,147,559	\$ 1,068,356
Interest	1,871,226	1,958,946
Dividends	431,383	375,098
Sales of securities	5,301,680	1,442,244
Other	17,794	18,030
Total receivables	\$ 8,769,642	\$ 4,862,674
Investments, at fair value		
Commercial paper	\$ 14,935,459	\$ 19,235,358
U.S. government securities	79,613,452	98,575,748
Corporate bonds	69,458,387	47,550,189
Common stocks	270,352,737	252,392,664
Commingled investment funds		
Morgan Stanley Pooled International Equity Trust	72,721,843	62,804,217
Barclays Global Investors Bond Index Fund	71,377,662	64,090,469
Barclays Global Investors Equity Index Fund	102,722,161	78,900,764
Barclays Global Investors Small Capital Index Fund	1,452,403	604,931
Barclays Global Investors Extended Equity Index Fund	20,950,881	-
Emerging Markets Growth Fund	10,771,190	11,994,221
Capital Guardian International Small Capital Fund	10,004,889	-
First American Institutional Money Fund	17,220,493	11,567,118
Total investments, at fair value	\$ 741,581,557	\$ 647,715,679
Invested securities lending collateral	\$ 186,558,316	\$ 187,467,033
Furniture and fixtures (at cost, less accumulated depreciation of \$41,251 and \$48,205 in 1998 and 1997, respectively)	\$ 28,588	\$ 15,383
Total Assets	\$ 937,903,195	\$ 840,952,275

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

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

EXHIBIT 1
(Continued)

COMPARATIVE STATEMENT OF PLAN NET ASSETS
JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>Liabilities</u>		
Accounts payable	\$ 494,848	\$ 532,845
Security purchases payable	6,189,193	5,702,763
Securities lending collateral	<u>186,558,316</u>	<u>187,467,033</u>
Total Liabilities	<u>\$ 193,242,357</u>	<u>\$ 193,702,641</u>
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress is Presented on Page 17)	<u>\$ 744,660,838</u>	<u>\$ 647,249,634</u>

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

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

EXHIBIT 2

**COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	1998	1997
Additions		
Contributions		
Employer	\$ 16,192,817	\$ 15,019,989
Members	11,056,660	9,484,154
Other sources		
State of Minnesota	5,508,853	1,023,327
Total contributions	\$ 32,758,330	\$ 25,527,470
Investment income		
From investing activity		
Net appreciation (depreciation) in fair value of investments	\$ 85,661,274	\$ 79,913,890
Interest	13,422,717	16,271,059
Dividends	6,269,741	6,750,268
Other	62,924	69,321
Total investing activity income	\$ 105,416,656	\$ 103,004,538
Less: investing activity expense	(2,339,076)	(2,046,392)
Net income from investing activity	\$ 103,077,580	\$ 100,958,146
From securities lending activity		
Securities lending income	\$ 11,189,712	\$ 8,303,606
Less: securities lending expense		
Borrower rebates	\$ (10,801,092)	\$ (8,033,396)
Management fees	(150,146)	(97,770)
Total securities lending expense	\$ (10,951,238)	\$ (8,131,166)
Net income from securities lending activity	\$ 238,474	\$ 172,440
Total net investment income	\$ 103,316,054	\$ 101,130,586
Total Additions	\$ 136,074,384	\$ 126,658,056

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

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

*EXHIBIT 2
(Continued)*

**COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	1998	1997
Deductions		
Benefits to participants		
Retirement	\$ 34,375,242	\$ 24,578,739
Disability	638,894	452,525
Survivor	2,812,032	1,838,097
Dependent children	25,931	28,151
Withdrawals and refunds	417,089	246,101
Total benefits, withdrawals, and refunds	\$ 38,269,188	\$ 27,143,613
Administrative expenses	393,992	407,004
Total Deductions	\$ 38,663,180	\$ 27,550,617
Net increase (decrease)	\$ 97,411,204	\$ 99,107,439
Net Assets Held in Trust for Pension Benefits		
Beginning of Year (Note 1)	647,249,634	548,142,195
End of Year	\$ 744,660,838	\$ 647,249,634

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1998**

1. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

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 Association uses the accrual basis of accounting. 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 fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on an exchange are valued at the last reported sales price at current exchange rates.

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

1. Summary of Significant Accounting Policies

Investments (Continued)

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

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

Investment Income

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

Contributions

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

Benefits and Refunds

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

Furniture and Fixtures

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

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

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.

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

Membership

At June 30, 1998 and 1997, the Association's membership consisted of:

	<u>1998</u>	<u>1997</u>
Retirees and beneficiaries currently receiving benefits	1,789	1,720
Terminated employees entitled to but not yet receiving benefits	183	148
Terminated, non-vested	839	783
Current active plan members (including members on leave)	<u>4,653</u>	<u>4,021</u>
Total Membership	<u><u>7,464</u></u>	<u><u>6,672</u></u>

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

2. Description of Plans (Continued)

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.

3. Deposits and Investments

Deposits

Minn. Stat. § 356A.06 authorizes the Association to deposit its cash in financial institutions designated by the Board of Trustees. At June 30, 1997, the carrying amount of the Association's deposits was \$891,306 and the bank balance was \$426,538. At June 30, 1998, the carrying amount of the Association's deposits was \$964,892 and the bank balance was \$283,147.

Minnesota statutes require that all Association deposits be covered by deposit insurance, surety bond, or pledged collateral. As of June 30, 1998, all of the Association's deposits were insured or collateralized with securities held by the Association or its agent in the Association's name.

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

3. Deposits and Investments (Continued)

Investments

The Association's investments are categorized to give an indication of the level of custodial credit risk assumed by the Association 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.

Minn. Stat. § 356A.06 authorizes the types of securities available to the Association for investment. Following are the Association's investments at June 30, 1998 and 1997, and the level of custodial credit risk for these investments.

<u>1998</u>	<u>Risk Category</u>	<u>Carrying and Fair Value</u>
Commercial paper	1	\$ 10,000,000
Commercial paper	3	4,935,459
U.S. government securities	1	26,422,921
Corporate bonds	1	67,124,045
Common stocks	1	143,523,256
Repurchase agreements - invested securities lending collateral	3	<u>186,173,173</u>
Total		\$ 438,178,854
 Add		
Investments held by broker-dealers under securities loans		
U.S. government securities		53,190,531
Corporate bonds		2,334,342
Common stocks		126,829,481
Commingled investment funds		307,221,522
Invested securities lending collateral		<u>385,143</u>
Total Investments		\$ 928,139,873

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

3. Deposits and Investments

Investments (Continued)

<u>1997</u>	<u>Risk Category</u>	<u>Carrying and Fair Value</u>
Commercial paper	1	\$ 11,864,676
Commercial paper	3	7,370,682
U.S. government securities	1	48,328,865
Corporate bonds	1	47,550,189
Common stocks	1	120,108,584
Repurchase agreements - invested securities lending collateral	3	<u>165,812,706</u>
Total		\$ 401,035,702
 Add		
Investments held by broker-dealers under securities loans		
U.S. government securities		50,246,883
Common stocks		132,284,080
Commingled investment funds		229,961,720
Invested securities lending collateral		<u>21,654,327</u>
Total Investments		<u>\$ 835,182,712</u>

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

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. Securities Lending Program

The Association participates in a securities lending program. On June 30, 1998 and 1997, 44 and 52 percent, respectively, of its U.S. government securities, corporate bonds, and common stocks were loaned out.

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

4. Securities Lending Program (Continued)

Minn. Stat. § 356A.06, subd. 7, permits the Association to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Loans may be made only to pre-approved borrowers. The Association's securities custodian is the agent in lending the Association's securities for collateral of 102 percent of the market value of loaned securities. Loaned investments are marked to market daily. If the collateral provided by the borrower falls below 100 percent of the market value of the loaned investment, the borrower is required to provide additional collateral to bring the collateral to 102 percent of the current market value. Collateral may be provided in securities or cash. All of the collateral at June 30, 1998 and 1997, was provided in cash. The Association has no credit risk exposure to borrowers because the amounts the Association owes borrowers exceed amounts borrowers owe the Association. The contract with the trust company does not require the trust company to indemnify the Association if borrowers fail to return the securities but does provide for the trust company to deliver collateral up to the market value of the loaned securities to the Association.

All securities loans may be terminated on demand by either the Association or the borrower. The term to maturity of the securities loans is matched with the term of maturity of the investment of the cash collateral by investing in overnight repurchase agreements and short-term investment pools.

5. Contributions

Funding

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

Minn. Stat. § 354A.12 sets the rate for employee and employer contributions that, expressed as a percentage of annual covered payroll, are sufficient to fully fund the pension plan by the year 2020. The requirement to reach full funding by the year 2020 is set in Minn. Stat. § 356.215, subd. 4g. As part of the annual actuarial valuation, the actuary determines the sufficiency or deficiency

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

5. Contributions

Funding (Continued)

of the statutory contribution rates toward meeting the required full funding deadline. The actuary compares the actual contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the required date for full funding, and (c) an allowance for administrative expenses.

Required Contributions

For the fiscal years ended June 30, the contribution rates required by statute are as follows:

	Percentage of Members' Salaries	
	Basic Plan	Coordinated Plan
1998		
Employee contribution	8.00%	5.50%
Employer contribution	11.64%	8.34%
1997		
Employee contribution	8.00%	4.50%
Employer contribution	11.64%	8.14%

Other Contributions

Minn. Stat. § 354A.12, requires the state to annually provide the Association with direct aid until it reaches the same funded status as the Minnesota Teachers' Retirement Association (TRA). The direct state aid contribution was \$4,827,000 and \$556,000 for fiscal years 1998 and 1997, respectively.

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

5. Contributions

Other Contributions (Continued)

Minn. Stat. § 423A.02, subd. 3, requires the state to annually provide certain aid to the Association until it is fully funded. The state amortization aid contribution was \$681,853 and \$467,327 for fiscal years 1998 and 1997, respectively. Beginning in fiscal year 1998, the school district must make an additional annual contribution to the Association in order for the Association to continue receiving state amortization aid. The school district contributed \$200,000 for fiscal year 1998.

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.

Reserve

At June 30, 1998 and 1997, \$2,134,256 and \$1,072,257, respectively, of the net assets is considered reserved as it represents the amount of state amortization aid which, pursuant to legislation, must be separately accounted for and may not be used in determining benefit increases. This is considered to be fully funded.

6. Risk Management

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

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

REQUIRED SUPPLEMENTAL INFORMATION

Schedule 1

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1993	\$ 393,168	\$ 571,059	\$ 177,891	68.85%	\$ 122,930	144.71%
1994	407,275	596,441	189,166	68.28%	129,308	146.29%
1995	445,733	633,070	187,337	70.41%	139,175	134.61%
1996	494,931	664,072	169,141	74.53%	145,677	116.11%
1997	556,406	757,589	201,183	73.44%	151,363	132.91%
1997*	556,406	805,066	248,660	69.11%	151,363	164.28%
1998	625,053	861,584	236,531	72.55%	168,564	140.32%

*The 1997 Actuarial Accrued Liability was revised by the actuary in the 1998 actuary report.

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

Schedule 2

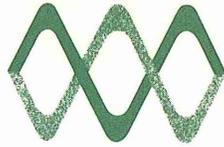
**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES
(IN THOUSANDS OF DOLLARS)**

Fiscal Year	Annual Required Contributions	Employer Percentage Contributed	State Contributions	State Percentage Contributed
1993	\$ 16,064	67.47%	\$ -	-
1994	15,055	74.63%	500	3.32%
1995	17,140	73.42%	500	2.92%
1996	17,071	82.75%	974	5.71%
1997	16,202	92.70%	1,023	6.32%
1998	23,246	69.66%	5,509	23.70%

Note:

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

Actuarial
Section



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November 13, 1998

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

Re: *St. Paul Teachers' Retirement Fund*
July 1, 1998 Actuarial Valuation Report

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, 1998.

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.

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, 1997 Valuation	Revised ⁽¹⁾ July 1, 1997 Valuation	July 1, 1998 Valuation
A. CONTRIBUTIONS % OF PAYROLL (Table 11)			
1. Statutory Contributions - Chapter 354A	19.24%	19.24%	17.59%
2. Required Contributions - Chapter 356	18.45%	20.35%	18.82%
3. Sufficiency / (Deficiency)	0.79%	(1.11%)	(1.23%)
B. FUNDING RATIOS			
1. Accrued Benefit Funding Ratio			
a. Current Assets (Table 1)	\$ 556,406	\$ 556,406	\$ 625,053
b. Current Benefit Obligations (Table 8)	708,052	755,529	809,945
c. Funding Ratio	78.58%	73.64%	77.17%
2. Accrued Liability Funding Ratio			
a. Current Assets (Table 1)	\$ 556,406	\$ 556,406	\$ 625,053
b. Actuarial Accrued Liability (Table 9)	757,589	805,066	861,584
c. Funding Ratio	73.44%	69.11%	72.55%
3. Projected Benefit Funding Ratio (Table 8)			
a. Current and Expected Future Assets	\$ 877,947	\$ 877,947	\$ 975,282
b. Current and Expected Future Benefit Obligations	892,866	940,343	1,010,085
c. Funding Ratio	98.33%	93.36%	96.55%
C. PLAN PARTICIPANTS			
1. Active Members			
a. Number (Table 3)	3,842	3,842	4,494
b. Projected Annual Earnings	\$ 160,200	\$ 160,200	\$ 178,365
c. Average Annual Earnings (Actual dollars)	\$ 41,697	\$ 41,697	\$ 39,690
d. Average Age	43.4	43.4	42.7
e. Average Service	11.7	11.7	10.3
f. Additional Members on Leave of Absence ⁽²⁾	179	179	159
2. Others			
a. Service Retirements (Table 4)	1,518	1,518	1,571
b. Disability Retirements (Table 5)	22	22	24
c. Survivors (Table 6)	180	180	194
d. Deferred Retirements (Table 7)	148	148	183
e. Terminated Other Non-Vested (Table 7)	783	783	839
f. Total	2,651	2,651	2,811

⁽¹⁾ For explanation of revision, see page 5 of this report.

⁽²⁾ Valued as deferred retirements, liability included with actives.

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

July 1, 1998

	Market Value	Cost Value
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$ 33,121	\$ 33,121
2. Investments		
a. Fixed Income	220,449	211,753
b. Equity	488,976	318,260
c. Real Estate	-	-
3. Equity in Minnesota Post-Retirement Investment Fund	-	-
4. Other Assets*	8,799	8,799
B. TOTAL ASSETS	\$ 751,345	\$ 571,933
C. AMOUNTS CURRENTLY PAYABLE		
	\$ 6,684	\$ 6,684
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$ 96,304	\$ 96,304
2. Employer Reserves	648,357	468,945
3. MPRIF Reserves	-	-
4. Non-MPRIF Reserves	-	-
5. Total Assets Available for Benefits	\$ 744,661	\$ 565,249
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS		
	\$ 751,345	\$ 571,933
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Cost Value of Assets Available for Benefits (D.5)		\$ 565,249
2. Market Value of Assets Available for Benefits (D.5)	\$ 744,661	
3. Cost Value of Assets Available for Benefits (D.5)	565,249	
4. Market over Cost (F.2 - F.3)	\$ 179,412	
5. 1/3 of Market over Cost (F.4 / 3)		59,804
6. Actuarial Value of Assets (F.1 + F.5)		\$ 625,053

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

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

June 30, 1998

	<u>Market Value</u>		<u>Cost Value</u>
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 647,249	\$	510,984
 B. OPERATING REVENUES			
1. Member Contributions	\$ 11,057	\$	11,057
2. Employer Contributions	21,702		21,702
3. Supplemental Contributions *	-		-
4. Investment Income	20,214		20,214
5. MPRIF Income	-		-
6. Investment Expenses	(2,339)		(2,339)
7. Net Realized Gain / (Loss)	42,294		42,294
8. Other	-		-
9. Net Change in Unrealized Gain / (Loss)	43,147		-
10. Total Operating Revenue	<u>\$ 136,075</u>	<u>\$</u>	<u>92,928</u>
 C. OPERATING EXPENSES			
1. Service Retirements	\$ 34,375	\$	34,375
2. Disability Benefits	639		639
3. Survivor Benefits	2,838		2,838
4. Refunds	417		417
5. Administrative Expenses	394		394
6. Total Operating Expenses	<u>\$ 38,663</u>	<u>\$</u>	<u>38,663</u>
 D. OTHER CHANGES IN RESERVES			
	\$ -	\$	-
 E. ASSETS AVAILABLE AT END OF PERIOD			
	<u>\$ 744,661</u>	<u>\$</u>	<u>565,249</u>

*Included in Employer Contribution

St. Paul Teachers Retirement Fund Association
Reconciliation of Members

	<u>Actives</u>	<u>Leave of Absence</u>	<u>Terminated</u>	
			<u>Deferred Retirement</u>	<u>Other Non-Vested</u>
A. ON JUNE 30, 1997	3,842	179	148	783
B. ADDITIONS	992	65	55	192
C. DELETIONS				
1 Service Retirement	(69)	-	(8)	(1)
2 Disability	(6)	(1)	-	-
3 Death – Survivor	(1)	-	-	-
4 Death – Other	(1)	(1)	-	(1)
5 Terminated – Deferred	(35)	(19)	-	(1)
6 Terminated – Refund	(61)	(7)	(9)	(44)
7 Terminated - Other Non-Vested	(179)	(13)	-	-
8 Leave of Absence	(60)	-	(1)	(1)
9 Returned as Active	74	(44)	(2)	(27)
D. DATA ADJUSTMENTS	(2)	-	-	(61)
1 Vested	2,804			
2 Non-Vested	1,690			
E. TOTAL ON JUNE 30, 1998	4,494	159	183	839

	<u>Recipients</u>		
	<u>Retirement Annuitants</u>	<u>Disabled</u>	<u>Survivors</u>
A. ON JUNE 30, 1997	1,518	22	180
B. ADDITIONS	104	6	23
C. DELETIONS			
1 Service Retirement	-	(4)	-
2 Death	(51)	-	(9)
3 Annuity Expired	-	-	-
4 Returned as Active	-	-	-
D. DATA ADJUSTMENTS	-	-	-
E. TOTAL ON JUNE 30, 1998	1,571	24	194

St. Paul Teachers' Retirement Fund
Actuarial Balance Sheet

(dollars in thousands)

July 1, 1998

A. CURRENT ASSETS (Table 1; Line F.6)		\$ 625,053	
B. EXPECTED FUTURE ASSETS			
1. Present Value of Expected Future Statutory Supplemental Contributions		\$ 201,728	
2. Present Value of Future Normal Costs		<u>148,501</u>	
3. Total Expected Future Assets		<u>350,229</u>	
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS		<u><u>\$ 975,282</u></u>	
D. CURRENT BENEFIT OBLIGATIONS			
	<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>
1. Benefit Recipients			
a. Retirement Annuities		\$ 399,694	\$ 399,694
b. Disability Benefits		6,479	6,479
c. Surviving Spouse and Child Benefits		28,583	28,583
2. Deferred Retirements		4,224	4,224
3. Former Members Without Vested Rights		253	253
4. Active Members			
a. Retirement Annuities *	\$ 9,899	327,205	337,104
b. Disability Benefits	14,195	-	14,195
c. Surviving Spouse and Child Benefits	4,168	-	4,168
d. Deferred Retirements	2,426	10,596	13,022
e. Refund Liability Due to Death or Withdrawal	-	2,223	2,223
5. Total Current Benefit Obligations	<u>\$ 30,688</u>	<u>\$ 779,257</u>	<u>\$ 809,945</u>
E. EXPECTED FUTURE BENEFIT OBLIGATIONS			<u>\$ 200,140</u>
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS			<u><u>\$ 1,010,085</u></u>
G. CURRENT UNFUNDED ACTUARIAL LIABILITY (D.5 - A)			\$ 184,892
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F - C)			\$ 34,803

* 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, 1998

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)			
1. Active Members			
a. Retirement Benefits	\$ 514,379	\$ 112,740	\$ 401,639
b. Disability Benefits	23,411	9,588	13,823
c. Surviving Spouse and Child Benefits	6,875	2,569	4,306
d. Deferred Retirements	21,313	14,667	6,646
e. Refund Liability Due to Death or Withdrawal	4,874	8,937	(4,063)
f. Total	\$ 570,852	\$ 148,501	\$ 422,351
2. Deferred Retirements	\$ 4,224		\$ 4,224
3. Former Members Without Vested Rights	253		253
4. Annuitants in MPRIF	-		-
5. Annuitants Not in MPRIF	434,756		434,756
6. Total	\$ 1,010,085	\$ 148,501	\$ 861,584
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)			
1. Actuarial Accrued Liability (A.6)			\$ 861,584
2. Current Assets (Table 1; Line F.6)			625,053
3. Unfunded Actuarial Accrued Liability (B.1 - B.2)			\$ 236,531
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE			
1. Present Value of Future Payrolls Through the Amortization Date of June 30, 2020			2,699,942
2. Supplemental Contribution Rate (B.3 / C.1)			8.76%

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

June 30, 1998

A. UAAL AT BEGINNING OF YEAR		
1. July 1, 1997 Actuarial Valuation Report	\$	201,183
2. Adjustment		47,477
3. Adjusted UAAL at Beginning of Year	\$	248,660
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING		
1. Normal Cost and Expenses	\$	16,642
2. Contributions		(32,759)
3. Interest		21,158
4. Total	<u>\$</u>	<u>5,041</u>
C. EXPECTED UAAL AT END OF YEAR (A.3 + B.4)	\$	253,701
D. INCREASE / (DECREASE) DUE TO ACTUARIAL LOSSES / (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED		
1. Age and Service Retirements *	\$	-
2. Disability Retirements *		-
3. Death-in-Service Benefits *		-
4. Withdrawal *		-
5. Salary Increases		(1,482)
6. Contribution Income *		-
7. Investment Income **		(6,626)
8. Mortality of Annuitants		(9,843)
9. Other Items		781
10. Total	<u>\$</u>	<u>(17,170)</u>
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.10)	\$	236,531
F. CHANGE IN UAAL DUE TO PLAN AMENDMENTS		-
G. CHANGE IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS		<u>-</u>
H. UAAL AT END OF YEAR (E + F + G)	<u>\$</u>	<u>236,531</u>

* Included in Item D.9.

** Includes a gross investment gain (\$27,507) offset by amounts used to provide next year's cost of living adjustments to retirees totaling \$20,881

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

July 1, 1998

	Percent of Payroll	Dollar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A		
1. Employee Contributions	6.20%	\$ 11,057
2. Employer Contributions	9.26%	16,522
3. Supplemental Contribution		
a. 1996 Legislation	0.54%	967
b. 1997 Legislation	1.58%	2,827
4. Administrative Expense Assessment	0.01%	18
5. Total	17.59%	\$ 31,391
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	7.42%	\$ 13,233
b. Disability Benefits	0.66%	1,170
c. Surviving Spouse and Child Benefits	0.16%	293
d. Deferred Retirements	0.95%	1,696
e. Refund Liability Due to Death or Withdrawal	0.64%	1,136
f. Total	9.83%	\$ 17,528
2. Supplemental Contribution Amortization	8.76%	15,626
3. Allowance for Administrative Expenses	0.23%	414
4. Total	18.82%	\$ 33,568
C. CONTRIBUTION SUFFICIENCY / (DEFICIENCY) (A.5 - B.4)	(1.23%)	(2,177)
Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:		\$ 178,365

Investment
Section

St. Paul Teachers' Retirement Fund Association
Investment Manager Returns
For the Period Ended June 30, 1998

	Assets Under Management (Market Value)	Investment Performance
Domestic Equity	\$ 408,222,392	22.33%
Barclays Global Investors—S & P 500 Index	102,722,161	30.19
Barclays Global Investors—Small Cap Index	1,452,403	17.37
Barclays Global Investors—Extended Market Index	20,950,881	--
Investment Advisors, Inc.	29,216,574	9.91
Oppenheimer Capital Co.	91,753,937	20.85
Voyageur Asset Management	158,320,176	22.91
In-House Equity	3,806,260	--
International Equity	\$ 93,497,922	8.09%
Capital International, Inc.	10,771,190	(27.56)
Capital Guardian Trust, Co.	10,004,889	--
Morgan Stanley	72,721,843	16.71
Fixed Income	\$ 234,081,271	11.25%
Barclays Global Investors—Government/Corp Index	71,377,653	11.37
State Street Research	107,607,696	11.54
Voyageur Asset Management	55,095,922	10.51
Short Term	\$ 4,946,099	5.74%
In-House Cash & Cash Equivalents	4,946,099	5.74
Total Fund	\$ 740,747,684	16.66%

Active Fixed Income Accounts

As of June 30, 1998

Name	Rate	Maturity	Par	Market
Allmerica Financial Corp.	7.63	10/15/25	\$ 500,000	\$ 542,970
American Express Master Trust	6.80	5/15/01	1,000,000	1,027,810
Arcadia Auto Trust Corp.	6.55	6/15/04	500,000	508,590
Arcadia Auto Trust Corp.	6.70	2/15/05	525,000	537,794
Associates Corp.	6.50	8/15/02	1,000,000	1,015,310
Associates Corp.	6.75	7/15/01	1,500,000	1,532,805
British Sky Broadcasting	7.30	10/15/06	1,050,000	1,124,477
Capital One Bank Corp.	7.08	10/30/01	1,000,000	1,024,370
Chase Manhattan Master Trust	7.04	5/15/01	1,025,000	1,057,831
CIT Group Holdings Inc.	6.70	5/28/01	600,000	611,718
Columbia HealthCare Corp.	6.91	6/15/05	1,000,000	966,090
Columbia HealthCare Corp.	7.50	12/15/23	250,000	236,133
Columbia HealthCare Corp.	7.58	9/15/25	520,000	494,484
Commercial Credit Group Inc.	6.75	5/15/00	1,000,000	1,013,590
Countrywide Funding Corp.	6.28	1/15/03	1,000,000	1,002,030
Countrywide Home Loans	6.58	9/21/01	2,550,000	2,584,655
Credit Suisse First Boston Mtg.	6.52	1/17/35	1,025,000	1,046,105
Darden Restaurant Inc.	6.38	2/1/06	1,000,000	990,780
Deutsche Mortgage and Asset	6.54	6/15/31	775,000	792,562
Deutsche Mortgage and Asset	6.22	6/15/31	839,386	842,929
Federal Home Ln Mtg Corp. #67232	7.00	1/1/26	1,386,459	1,407,687
Federal Home Ln Mtg Corp. #79342	7.50	4/1/27	1,509,140	1,546,627
First Union Lehman Corp.	6.60	5/18/07	1,025,000	1,046,013
Federal Natl Mtg Assoc. #050995	7.50	1/1/24	2,004,260	2,059,055
Federal Natl Mtg Assoc. #303920	9.50	10/1/03	345,475	358,863
Ford Credit Owners Trust	6.05	4/15/01	1,025,000	1,027,563
Fort James Corp.	6.63	9/15/04	1,500,000	1,525,770
General Electric Mtg Services Inc.	6.00	1/25/09	645,922	640,168
General Electric Insurance Hldgs Corp.	7.00	2/15/26	1,100,000	1,176,483
GMAC Commercial Mtg Corp. 98-C1	6.41	11/15/07	513,004	529,458
GMAC Commercial Mtg Corp. 97-C2	6.45	12/15/04	522,230	521,751
Govt Natl Mtg Assoc. #345128	6.50	1/15/24	1,563,025	1,564,729
Govt Natl Mtg Assoc. #360248	7.00	5/1/24	3,799,610	3,869,637
Govt Natl Mtg Assoc. #383507	6.50	3/15/09	289,193	292,354
Govt Natl Mtg Assoc. #780303	6.50	2/15/09	567,589	573,793
Govt Natl Mtg Assoc. #780316	6.50	7/15/09	1,223,085	1,236,454
Govt Natl Mtg Assoc. #780419	7.50	12/15/09	641,454	662,596
Govt Natl Mtg Assoc. #780462	7.50	6/15/09	806,048	832,615
Govt Natl Mtg Assoc. 1996-6	6.50	2/16/20	1,475,000	1,497,804
Green Tree Recreational Equipment	5.55	2/15/18	431,769	430,081
Guaranteed Export Trust Co.	6.55	6/15/04	599,998	616,120
Hellenic Republic of Greece	6.95	3/4/08	600,000	610,026
Household Finance Corp.	6.88	3/1/03	900,000	924,327
Ingersoll Rand Co.	6.26	2/15/01	1,000,000	1,005,620
Lehman Brothers Holdings Inc.	6.33	10/18/04	512,945	517,993
MBNA Corp Mortgage Notes	6.88	11/15/02	750,000	764,063
Millipore Corp.	7.20	4/1/02	500,000	517,340
Morgan Stanley Capital Corp.	6.19	1/15/07	491,939	493,400
Morgan Stanley Capital Corp.	6.22	5/3/05	575,000	578,237
Nationsbank Cr Card Master Trust Co.	6.45	8/15/00	1,200,000	1,217,052
New Jersey Economic Development	7.43	2/15/29	475,000	536,156
News America Holdings Inc.	7.38	10/17/08	1,250,000	1,309,375
Northern States Power MN	6.50	3/1/28	525,000	530,014
Prime Credit Master Trust	6.75	8/15/02	500,000	516,405
Province of Quebec	7.13	2/9/24	275,000	293,475
Prudential Home Mtg Corp.	6.50	2/25/24	527,118	523,576
Prudential Home Mtg Corp.	6.80	5/25/24	632,261	635,714
Sears Credit Acct Master Trust	6.20	7/15/07	525,000	532,875
Sears Credit Acct Master Trust	8.10	6/15/04	2,000,000	2,062,800
Solutia Inc.	6.50	2/10/15	1,000,000	1,010,620
Southern Calif Edison Co.	5.88	1/15/01	900,000	895,635
Southern Investments Corp.	6.80	12/1/06	750,000	777,068
Structured Asset Securities Corp.	6.75	6/12/04	985,267	1,015,071
Tyco International Group SA	6.25	6/15/13	1,100,000	1,096,733
US Treasury Bonds	6.63	2/15/27	1,400,000	1,581,566
US Treasury Bonds	6.88	8/15/25	1,050,000	1,216,362
US Treasury Bonds	8.13	8/15/21	7,150,000	9,319,596
US Treasury Bonds	8.50	2/15/20	3,125,000	4,189,469
US Treasury Bonds	8.75	5/15/17	3,850,000	5,185,488
US Treasury Bonds	12.00	8/15/13	525,000	779,625
US Treasury Bonds	6.88	5/15/06	1,400,000	1,516,382
US Treasury Inflation Bonds	3.63	1/15/08	525,000	519,094
US Treasury Inflation Bonds	3.63	4/15/28	500,000	494,220

Continued ...

Active Fixed Income Accounts

Continued ...

Name	Rate	Maturity	Par	Market
US Treasury Notes	6.25	2/28/02	\$ 1,075,000	\$ 1,099,521
US Treasury Strips	--	5/15/07	2,400,000	1,468,872
US Treasury Strips	--	11/15/15	1,725,000	645,254
US Treasury Strips	--	5/15/03	3,150,000	2,417,121
Usinor Sacilor Corp.	7.25	8/1/06	950,000	1,009,375
Wal Mart Stores Inc.	5.65	2/1/10	1,400,000	1,400,000
World Omni Auto Leasing Securities	6.18	11/25/03	1,025,000	1,029,805
Cash and Cash Equivalents				13,003,700
TOTAL State Street Research			\$ 90,857,177	\$ 107,607,672

Name	Rate	Maturity	Par	Market
Advanta Business Services	5.77	12/15/06	\$ 800,000	\$ 799,250
American General Corp.	8.12	3/15/46	1,100,000	1,290,949
American Health Properties Inc.	7.05	1/15/02	1,000,000	1,018,120
Bank One Cr Card Master Trust	7.80	12/15/00	2,100,000	2,116,716
Boston Scientific Inc.	6.63	3/15/05	1,000,000	1,017,810
Commonwealth Edison Inc.	7.38	9/15/02	1,100,000	1,148,125
Countrywide Home Loans	6.38	10/8/02	780,000	784,875
CSX Corp.	7.25	5/1/04	1,000,000	1,047,810
Federal Home Ln Mtg Corp. #E00469	6.50	12/1/11	2,124,368	2,139,621
Federal Home Ln Mtg Corp. #E69092	6.50	2/1/13	1,164,288	1,172,101
Federal Home Ln Mtg Corp. #G10685	6.50	6/1/12	2,568,440	2,585,674
Federal Home Ln Mtg Corp. #C00573	6.50	12/1/27	2,730,619	2,722,509
Federal Home Ln Mtg Corp. #D85222	6.50	1/1/28	1,028,468	1,025,413
First Union Nassau	6.56	11/18/08	825,000	842,274
Firstplus Home Loan Corp.	6.82	12/10/01	900,000	909,567
Federal Natl Mtg Assoc Med Term Notes	6.54	10/3/05	2,000,000	2,099,800
Federal Natl Mtg Assoc Med Term Notes	5.94	12/12/05	1,275,000	1,293,743
FNR 1998-29	7.00	3/20/11	1,400,000	1,438,938
Ford Motor Credit Co.	7.00	9/25/01	570,000	585,048
GATX Capital Corp.	6.50	11/1/00	1,030,000	1,039,816
General Motors Acceptance Corp.	7.12	5/1/01	1,020,000	1,049,968
MCI Communications	6.13	4/15/02	1,000,000	1,001,090
Metris Master Trust Co.	7.11	10/20/05	750,000	775,898
Pacificorp.	6.38	5/15/08	1,000,000	1,005,780
Salomon Smith Barney Holdings	6.25	1/15/05	1,100,000	1,098,966
TCI Communications Inc.	6.38	5/1/03	700,000	705,572
UCFC Home Equity Loans	6.84	1/15/29	1,270,000	1,286,669
US Treasury Bonds	7.50	11/15/16	1,775,000	2,131,118
US Treasury Bonds	7.88	2/15/21	2,645,000	3,356,664
US Treasury Bonds	6.50	8/15/05	1,280,000	1,351,206
US Treasury Bonds	7.00	7/15/06	550,000	600,875
US Treasury Notes	6.38	9/30/01	1,650,000	1,689,188
US Treasury Notes	6.63	3/31/02	4,340,000	4,494,634
US Treasury Notes	6.88	8/31/99	1,000,000	1,015,000
US Treasury Notes	7.25	5/15/04	1,000,000	1,085,000
US Treasury Notes	6.25	4/30/01	1,775,000	1,807,731
US Treasury Notes	6.63	4/30/02	925,000	958,818
US Treasury Strips	--	11/15/04	700,000	493,276
Xerox Capital Trust Corp.	8.00	2/1/27	590,000	637,749
Cash and Cash Equivalents				1,472,600
TOTAL Voyageur Asset Management			\$ 51,566,183	\$ 55,095,958

Commercial Paper

As of June 30, 1998

Name	Rate	Maturity	Market
American Express Financial Corp.	5.48	7/1/98	\$ 3,199,514
Ford Motor Credit Corp.	5.46	7/15/98	995,845
General Motors Acceptance Corp.	5.56	7/15/98	750,151
TOTAL Commercial Paper			\$ 4,945,510

Indexed Fixed Income Fund

As of June 30, 1998

Name	Market
Barclays Global Investors	\$ 71,377,663
TOTAL Indexed Fixed Income Fund	\$ 71,377,663

Active Domestic Equity Accounts

As of June 30, 1998

Shares	Name	Market
18,557	Abbott Laboratories	\$ 760,837
39,516	ABC Rail Products Corp.	681,651
9,113	Allstate Corp.	834,414
14,746	Ameritech Corp.	661,727
13,918	Amoco Corp.	581,077
30,510	Anicom Inc.	453,836
5,468	Aptargroup Inc.	340,044
21,870	Caseys General Stores Inc.	362,233
8,616	Dayton Hudson Corp.	417,876
62,298	Diametrics Medical Inc.	475,022
5,600	Digi International Inc.	113,400
10,935	Ecolab Inc.	338,985
14,208	Engineering Animation Inc.	866,688
17,231	Fort James Corp.	768,933
34,399	FSI International Inc.	333,258
22,865	Gallileo International Inc.	1,030,366
4,142	Grainger W.W. Inc.	206,325
13,918	HALO Industries Inc.	433,198
30,652	Heller Financial Inc.	919,560
8,698	Horace Mann Educators Corp.	300,081
8,781	Hormel Foods Corp.	303,498
9,196	Household International Inc.	457,501
10,770	Illinois Tool Works Inc.	718,230
28,498	ITI Technologies Inc.	806,864
12,453	Land's End Inc.	393,826
52,025	Lodgenet Entertainment Corp.	526,753
6,000	Manpower Inc.	172,128
16,403	Medtronic Inc.	1,045,691
11,018	Newell Co.	548,840
48,463	Northfield Laboratory Inc.	714,829
24,791	Northland Cranberries Inc.	382,723
10,562	Old Republic International Corp.	310,259
21,953	Patterson Dental Co.	804,029
19,054	Pentair Inc.	809,795
23,279	Platinum Technology Inc.	664,918
20,794	Recovery Engineering Inc.	437,984
18,805	Reliastar Financial Corp.	902,640
26,924	Richardson Electric LTD	363,474
15,574	Sears Roebuck & Co.	950,995
40,096	Secure Computing Corp.	395,948
23,030	Snap-On Inc.	834,838
7,042	Sundstrand Corp.	403,155
5,882	Tootsie Roll Industries Inc.	451,444
14,083	Tower Automotive Inc.	603,809
7,456	United Healthcare Corp.	474,858
18,143	Valspar Corp.	721,184
129,069	Video Update Inc.	185,601
16,651	Walgreens Co.	687,903
--	Cash and Cash Equivalents	2,263,400
TOTAL Investment Advisors Inc.		\$ 29,216,625

Shares	Name	Market
159,000	ACE LTD	\$ 6,201,000
50,000	Avnet Inc.	2,734,400
66,000	BankBoston Corp.	3,671,250
15,000	Becton Dickinson & Co.	1,164,375
70,000	Boeing Co.	3,119,410
65,000	Champion International Corp.	3,197,220
26,000	Citicorp.	3,880,500
50,000	Diageo PLC	2,400,000
67,000	Donnelley R.R. & Sons Co.	3,065,250
70,000	Exel Limited	5,442,500
20,000	Federal Home Loan Mtg Corp.	5,176,930
35,000	Hercules Inc.	1,439,375
110,000	ITT Industries Inc.	4,111,250
100,000	Loral Space & Communications	2,825,000
70,000	Lucasvarity PLC	2,786,910
9,500	M & T Bank Corp.	5,263,000
43,000	Mattel Inc.	1,819,459
70,000	McDonalds Corp.	4,830,000
40,000	Nordstrom Inc.	1,545,000

Continued ...

Active Domestic Equity Accounts

Continued ...

Shares	Name	Market
100,000	Sabre Group Holdings Inc.	\$ 3,800,000
40,000	Sysco Corp.	1,025,000
30,000	Tenneco Inc.	1,141,890
35,000	Textron Inc.	2,509,080
30,000	Transamerican Corp.	3,453,750
18,000	Triton Energy LTD	645,750
30,000	UAL Corp.	2,340,000
100,000	Unitrode Corp.	1,150,000
55,000	Varian Associates Inc.	2,145,000
4,000	Wells Fargo & Co.	1,476,000
--	Cash and Cash Equivalents	7,394,600
TOTAL Oppenheimer Inc.		\$ 91,753,899

Shares	Name	Market
100,000	Midamerican Energy Co.	\$ 2,162,500
20,000	Minnesota Mining & Mfg Co.	1,643,760
TOTAL In House Equities		\$ 3,806,260

Shares	Name	Market
154,000	Abbott Laboratories	\$ 6,314,000
125,000	Albertsons Inc.	6,476,625
126,000	Anheuser Busch Cos Inc.	5,945,688
133,000	Bandag Inc.	5,187,000
123,000	Bemis Inc.	5,027,625
209,000	Con Agra Inc.	6,622,792
122,000	Dillard Inc.	5,055,436
155,000	Electronic Data Systems Corp.	6,190,390
90,000	Gannett Inc.	6,395,670
180,000	Genuine Parts Co.	6,221,340
104,000	Grainer W.W. Inc.	5,180,552
130,000	Great Lakes Chemical Corp.	5,126,940
80,000	Hewlett Packard Co.	4,790,000
89,000	Home Depot Inc.	7,392,607
165,000	KeyCorp.	5,878,125
53,000	Merck & Co. Inc.	7,088,750
157,000	Philip Morris Cos. Inc.	6,181,875
106,000	Royal Dutch Petroleum Co.	5,810,178
95,000	Sara Lee Corp.	5,314,110
76,000	Schering Plough Corp.	6,963,500
137,000	Shell Trans. & Trading PLC	5,805,375
161,000	Sigma Aldrich Corp.	5,655,125
146,000	South Trust Corp.	6,351,000
250,000	Sysco Corp.	6,406,250
169,000	UST Inc.	4,563,000
120,000	Wal-Mart Stores Inc.	7,290,000
--	Cash and Cash Equivalents	3,086,200
TOTAL Voyager Asset Management		\$ 158,320,153

Indexed Equity Fund

As of June 30, 1998

Name	Market
Barclays Global Investors	\$ 102,722,161
Barclays Global Investors - Small Cap	1,452,403
Barclays Global Investors - Extended Market	20,950,881
TOTAL Indexed Equity Fund	\$ 125,125,445

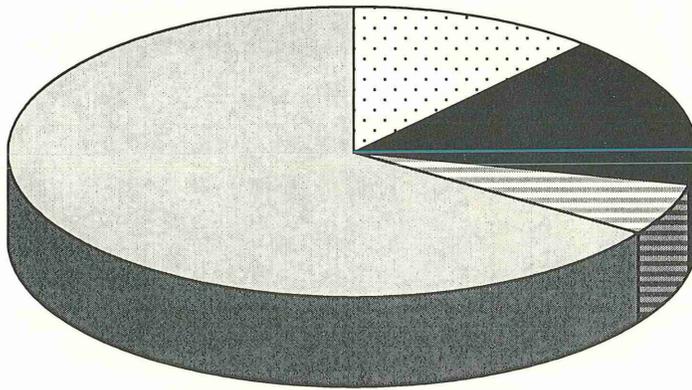
International Equity Fund

As of June 30, 1998

Name	Market
Capital Guardian Trust Co.	\$ 10,004,889
Capital International Inc.	10,771,190
Morgan Stanley Pooled International Equity Trust	72,721,843
TOTAL International Equity Fund	\$ 93,497,922

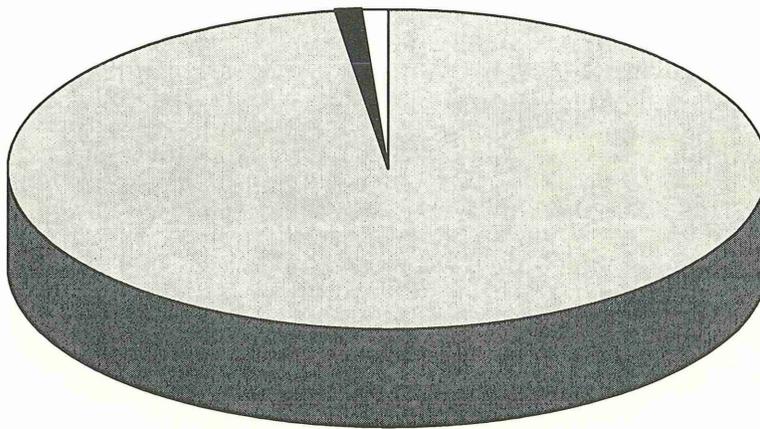
Graphical
Section

1997-98 Revenue By Source



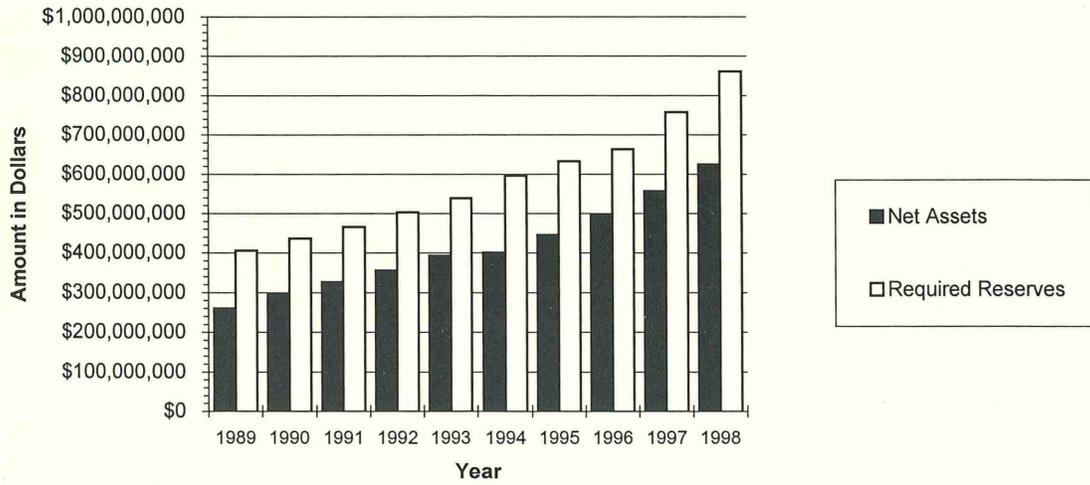
- Member Contributions 11.61%
- Employer Contributions 17.00%
- State of Minnesota 5.78%
- Realized Investment Income 65.61%

1997-98 Expenses By Type

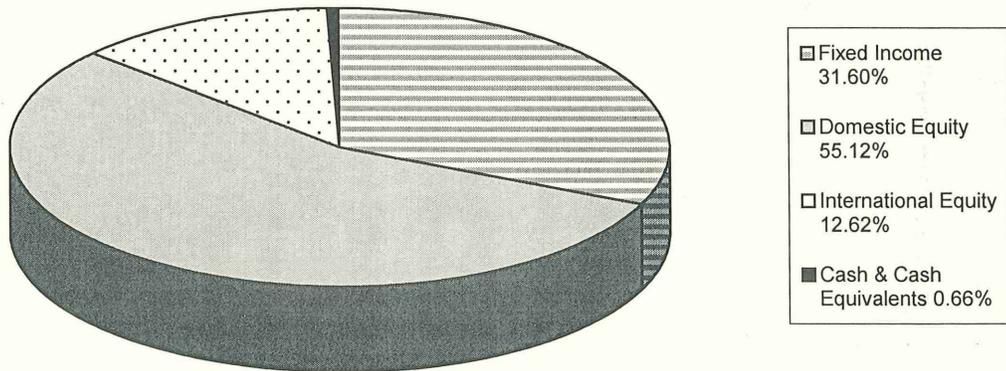


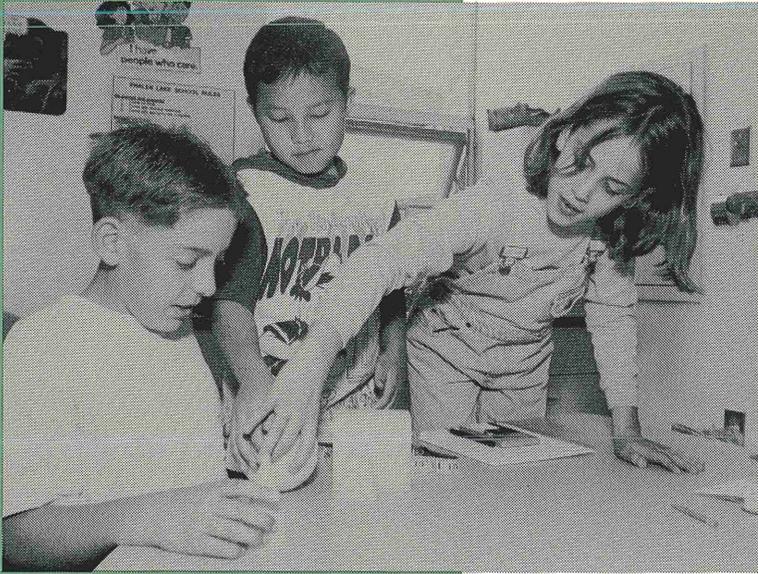
- Benefits 97.90%
- Refunds of Dues 1.08%
- Administrative Expenses 1.02%

1997-98 Summary Of Net Assets And Required Reserves



June 30, 1998 Asset Distribution - Market Value





Benefits
Section

General Provisions for All Members

Part-time Employment

When a member is employed by ISD #625 in a part-time teaching program, service credit earned is proportionate to credit that would have been earned as a full-time employee.

The 1994 legislature provided for an employer approved part-time program that allows full-time service credit. Full service credit is allowed if full required employee and employer contributions are paid to SPTRFA on the member's behalf. It is the responsibility of the member to apply for this part-time teaching program and make the appropriate payments.

Definition of Salary

SPTRFA is governed by Minnesota Statute, section 354A.011, subdivision 24 with regard to salary. Salary is all compensation upon which allowable dues are paid for the period July 1 through the following June 30.

Combined Service

The Combined Service Law passed by the Legislature in 1975 provides for the combination of a member's service in all public funds in Minnesota to determine benefits at the time of retirement.

The total credited years of service in all funds will be considered when determining eligibility for the Rule of 90 and other benefits. Benefit payments will be made by each fund in which the member has credited service.

Refund of Contributions

A member who resigns from ISD #625 is entitled to receive a refund of employee contributions, plus interest of 6% compounded annually. Coordinated Plan members have access to a refund of contributions at any age. Basic Plan members must be under age 55 to receive a refund of contributions. A refund surrenders all rights to benefits.

Current tax law mandates that if the member does not "roll over" the untaxed portion of the refund into an Individual Retirement Account (IRA) or some other Qualified Pension Plan, an automatic 20% federal tax will be deducted. If the member is under age 59½, an additional 10% early distribution penalty will be assessed by the IRS. The 10% penalty is charged when the member files his or her tax return.

If the member anticipates returning to public employment in Minnesota, the refund may be "rolled over" into a separate "Conduit" IRA.

Repaying a Refund of Contributions

A member who received a refund may, upon reappointment in St. Paul or by another Minnesota public employer, reinstate the previous St. Paul service by repaying the amount refunded plus 8.5% interest compounded annually from the date the refund was taken.

The repayment can only be made after the member has accumulated at least two years of service since the last refund was taken.

Members have the option of making partial repayments of refunds if all of the following conditions are met:

- The member must have at least two years of service since the last refund.
- The member must have taken a refund or refunds covering at least two years of service.
- The repayment must be for a minimum of one-third of the total service credit the member lost by taking the refund(s).
- The cost of making a partial repayment of refund(s) is the cost of the total repayment plus interest, multiplied by the ratio of the amount of service the member wishes to restore to the service the member forfeited by taking the refund(s).

Federal and state laws allow for the money to remain tax sheltered if the repayment is made from funds in a qualified "Conduit" IRA.

Beneficiary

A beneficiary is the person, persons or organization designated to receive a refund of employee contributions plus interest if no survivor or family benefit is payable.

If there is no beneficiary form on file for a member or if all individuals listed as beneficiaries are deceased, a refund, if applicable, will be paid to the member's estate.

Marriage Dissolution

The issue of marriage dissolution is difficult to address. However, a marriage dissolution *can* affect retirement benefits.

During a marriage dissolution proceeding the court may decide that the pension benefits accrued during the marriage are part of the marital property and must be included in the division of such property.

In order for the court to have sufficient information concerning the value of a member's retirement fund, SPTRFA can project the member's estimated retirement benefit. Parties of a marriage dissolution could then have an actuary value the pension benefit based on SPTRFA's projections.

Minnesota Statute, section 518.58, subdivision 3, requires that the court, when dividing pension benefits, make the disposition by using liquid or readily liquidated property as far as possible rather than property representing pension benefits.

In the event that the court decides that there are not enough liquid assets to divide the marital property equitably, the court may order that the future pension benefits be divided. A formula for splitting the benefit should be put into the dissolution decree.

SPTRFA is able to provide assistance in interpreting statutes pertaining to public pension funds. Pension information is available to both the petitioner and respondent in a dissolution case. We will work with the member's attorney to ensure that the dissolution decree can be administered properly under the Articles and Bylaws of the Association and Laws of Minnesota.

The Laws of Minnesota require that SPTRFA receive a copy of the petition and summons, as well as a copy of the affidavit of service before such information is released. All inquiries are kept confidential.

Rule of 90

The Rule of 90 is an incentive program applicable to Tier I benefits in both the Basic and Coordinated Plans that eliminates the early retirement discount when a member's age plus years of service total or exceed 90. The Rule of 90 does not apply to Tier II benefits in either plan.

Coordinated Plan members first hired after June 30, 1989 are not eligible for Tier I benefits and therefore, are not eligible for the Rule of 90.

Steps to Retirement

Members planning to retire need to contact SPTRFA to set up an appointment to apply for pension benefits at least 30 days before the effective date of retirement. (SPTRFA appreciates 60 days advance notice.)

SPTRFA will provide members with the necessary documents to apply for pension benefits, including information relating to the taxability of benefits. All inquiries are kept confidential.

A member may apply for retirement benefits up to 90 days after the last date of employment provided that the member has not returned to employment with ISD #625. The retirement benefits would be effective retroactive to the first eligible date after the termination of employment.

Deferred Pension

A deferred pension is available to members whose employment is terminated after completion of at least three years of service. A deferred benefit may begin as early as age 55.

The benefit is computed by applying the normal retirement formula at the time of termination. This benefit will augment, or increase, by 3% each year until the member is age 55 and then 5% each year beginning January 1 of the year after the member reaches age 55 until the member begins to receive the benefit. If the member begins to receive a benefit before the Tier I or Tier II normal retirement age, applicable discounts will apply.

Teaching After Retirement

A retired member of SPTRFA may be reemployed by ISD #625 or with a charter school or technical college that reside within the corporate limits of St. Paul. However, earnings are limited to the amount that causes a reduction in the primary Social Security benefit for that calendar year. If the retiree earns more than the allowable amount the pension will be reduced one dollar for every three dollars the member earns over the limit. A retired member can teach in a parochial or private school, another school system or work for any other employer without losing pension benefits.

Post Retirement Increase

Retirees receive an annual guaranteed 2% compounding post retirement increase. An excess earnings increase will be paid in addition to the annual guaranteed 2% compounding post retirement increase in years when our five year annualized rate of return exceeds 8.5%.

Retirees must be retired for one full fiscal year- July 1 through the following June 30 – to qualify for the post retirement increase. Eligible retirees receive adjustments on January 1 of each year.

Pre-78 Supplemental Bonus

An annual supplementary bonus payment is paid to retirees who retired before July 1, 1978. The amount first received by an eligible member is increased each year.

Coordinated Plan Summary of Tier Benefits

Vested members of the Coordinated Plan are eligible to receive a lifetime monthly pension based on the member's Final Average Salary (FAS), Years of Service (YOS) and Applicable Service Factor (ASF).

The following chart provides an overview of the Tier I and Tier II retirement benefits:

Benefit	Minimum Age	Minimum Service	Computation of Benefit
Tier I			
<i>Normal Unreduced Benefit</i>	62	30	Formula = FAS x [YOS (10) x 1.2% ASF + YOS (in excess of 10) x 1.7% ASF]. The Rule of 90 will also produce an unreduced benefit in Tier I.
<i>Normal Reduced Benefit</i>	Any Age	30	Formula reduced by discount of 0.25% for each month a member's age is under 62.
Tier II			
<i>Normal Unreduced Benefit</i>	65 if first employed before July 1, 1989. 65-66 if first employed after June 30, 1989.	3	Formula = FAS x YOS x 1.7% ASF.
<i>Normal Reduced Benefit</i>	55	3	Formula reduced by the use of actuarial tables.

Basic Plan Summary of Tier Benefits

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

The following chart provides an overview of the Tier I and Tier II retirement benefits:

Benefit	Minimum Age	Minimum Service	Computation of Benefit
Tier I			
<i>Normal Unreduced Benefit</i>	60	25	Formula = FAS x YOS x 2.0% ASF. The Rule of 90 will also produce an unreduced benefit in Tier I.
<i>Normal Reduced Benefit</i>	55	25	Formula reduced by discount of 0.25% for each month a member's age is under 60.
Tier II			
<i>Normal Unreduced Benefit</i>	65	3	Formula = FAS x YOS x 2.5% ASF.
<i>Normal Reduced Benefit</i>	55	3	Formula reduced by the use of actuarial tables.

Historical
Section

Calculation Of 1999 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 (\$393,992) are compared to what they would have been on a proportional basis in the State of Minnesota Teachers Retirement Association (\$387,743). Therefore, the 1999 administrative expense charge to SPTRFA members is \$6,249.

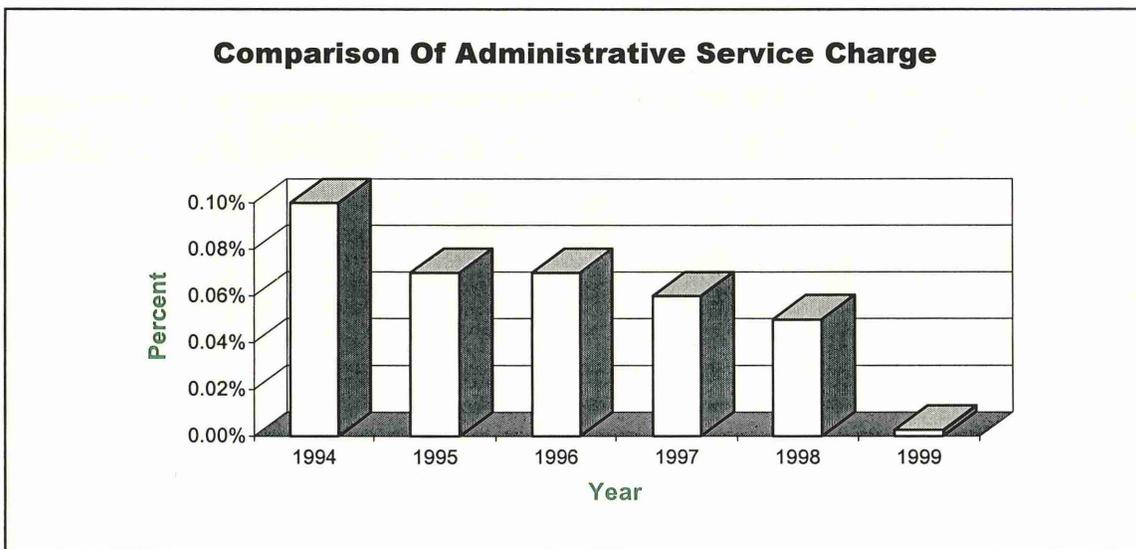
To determine the cost to each member we calculate the total payroll. This is done by adding SPTRFA's anticipated 1999 active member payroll (\$178,365,000) to the anticipated 1999 retiree payroll (\$41,000,000). As a result, SPTRFA's total payroll amounts to \$219,365,000.

In order to distribute the charge equally we need to break the 1999 administrative expense charge down to a percent of total payroll.

In other words, SPTRFA's administrative charge to members (\$6,249) divided by SPTRFA's total payroll (\$219,365,000) equals 0.0028% or 0.000028.

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

The retiree assessment will be 0.0028% of the 1999 retiree total pension payments.



Fiscal Year Ending	Pensions Granted	Persons On Payroll	Benefits Paid (\$)
--------------------	------------------	--------------------	--------------------

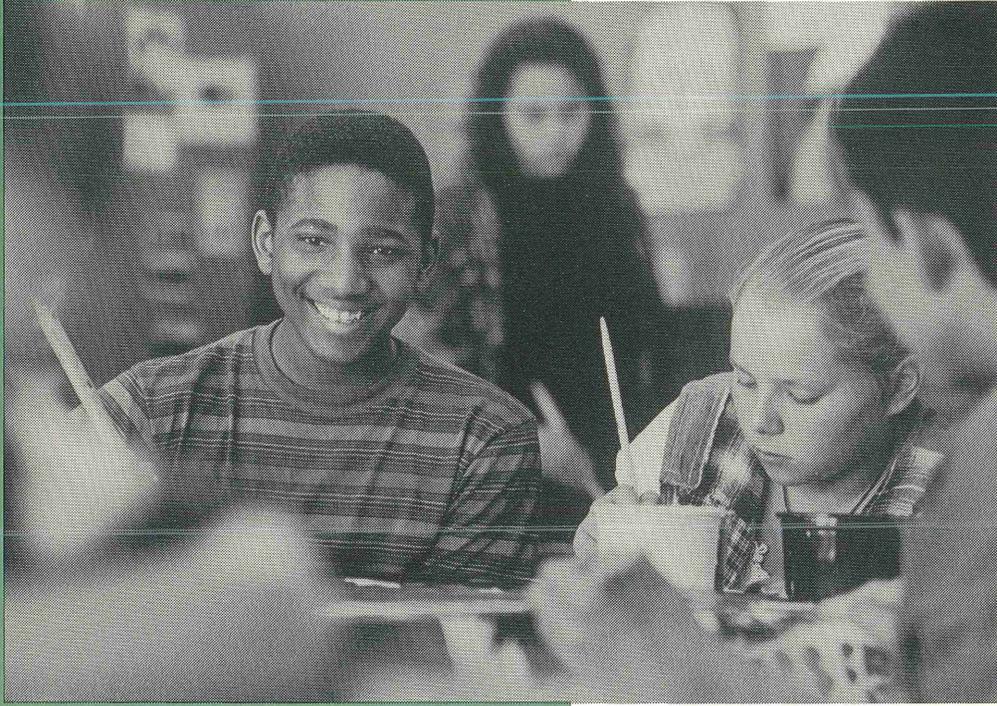
June 1910	15	13	\$ 4,860
June 1931	8	125	69,024
June 1932	8	130	72,961
June 1933	2	126	74,190
June 1934	6	127	74,120
June 1935	9	131	74,001
June 1936	14	135	75,864
June 1937	19	151	80,747
June 1938	17	160	89,709
June 1939	11	161	93,184

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
June 1997	179	1,720	32,056,967
June 1998	129	1,789	37,852,099



**St. Paul Teachers'
Retirement Fund
Association**

**1619 Dayton Avenue
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