

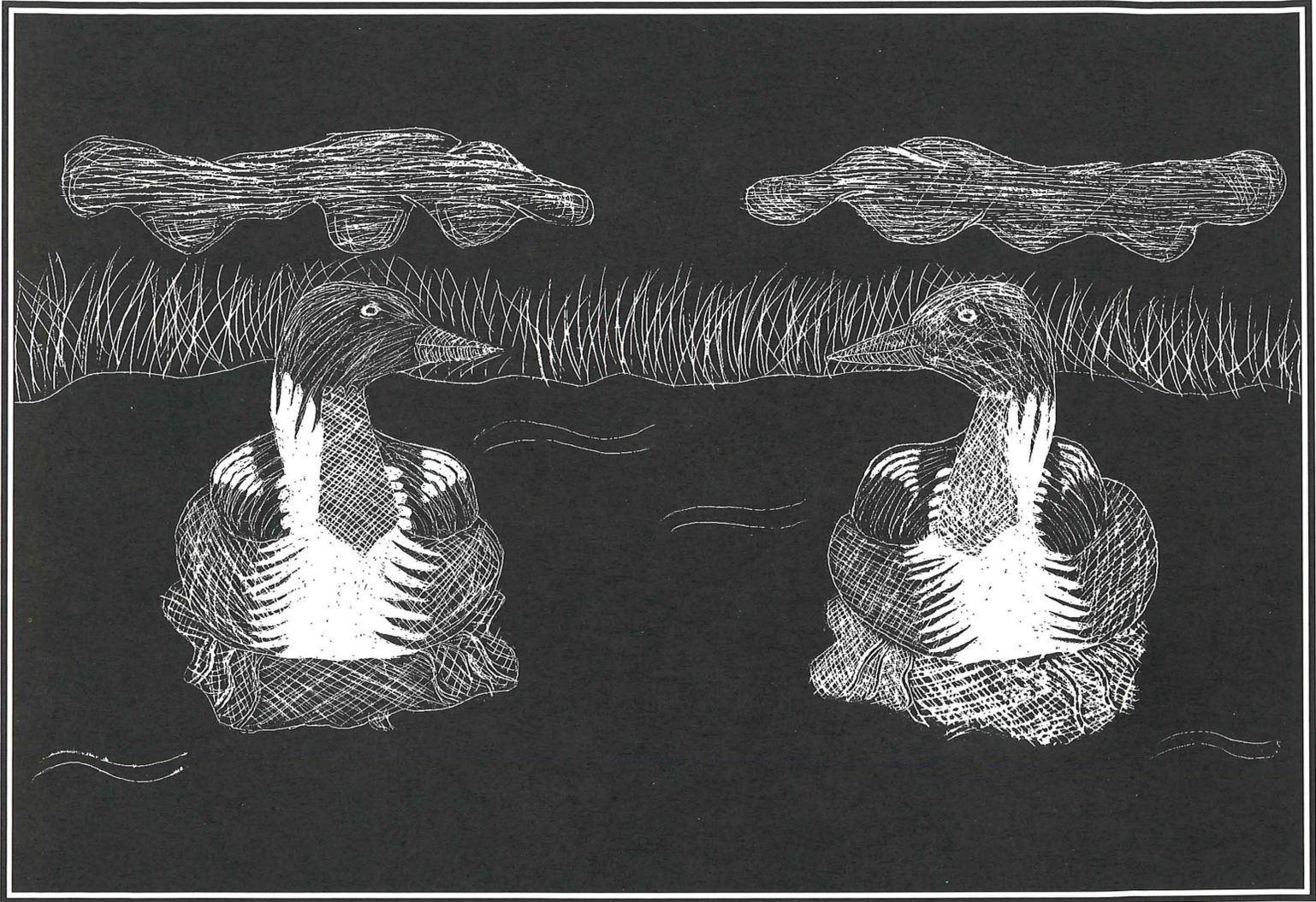
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MTRFA

Minneapolis Teachers' Retirement Fund Association



Artwork by Miranda Carr, 8th Grade, Anwatin Middle School

Eighty-Fifth Annual Report of the Board of Trustees For the Year Ended June 30, 1994

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Minneapolis Teachers' Retirement Fund Association

1993-1994 Annual Report

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INTRODUCTORY SECTION

January 6, 1995

Letter of Transmittal

To the Members of the Minneapolis Teachers' Retirement Fund Association:

On behalf of the Board of Trustees of the Minneapolis Teachers' Retirement Fund Association (MTRFA), I am pleased to submit the Eighty-Fifth Annual Report for the fiscal year which ended June 30, 1994. This Annual Report has been prepared in accordance with Minnesota Statute 356.20.

MTRFA Membership

At June 30, 1994, the MTRFA had 8,680 members. The membership consisted of 4,593 active members, 1,323 separated members and 2,764 benefit recipients. In the fiscal year ended June 30, 1994, the MTRFA made payments to benefit recipients (retirees, disabilitants and survivors) totaling \$48,208,824.

The MTRFA membership has increased significantly in the past three years, increasing 31.2% from 6,616 members at June 30, 1991 to 8,680 members at June 30, 1994. A number of factors have contributed to this increase in membership including the mandatory membership of reserve teachers and the repayment of refunds by separated members.

Revenues

MTRFA revenues consist of employee and employer contributions and investment earnings on fund assets. Fiscal year 1994 employer and employee contributions totaled \$11,507,295 and \$16,355,280 respectively. The employer contributions included the first revenue from the 1993 legislation allowing the City of Minneapolis and Special School District #1 to levy up to \$1,250,000 per year. The levy proceeds paid to the MTRFA are then matched by the State of Minnesota. The MTRFA recognized the first half year revenue of \$2,448,007 in fiscal 1994 as a result of the levy and matching funds.

Investment income (net of investment expenses) totaled \$44,018,189 in fiscal 1994. This income resulted from interest, dividend and rental income, and from the gain on sales of marketable securities and real estate.

Expenses

MTRFA expenses for the fiscal year ended June 30, 1994, totaled \$49,139,081. Benefit payments to retirees, disabilitants, survivors and death benefit recipients made up 98% (\$48,339,316). The remaining expenses consisted of administrative expenses (\$555,880) and withdrawals of contributions by separated members (\$243,885).

The MTRFA continues to work hard on controlling investment and administrative expenses by renegotiating various contracts and through operating efficiencies. Administrative expenses decreased from \$659,538 in fiscal 1992 and \$576,839 in fiscal 1993 to \$555,880 in fiscal 1994. (See pages 43 and 44 for investment expense and administrative expense detail.)

Investments

The MTRFA investment portfolio is dominated by high-quality and diversified assets that emphasize a long-term investment approach. For the year ended June 30, 1994, the MTRFA time-weighted rate of return was 2.25% compared to the S&P 500 return of 1.40%.

INTRODUCTORY SECTION

In fiscal year 1994, the MTRFA made several changes in the portfolio. These included the hiring of Chancellor Capital as a large capitalization growth manager, investment in the PanAgora EAFE GDP international index fund, and decreasing the fund's exposure to convertible investments.

Funding

The MTRFA funding level continues to be a major concern. The Accrued Liability Funding Ratio decreased from 57.10% to 55.86%. This decrease was mainly the result of investment return being less than the MTRFA assumed rate of return of 8.50%.

It should be noted however that the contribution deficiency as a percentage of payroll (see page 34) was reduced from 10.54% at July 1, 1993, to 5.87% at July 1, 1994. This decrease was the result of the levy and matching revenue as discussed above (3.02%) and an increase in employer contributions on coordinated member payroll (1.11%).

Securing additional funding at a level sufficient to put the MTRFA on the path to full funding remains a primary legislative goal of the MTRFA.

Legislative

The 1994 legislative session had little impact on the MTRFA. The task force created by the 1993 legislation to study the possible merger of the Minneapolis, St. Paul, Duluth and State Teachers' Retirement Funds reported to the Legislative Commission on Pensions and Retirement. The report concluded that any consolidation would be very costly and complex and would not result in any significant administrative cost savings.

The legislature did pass the MTRFA out-of-state service buy back bill. This legislation would allow members to purchase service credit for out-of-state public school teaching service at the actuarial cost of the service purchase. This bill, however, was vetoed by the governor. The MTRFA will continue to pursue this legislation in 1995 with the hope that a bill acceptable to the governor can be passed so that MTRFA members will have the opportunity to purchase service credit for out-of-state teaching.

Acknowledgments

This report is the result of the combined efforts of the MTRFA staff under the leadership of the Board of Trustees. It is intended to provide reliable information on the operation of the Fund for the year which ended June 30, 1994. On behalf of the Board of Trustees, I wish to express my gratitude to the staff, advisors, and others who have helped ensure the successful operation of the MTRFA.

Respectfully submitted,



Karen U. Kilberg
Executive Director/ Investment Manager

FINANCIAL SECTION**Auditor's Opinion**REPORT OF INDEPENDENT ACCOUNTANTS

Members of the Board of Trustees

Minneapolis Teachers' Retirement
Fund Association:

We have audited the accompanying consolidated balance sheet of the Minneapolis Teachers' Retirement Fund Association (the Association) as of June 30, 1994 and 1993, and the related consolidated statement of revenues, expenses and changes in fund balance for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 1994 and 1993, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

FINANCIAL SECTION

As discussed in Note 3 to the consolidated financial statements, the Association changed its method of accounting for nonvested separated members' individual account balances in 1993.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Supplemental schedules as listed in the accompanying index are required by the Governmental Accounting Standards Board and are not a required part of the basic financial statements. Such information 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.

Minneapolis, Minnesota
January 5, 1995

Coopers & Lybrand L.L.P.

FINANCIAL SECTIONMINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Minneapolis, Minnesota

CONSOLIDATED BALANCE SHEET, June 30, 1994 and 1993

ASSETS	<u>1994</u>	<u>1993</u>
Investments:		
Cash and cash equivalents	\$ 32,867,225	\$ 38,803,974
Government and corporate bonds (market value of \$138,605,002 and \$164,888,955 in 1994 and 1993, respectively)	145,394,404	159,583,823
Common and preferred stock:		
Individual holdings (market value of \$108,127,660 and \$107,706,901 in 1994 and 1993, respectively)	106,619,473	83,967,661
Common stock funds:		
International equity fund (market value of \$51,859,881 in 1994)	50,107,503	
Collective trust funds:		
Equity index fund (market value of \$144,430,326 and \$175,235,494 in 1994 and 1993, respectively)	106,967,375	138,809,611
Real estate	52,502,005	52,685,947
Other investments	<u>3,510,624</u>	<u>3,790,027</u>
Total investments	<u>497,968,609</u>	<u>477,641,043</u>
Receivables:		
Required employer and employee contributions	901,540	867,825
Supplemental contributions:		
State of Minnesota	1,224,000	
Special School District No. 1	625,000	
City of Minneapolis	137,150	
Sales of securities	2,459,950	1,328,301
Dividends and interest	3,077,937	3,587,195
Rent	<u>351,554</u>	<u>326,585</u>
Total receivables	<u>8,777,131</u>	<u>6,109,906</u>
Furniture and equipment, less accumulated depreciation of \$134,553 and \$291,967 in 1994 and 1993, respectively	<u>37,749</u>	<u>63,168</u>
	<u>\$ 506,783,489</u>	<u>\$ 483,814,117</u>

FINANCIAL SECTION

LIABILITIES	<u>1994</u>	<u>1993</u>
Accounts payable	\$ 428,812	\$ 486,687
Security purchases payable	3,416,817	3,199,172
Rents received in advance	174,953	102,384
Deposits on rental property	<u>28,350</u>	<u>33,000</u>
Total liabilities	<u>4,048,932</u>	<u>3,821,243</u>
FUND BALANCE		
Retirement deposit fund	264,211,000	264,863,000
Annuity reserve fund	<u>472,436,000</u>	<u>483,412,000</u>
Total required funds	736,647,000	748,275,000
Excess of total actuarial present value of credited projected benefits over total required funds	<u>137,586,000</u>	<u>87,680,000</u>
Total actuarial present value of credited projected benefits	874,233,000	835,955,000
Unfunded actuarial present value of credited projected benefits	<u>(371,498,443)</u>	<u>(355,962,126)</u>
Total fund balance	<u>502,734,557</u>	<u>479,992,874</u>
	<u>\$ 506,783,489</u>	<u>\$ 483,814,117</u>

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 Minneapolis, Minnesota

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND BALANCE

for the years ended June 30, 1994 and 1993

	<u>1994</u>	<u>1993</u>
Revenues:		
Contributions:		
Governmental units:		
Required employer	\$ 13,907,273	\$ 13,711,352
Supplemental:		
State of Minnesota	1,224,000	
Special School District No. 1	625,000	
City of Minneapolis	599,007	
Required members	<u>11,507,295</u>	<u>10,713,420</u>
Total contributions	<u>27,862,575</u>	<u>24,424,772</u>
Investment income:		
Interest and dividends	12,543,413	15,782,218
Rental income	7,582,240	7,819,684
Net gain on sale of marketable securities, net of provision for losses	25,493,738	36,562,724
Provision for loss on real estate		(1,969,469)
Net gain on sale of rental property	247,013	
Investment expenses	<u>(1,848,215)</u>	<u>(2,116,850)</u>
Total investment income, net	<u>44,018,189</u>	<u>56,078,307</u>
Total revenues	<u>71,880,764</u>	<u>80,503,079</u>
Expenses:		
Benefits to participants:		
Retirement, beneficiary and disability annuities	48,208,824	42,225,053
Death benefits	130,492	105,096
Withdrawals	243,885	278,399
Administrative expenses	<u>555,880</u>	<u>576,842</u>
Total expenses	<u>49,139,081</u>	<u>43,185,390</u>
Revenues in excess of expenses before cumulative effect of change in accounting principle	22,741,683	37,317,689
Cumulative effect of change in accounting principle		<u>1,385,634</u>
Revenues in excess of expenses (and cumulative effect of change in accounting principle in 1993)	22,741,683	38,703,323
Fund balance, beginning of year	<u>479,992,874</u>	<u>441,289,551</u>
Fund balance, end of year	<u>\$502,734,557</u>	<u>\$479,992,874</u>

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:**GENERAL:**

The Minneapolis Teachers' Retirement Fund (the Fund) is a single-employer defined benefit pension fund administered by the Minneapolis Teachers' Retirement Fund Association (the Association). The Association was originally incorporated under Chapter 343 of the Laws of 1909, and is now governed by Minnesota Statutes Sections 354A, 317A, and applicable sections of Minnesota Statutes Chapters 356 and 356A. The Fund's membership consists of eligible employees of the Special School District No. 1, Minneapolis. The Association is governed by a seven-member board of trustees.

The Association's financial statements include the consolidated accounts of the Association; MRT Properties, Inc.; Minntex Foods, Inc.; and Minntex Foods, Ltd. MRT Properties, Inc., is a wholly owned subsidiary of the Association whose principal activity consists of investing in real estate in the State of Minnesota. Minntex Foods, Ltd., a limited partnership of which the Association is the sole limited partner and Minntex Foods, Inc. (a Texas corporation) is the general partner, invests in real estate in the State of Texas. Minntex Foods, Inc. and the limited partnership were organized to allow the Association's real estate acquisitions to qualify as tax-exempt transactions in Texas.

The Association is tax-exempt as an organization under Section 501(c)(11) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. The Association had no unrelated business income during the years ended June 30, 1994 and 1993.

BASIS OF ACCOUNTING:

The Association maintains its accounting records on the accrual basis.

CONTRIBUTIONS:

Member employee contributions are recognized when withheld or when paid directly by the member employee. Required contributions from the employer are based upon a specific formula applied to teacher compensation used to fund all teachers' retirement plans in the State of Minnesota and are recognized

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, continued:

CONTRIBUTIONS, continued:

as covered payroll is earned. Supplemental contributions from the State of Minnesota, the City of Minneapolis, and the Special School District No. 1 are recognized by the Association when the related tax from levies become due to the City of Minneapolis and the Special School District No. 1.

INVESTMENT INCOME:

Interest income is recorded when earned on an accrual basis and dividend income is recorded as of the date of record. Average cost is used in determining net realized gains and losses upon disposal of investment securities. Purchases and sales of securities are recorded on the trade date.

Rental income from investments in real estate is recorded when earned.

INVESTMENTS:

Investments are carried at cost, subject to adjustment for market value declines judged to be other than temporary. Market values of investments disclosed herein, other than real estate and other investments, are determined through published market price quotations.

FURNITURE AND EQUIPMENT:

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

2. Description of Plans:

GENERAL:

The Minneapolis Teachers' Retirement Fund Association was created to provide retirement and other specified benefits for its members. The Association maintains two defined benefit pension plans covering teachers in the Minneapolis Public School System.

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Description of Plans, continued:

GENERAL, continued:

Effective July 1, 1978, the Association established a plan, coordinated with Social Security, in accordance with Minnesota State 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:

The Association's membership consisted of the following at June 30, 1994 and 1993:

	<u>1994</u>	<u>1993</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,416	3,247
Current employees (including members on leave):		
Vested	2,836	2,742
Nonvested	1,757	1,671
Total current employees	<u>4,593</u>	<u>4,413</u>
Total membership	<u>8,009</u>	<u>7,660</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.

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Description of Plans, continued:

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. Change in Accounting Principle:

Effective July 1, 1992, the Association changed its method of accounting for nonvested separated members' individual account balances. These balances were previously presented as a component of liabilities, but effective July 1, 1992 are presented as a component of fund balance. The cumulative effect of this accounting change for years prior to 1993, which is shown separately in the Consolidated Statement of Revenues, Expenses and Changes in Fund Balance, resulted in an increase in the excess of revenues over expenses in 1993 of \$1,385,634.

4. Required Funds:

The Association maintains the following funds as required by its Articles:

RETIREMENT DEPOSIT FUND:

All amounts received for deposits by or on behalf of members, plus interest at a rate of six percent annually for basic members only, are held in the Retirement Deposit Fund for providing benefits until withdrawal, death or retirement. Funds to the member's credit in the Retirement Deposit Fund are transferred to the Annuity Reserve Fund when members begin receiving annuity payments.

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

4. Required Funds, continued:

ANNUITY RESERVE FUND:

The Association's Articles (Article 12) require that the Association annually determine the net present value of the prospective benefit payments chargeable to the Annuity Reserve Fund. Accordingly, the Annuity Reserve Fund is presented as a component of Fund Balance as the actuarially determined accrued liability of benefits by or on behalf of persons eligible to receive those benefits.

ACTIVITY:

Activity in the required funds for the years ended June 30, 1994 and 1993 is as follows:

	<u>Retirement Deposit Fund</u>	<u>Annuity Reserve Fund</u>
Balance at June 30, 1992	\$252,999,155	\$414,990,000
Deposits and interest on deposits	28,311,930	
Impact of annual actuarial determination, net of transfers		51,973,915
Transfers for purchase of annuities	<u>(16,448,085)</u>	<u>16,448,085</u>
Balance at June 30, 1993	264,863,000	483,412,000
Deposits and interest on deposits	27,651,674	
Impact of annual actuarial determination, net of transfers		(39,279,674)
Transfers for purchase of annuities	<u>(28,303,674)</u>	<u>28,303,674</u>
Balance at June 30, 1994	<u>\$264,211,000</u>	<u>\$472,436,000</u>

5. Deposits and Investments:

The Association's deposits and investments are categorized below to give an indication of the level of credit risk assumed. Category 1 includes deposits and investments that

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Deposits and Investments, continued:

are insured or collateralized with securities or held by the Association or by its agent in the Association's name. Category 2 includes deposits and investments which are uninsured and uncollateralized and the securities are held by the Association's trust department or agent in the Association's name. Category 3 is deposits and investments which are uninsured and uncollateralized and 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.

DEPOSITS:

Minnesota Statutes Section 118.005 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, 1994 and 1993 were insured or collateralized with securities held by the Association or its agent in the Association's name. The Association's deposits and cash on hand consist of the following at June 30, 1994 and 1993:

<u>1994</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash on hand	\$ 150	
Checking accounts:		
Noninterest bearing	39,578	\$77,812
Interest bearing	<u>3,332</u>	<u>3,332</u>
Total deposits and cash on hand	<u>\$43,060</u>	<u>\$81,144</u>
<u>1993</u>		
Cash on hand	150	
Checking accounts:		
Noninterest bearing	794	79,486
Interest bearing	<u>3,272</u>	<u>3,272</u>
Total deposits and cash on hand	<u>\$ 4,216</u>	<u>\$82,758</u>

At times during the fiscal years ended June 30, 1994 and 1993, the cash deposited in financial institutions was not fully insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution.

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Deposits and Investments, continued:

INVESTMENTS:

Minnesota Statutes Section 501B.10 and Section 10.6 of the Association's Restated Articles of Incorporation authorize the types of securities available to the Association for investment purposes. The following are the carrying and market values of the Association's investments at June 30, 1994 and 1993, and the level of credit risk for these investments:

<u>1994</u>	Credit Risk Category	Carrying Value	Market Value
Government and corporate bonds	1	\$145,394,404	\$138,605,002
Individual stock holdings	1	106,619,473	108,127,660
Real estate	1	52,502,005	52,502,005 *
Other investments	1	<u>3,510,624</u>	<u>3,709,088 **</u>
Total		308,026,506	302,943,755
Add:			
Collective trust fund:			
International equity index fund		50,107,503	51,859,881
Equity index fund		106,967,375	144,430,326
Short-term investment fund		32,824,165	32,824,165
Total deposits and cash on hand		<u>43,060</u>	<u>43,060</u>
Total cash and investments		<u>\$497,968,609</u>	<u>\$532,101,187</u>
 <u>1993</u>			
Government and corporate bonds	1	159,583,823	164,888,995
Individual stock holdings	1	83,967,661	107,706,901
Real estate	1	52,685,947	52,685,947 *
Other investments	1	<u>3,790,027</u>	<u>3,530,040 **</u>
Total		300,027,458	328,811,883
Add:			
Collective trust fund:			
Equity index fund		138,809,611	175,235,494
Short-term investment fund		38,799,758	38,799,758
Total deposits and cash on hand		<u>4,216</u>	<u>4,216</u>
Total cash and investments		<u>\$477,641,043</u>	<u>\$542,851,351</u>

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Deposits and Investments, continued:

INVESTMENTS, continued:

* It was not practicable to estimate the market value of real estate without incurring excessive costs. Carrying value has been used as a surrogate for market value.

** Other investments consist principally of investments in venture capital funds. Market values are determined via reference to audited financial information of the funds adjusted for subsequent distributions from the funds.

6. Real Estate:

The Association has purchased real estate (land and buildings) and leased the real estate back to operators under operating leases with lease terms ranging from 15 to 20 years. The operations are primarily in the restaurant industry and are generally guaranteed by individuals and corporations.

The Association's investment in real estate consists of the following at June 30:

	<u>1994</u>	<u>1993</u>
Land	\$19,853,812	\$20,000,809
Buildings	<u>39,101,581</u>	<u>39,138,526</u>
Total	58,955,393	59,139,335
Less reserve for losses	<u>6,453,388</u>	<u>6,453,388</u>
Real estate, net	<u>\$52,502,005</u>	<u>\$52,685,947</u>

7. 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

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Funding Status and Progress, continued:

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 8.

Assumptions to determine the pension benefit obligation were part of an actuarial valuation at June 30, 1994 and 1993. 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.

The total unfunded pension benefit obligation of the Association as of June 30, 1994 and 1993, is shown below:

	<u>1994</u>	<u>1993</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$490,132,000	\$500,445,000
Current employees:		
Accumulated employee contributions, including allocated investment income	124,642,000	112,809,000
Employer-financed, vested	230,457,000	196,746,000
Employer-financed, nonvested	<u>29,002,000</u>	<u>25,955,000</u>
Total pension benefit obligation	874,233,000	835,955,000
Net assets available for benefits (market value of \$536,867,135 and \$545,203,182 in 1994 and 1993, respectively)	<u>502,734,557</u>	<u>479,992,874</u>
Unfunded pension benefit obligation	<u>\$371,498,443</u>	<u>\$355,962,126</u>

The measurement of the pension benefit obligation is based on actuarial valuations as of June 30, 1994 and 1993. Net assets available to pay pension benefits were valued as of the same date.

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

8. Contributions Required and Made:

The Association's funding policy provides for periodic employer contributions at rates determined by State statutes.

Under the Basic Plan, members contributed 8.5 percent of their salaries during the years ended June 30, 1994 and 1993. Employer contributions are paid in an amount provided for by statute, which was 13.35 percent (regular contribution of 8.5 percent plus supplemental contribution of 4.85 percent) for the years ended June 30, 1994 and 1993.

Members under the Coordinated Plan contributed 4.5 percent of their salaries for the years ended June 30, 1994 and 1993. Employer contributions of 5.0 percent and 4.5 percent (regular contribution of 4.5 percent plus supplemental contributions of 0.5 percent during fiscal year 1994) under this program were also paid for the years ended June 30, 1994 and 1993.

Required 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.

During fiscal year 1993, legislation was passed that affects fiscal year 1994 and future contributions to the Association as follows:

- . An employer supplemental contribution of 4.85 percent of basic members' covered payroll and .5 percent of coordinated members' covered payroll was required beginning in fiscal year 1994. The supplemental contribution will then be changed to 3.64 percent of covered payroll for both basic and coordinated members beginning in fiscal year 1995.
- . The Special School District No. 1 and the City of Minneapolis were each authorized to levy up to \$1,250,000 to the Association in fiscal year 1994. Actual contributions to the Association from the levy will be dependent upon the actual amount of the levy. The State of Minnesota was authorized to match their total contributions. The contributions will increase in future years by a defined reference rate. The contributions will be allowed to continue until the fund reaches the same funded status as the Minnesota Teachers' Retirement Association (the TRA).
- . Beginning in fiscal year 1995, member contributions are required to include an amount equal to the relative difference (per member) between the administrative expenses incurred by the Association and the TRA.

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

8. Contributions Required and Made, continued:

Minnesota Statutes Chapter 354A provides statutory authority for employer and employee contribution rates. As part of the annual actuarial valuation, the actuary determines the sufficiency or deficiency of the statutory contribution rates as opposed to the required contribution rates. Using the actuarial assumptions prescribed by State Statutes as of July 1, 1994 and 1993, the State of Minnesota's consulting actuary has calculated the required contribution rates as follows:

	<u>Percentage of Covered Payroll</u>		
	<u>Basic Plan</u>	<u>Coordinated Plan</u>	<u>Combined</u>
<u>July 1, 1994</u>			
Employee contribution	8.50%	4.50%	6.25%
Employer contribution	12.14	8.14	9.89
Supplemental contribution	<u>3.02</u>	<u>3.02</u>	<u>3.02</u>
Total contribution	<u>23.66%</u>	<u>15.66%</u>	<u>19.16</u>
Normal cost	<u>16.36%</u>	<u>9.25%</u>	12.36
Amortization of unfunded actuarial accrued liability			12.31
Allowance for expenses			<u>.36</u>
Total required contributions			<u>25.03</u>
Contribution deficiency			<u>(5.87) %</u>

	<u>Percentage of Covered Payroll</u>		
	<u>Basic Plan</u>	<u>Coordinated Plan</u>	<u>Combined</u>
<u>July 1, 1993</u>			
Employee contribution	8.50%	4.50%	6.38%
Employer contribution	<u>13.35</u>	<u>5.00</u>	<u>8.91</u>
Total contribution	<u>21.85%</u>	<u>9.50%</u>	<u>15.29</u>
Normal cost	<u>16.45%</u>	<u>9.32%</u>	12.66
Amortization of unfunded actuarial accrued liability			12.74
Allowance for expenses			<u>.43</u>
Total required contributions			<u>25.83</u>
Contribution deficiency			<u>(10.54) %</u>

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Minneapolis, Minnesota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

9. Ten-Year Historical Trend Information:

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

FINANCIAL SECTION

SCHEDULE 1

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Minneapolis, Minnesota

ANALYSIS OF FUNDING PROGRESS
(in thousands of dollars)

nine years ended June 30, 1994

<u>Fiscal Year</u>	<u>Net Assets Available for Benefits</u>	<u>Pension Benefit Obligation</u>	<u>Percent Funded</u>	<u>Unfunded Actuarial Credited Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Credited Pension Benefit Obligations as a Percent of Covered Payroll</u>
1986	\$245,395	\$513,441	47.8%	\$268,046	\$ 88,099	304%
1987	306,807	586,466	52.3	279,659	102,650	272
1988	350,014	628,003	55.7	277,989	108,738	256
1989	369,950	729,935	50.7	359,985	108,588	332
1990	392,388	766,108	51.2	373,720	118,036	317
1991	410,811	779,570	52.7	368,759	123,784	298
1992	441,290	795,080	55.5	353,790	126,805	279
1993	479,993	835,955	57.4	355,962	135,505	263
1994	502,735	874,233	57.5	371,498	155,671	239

Ten-year historical trend information is required by Governmental Accounting Standards Board (GASB) Statement No. 5. The pension benefit obligation based on the standardized measure required by GASB Statement No. 5 was not calculated by the actuary for years prior to 1986; therefore, only nine years of the required supplementary disclosures are presented. 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 benefits obligation, and unfunded pension 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 funded 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 this percentage, the stronger the retirement system.

FINANCIAL SECTION

SCHEDULE 2

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
Minneapolis, Minnesota

REVENUES BY SOURCE AND EXPENSES BY TYPE

ten years ended June 30, 1994

Fiscal Year	Revenues by Source				Total
	Employee Contributions	Employer Contributions	Investment Income	Other Income	
1985 (a)	\$ 3,820,557	\$ 6,049,103	\$ 9,767,055		\$ 19,636,715
1986	7,464,009	10,980,539	29,625,523		48,070,071
1987	7,936,219	12,050,626	64,995,389		84,982,234
1988	8,311,434	11,968,216	52,168,776		72,448,426
1989	8,459,552	12,200,600	31,410,353		52,070,505
1990	8,723,780	12,248,786	39,661,195	\$ 252,784	60,886,545
1991	9,336,880	12,357,645	24,400,322	1,217,954	47,312,801
1992 (b)	10,306,800	13,637,820	47,611,898	65,000	71,621,518
1993	10,713,420	13,711,352	56,078,307		80,503,079
1994 (c)	11,507,295	16,355,280	44,018,189		71,880,764

Fiscal Year	Expenses by Type			Total
	Employee Benefits	Administrative Expenses	Withdrawals	
1985 (a)	\$ 9,518,854	\$ 471,128	\$375,320	\$10,365,302
1986	21,034,986	856,166	378,394	22,269,546
1987	22,241,621	851,839	475,895	23,569,355
1988	27,863,863	864,812	513,259	29,241,934
1989	30,826,647	821,109	486,545	32,134,301
1990	36,735,206	912,852	800,493	38,448,551
1991	38,276,160	1,110,999	413,866	39,801,025
1992 (b)	39,643,857	659,538	840,000	41,143,395
1993	42,330,149	576,842	278,399	43,185,390
1994	48,339,316	555,880	243,885	49,139,081

- (a) Information presented is for the six months ended June 30, 1985. Fiscal years ended after June 30, 1985 include twelve months.
- (b) In connection with the legislation requiring member contributions for administrative costs incurred, the Association refined its classification of expenses between administrative expenses and investment expenses. The administrative and investment expense for 1992 have been reclassified to conform with the 1993 and 1994 presentations. Years prior to 1992 have not been restated for the reclassification.
- (c) Employer contributions include \$1,224,000 from the State of Minnesota, \$625,000 from the Special School District No. 1 and \$599,007 from the City of Minneapolis.

ACTUARIAL SECTION



MILLIMAN & ROBERTSON, INC.

Actuaries and Consultants

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Minneapolis, Minnesota 55437
Telephone: 612/897-5300
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January 4, 1995

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

Re: *Minneapolis Teachers' Retirement Fund*

Commission Members:

Pursuant the terms of our actuarial services contract, we have performed an actuarial valuation of the Minneapolis Teachers' Retirement Fund as of July 1, 1994.

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 Minneapolis 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

ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund

Report Highlights

(dollars in thousands)

	July 1, 1993 Valuation	July 1, 1994 Valuation
A. CONTRIBUTIONS (Table 11)		
1. Statutory Contributions - Chapter 354A % of Payroll	15.29%	19.16%
2. Required Contributions - Chapter 356 % of Payroll	25.83%	25.03%
3. Sufficiency (Deficiency): (A1-A2)	(10.54)%	(5.87)%
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 501,741	\$ 514,138
b. Current Benefit Obligations (Table 8)	\$ 835,955	\$ 874,233
c. Funding Ratio: (a/b)	60.02%	58.81%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 501,741	\$ 514,138
b. Actuarial Accrued Liability (Table 9)	\$ 878,693	\$ 920,470
c. Funding Ratio: (a/b)	57.10%	55.86%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 769,758	\$ 876,785
b. Current and Expected Future Benefit Obligations	\$ 1,050,299	\$ 1,109,037
c. Funding Ratio: (a/b)	73.29%	79.06%

ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund

Report Highlights

(dollars in thousands)

	July 1, 1993 Valuation	July 1, 1994 Valuation
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	4,297	4,484
b. Projected Annual Earnings	\$ 144,313	\$ 165,789
c. Average Annual Earnings (Actual \$)	\$ 33,585	\$ 36,973
d. Average Age	42.8	43.1
e. Average Service	9.1	9.4
f. Additional Members on Leave of Absence *	116	109
2. Others		
a. Service Retirements (Table 4)	2,454	2,497
b. Disability Retirements (Table 5)	45	48
c. Survivors (Table 6)	199	219
d. Deferred Retirements (Table 7)	549	652
e. Terminated Other Non-Vested (Table 7)	402	671
f. Total	3,649	4,087

* Valued as deferred retirements, liability included with actives.

ACTUARIAL SECTION

TABLE 1

**Minneapolis Teachers' Retirement Fund
Accounting Balance Sheet
(dollars in thousands)**

July 1, 1994

	<u>Market Value</u>	<u>Cost Value</u>
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$ 32,867	\$ 32,867
2. Investments		
a. Fixed Income	138,605	145,394
b. Equity	304,455	263,695
c. Real Estate	52,502	52,502
3. Equity in Minnesota Post-Retirement Investment Fund (MPRIF)	0	0
4. Other	<u>12,567</u>	<u>12,325</u>
B. TOTAL ASSETS	<u>\$ 540,996</u>	<u>\$ 506,783</u>
C. AMOUNTS CURRENTLY PAYABLE	<u>\$ 4,049</u>	<u>\$ 4,049</u>
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$ 264,211	\$ 264,211
2. Employer Reserves	272,736	238,523
3. MPRIF Reserves	0	0
4. Non-MPRIF Reserves	<u>0</u>	<u>0</u>
5. Total Assets Available for Benefits	<u>\$ 536,947</u>	<u>\$ 502,734</u>
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	<u>\$ 540,996</u>	<u>\$ 506,783</u>
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Cost Value of Assets Available for Benefits (D5)		\$ 502,734
2. Market Value (D5)	\$ 536,947	
3. Cost Value (D5)	<u>502,734</u>	
4. Market Over Cost: (F2-F3)	\$ 34,123	
5. 1/3 of Market Over Cost: (F4)/3		<u>11,404</u>
6. Actuarial Value of Assets (F1+F5)		<u>\$ 514,138</u>

ACTUARIAL SECTION

TABLE 2

Minneapolis Teachers' Retirement Fund
Change In Assets Available For Benefits
(dollars in thousands)

Year Ending June 30, 1994

	<u>Market Value</u>	<u>Cost Value</u>
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 545,238	\$ 479,993
 B. OPERATING REVENUES		
1. Member Contributions	\$ 11,507	\$ 11,507
2. Employer Contributions	13,907	13,907
3. Supplemental Contributions *	2,448	2,448
4. Investment Income	20,125	20,125
5. MPRIF Income	0	0
6. Net Realized Gain (Loss)	25,741	25,741
7. Other	0	0
8. Net Change in Unrealized Gain (Loss)	(31,032)	0
9. Total Revenue	<u>\$ 42,696</u>	<u>\$ 73,728</u>
 C. OPERATING EXPENSES		
1. Service Retirements	\$ 44,614	\$ 44,614
2. Disability Benefits	703	703
3. Survivor Benefits	2,892	2,892
4. Refunds	374	374
5. Administrative Expenses	556	556
6. Investment Expenses	1,848	1,848
7. Total Disbursements	<u>\$ 50,987</u>	<u>\$ 50,987</u>
 D. CHANGES IN ACCOUNTING METHOD	0	0
 E. ASSETS AVAILABLE AT END OF PERIOD	<u>\$ 536,947</u>	<u>\$ 502,734</u>

* Includes contributions from School District Number 1, the city of Minneapolis and matching State contributions.

ACTUARIAL SECTION

TABLE 7

**Minneapolis Teachers' Retirement Fund
Reconciliation of Members**

	Actives*	Terminated	
		Deferred Retirement	Other Non-Vested
A. ON JUNE 30, 1993	4,413	549	402
B. ADDITIONS	627	137 **	345
C. DELETIONS			
1. Service Retirement	(30)	(11)	(21)
2. Disability	(4)	-	-
3. Death - Survivor	(1)	(4)	(3)
4. Death - Other	-	-	-
5. Terminated - Deferred	(6)	-	(30)
6. Terminated - Refund	(59)	(4)	(10)
7. Terminated - Other Non-Vested	(342)	(3)	-
8. Returned as Active	-	(11)	(2)
D. DATA ADJUSTMENTS	(5)	(1)	(10)
1. Vested	2,836		
2. Non-Vested	1,757		
E. TOTAL ON June 30, 1994	4,593	652	671
		Recipients	
	Retirement Annuitants	Disabled	Survivors
A. ON JUNE 30, 1993	2,454	45	199
B. ADDITIONS	114	4	53
C. DELETIONS			
1. Service Retirement	-	-	-
2. Death	(70)	(2)	(10)
3. Annuity Expired	-	-	(10)
4. Returned as Active	-	-	-
D. DATA ADJUSTMENTS	(1)	1	(13)
E. TOTAL ON June 30, 1994	2,497	48	219

* Includes members on leave of absence.

** Includes refund repayments.

ACTUARIAL SECTION

TABLE 8

Minneapolis Teachers' Retirement Fund

Actuarial Balance Sheet

(dollars in thousands)

July 1, 1994

A.	CURRENT ASSETS (TABLE 1, F6)			\$	514,138
B.	EXPECTED FUTURE ASSETS				
	1. Present Value of Expected Future Statutory Supplemental Contributions				174,080
	2. Present Value of Future Normal Costs				188,567
	3. Total Expected Future Assets				<u>362,647</u>
C.	TOTAL CURRENT AND EXPECTED FUTURE ASSETS			\$	<u>876,785</u>
D.	CURRENT BENEFIT OBLIGATIONS				
		<u>Non-Vested</u>	<u>Vested</u>		<u>Total</u>
1.	Benefit Recipients				
	a. Retirement Annuities	\$	\$ 442,005	\$	442,005
	b. Disability Benefits		7,890		7,890
	c. Surviving Spouse and Child Benefits		22,541		22,541
2.	Deferred Retirements With Future Augmentation		16,463		16,463
3.	Former Members Without Vested Rights		1,233		1,233
4.	Active Members				
	a. Retirement Annuities*	2,310	337,262		339,572
	b. Disability Benefits	18,880	0		18,880
	c. Survivors' Benefits	7,595	0		7,595
	d. Deferred Retirements	217	15,928		16,145
	e. Refund Liability Due to Death or Withdrawal	0	1,909		1,909
5.	Total Current Benefit Obligations	\$ <u>29,002</u>	\$ <u>845,231</u>	\$	<u>874,233</u>
E.	EXPECTED FUTURE BENEFIT OBLIGATIONS			\$	<u>234,804</u>
F.	TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS			\$	<u>1,109,037</u>
G.	CURRENT UNFUNDED ACTUARIAL LIABILITY: (D5-A)			\$	360,095
H.	CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY: (F-C)			\$	232,252

* Includes members on leave of absence.

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

	July 1, 1994		
	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)	(1)	(2)	(3)
1. Active Members			
a. Retirement Annuities*	\$ 546,392	\$ 146,372	\$ 400,020
b. Disability Benefits	32,656	15,449	17,207
c. Survivors' Benefits	11,979	4,596	7,383
d. Deferred Retirements	23,600	15,439	8,161
e. Refunds Due to Death or Withdrawal	4,278	6,711	(2,433)
f. Total	\$ 618,905	\$ 188,567	\$ 430,338
2. Deferred Retirements With Future Augmentation	16,463		16,463
3. Former Members Without Vested Rights	1,233		1,233
4. Annuitants in MPRIF	0		0
5. Recipients Not in MPRIF	472,436		472,436
6. Total	\$ 1,109,037	\$ 188,567	\$ 920,470
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)			
1. AAL: (A6)			\$ 920,470
2. Current Assets (Table 1, F6)			514,138
3. UAAL: (B1-B2)			\$ 406,332
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE			
1. Present Value of Future Payrolls Through the Amortization Date of July 1, 2020			\$ 3,300,142
2. Supplemental Contribution Rate: (B3/C1)			12.31%

* Includes members on leave of absence.

ACTUARIAL SECTION

TABLE 10

Minneapolis Teachers' Retirement Fund
Changes in Unfunded Actuarial Accrued Liability (UAAL)
(dollars in thousands)

Year Ending June 30, 1994

A.	UAAL AT BEGINNING OF YEAR	\$ 376,952
B.	CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING	
1.	Normal Cost and Expenses	\$ 18,896
2.	Contribution	(27,862)
3.	Interest on A, B1 and B2	32,463
4.	Total: (B1+B2+B3)	<u>\$ 23,497</u>
C.	EXPECTED UAAL AT END OF YEAR: (A+B4)	\$ 400,449
D.	INCREASE (DECREASE) DUE TO ACTUARIAL LOSSES (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED	
1.	Salary Increases	\$ 31,398
2.	Investment Return	6,143
3.	MPRIF Mortality	0
4.	Mortality of Other Benefit Recipients	(22,686)
5.	Other Items	(3,528)
6.	Total	<u>\$ 11,327</u>
E.	UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS: (C+D5)	\$ 411,776
F.	CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO PLAN AMENDMENTS	(5,444)
G.	CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS	0
H.	UAAL AT END OF YEAR: (E+F+G)	<u><u>\$ 406,332</u></u>

ACTUARIAL SECTION

TABLE 11

**Minneapolis Teachers' Retirement Fund
Determination of Contribution Sufficiency
(dollars in thousands)**

July 1, 1994

	Percent of Payroll	Dollar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A		
1. Employee Contributions	6.25%	\$ 10,363
2. Employer Contributions	9.89%	16,398
3. Supplemental Contribution *	3.02%	5,000
4. Administrative Expense Assessment **	0.00%	0
5. Total	19.16%	\$ 31,761
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	9.69%	\$ 16,056
b. Disability Benefits	0.97%	1,615
c. Survivors' Benefits	0.30%	500
d. Deferred Retirement Benefits	0.99%	1,645
e. Refunds Due to Death or Withdrawal	0.41%	681
f. Total	12.36%	\$ 20,497
2. Supplemental Contribution Amortization by July 1, 2020 of UAAL	12.31%	\$ 20,409
3. Allowance for Expenses	0.36%	\$ 597
4. Total	25.03%	\$ 41,503
C. CONTRIBUTION SUFFICIENCY (DEFICIENCY): (A5-B4)	(5.87)%	\$ (9,742)

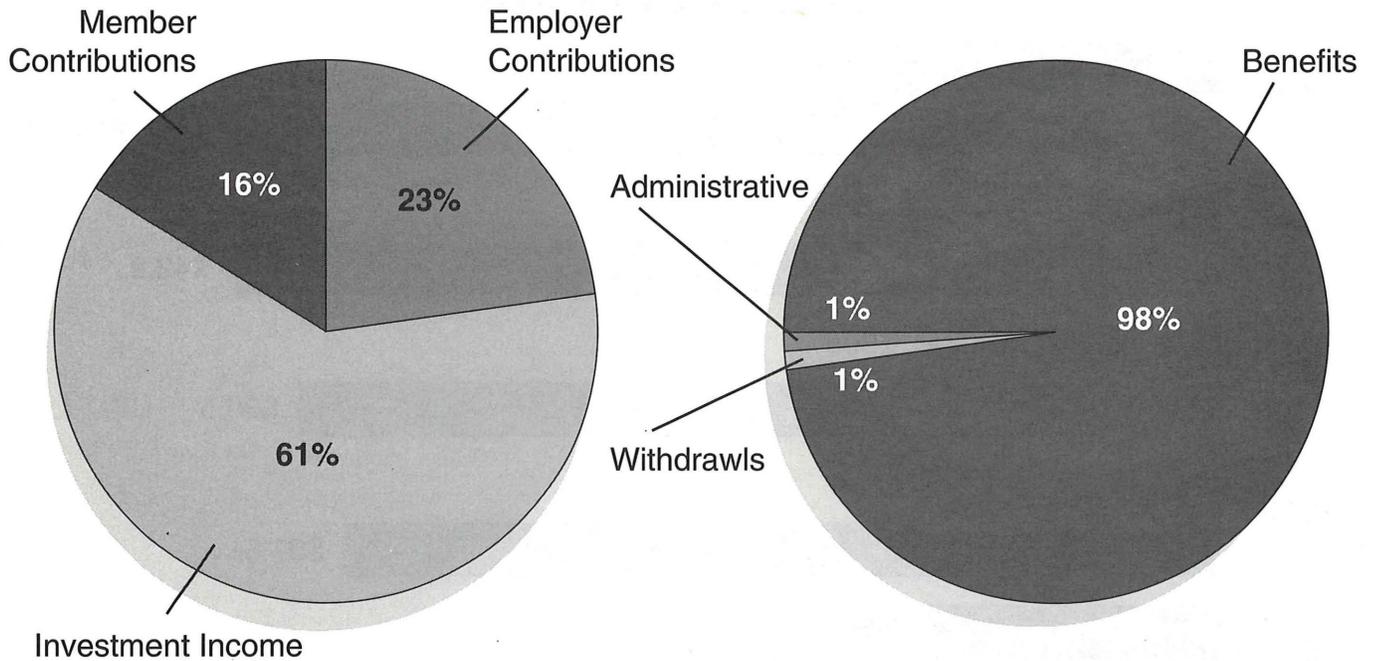
Note: Projected Annual Payroll for Fiscal Year Beginning on July 1, 1994 is \$165,789.

* Includes contributions from School District Number 1, the City of Minneapolis and matching State contributions.

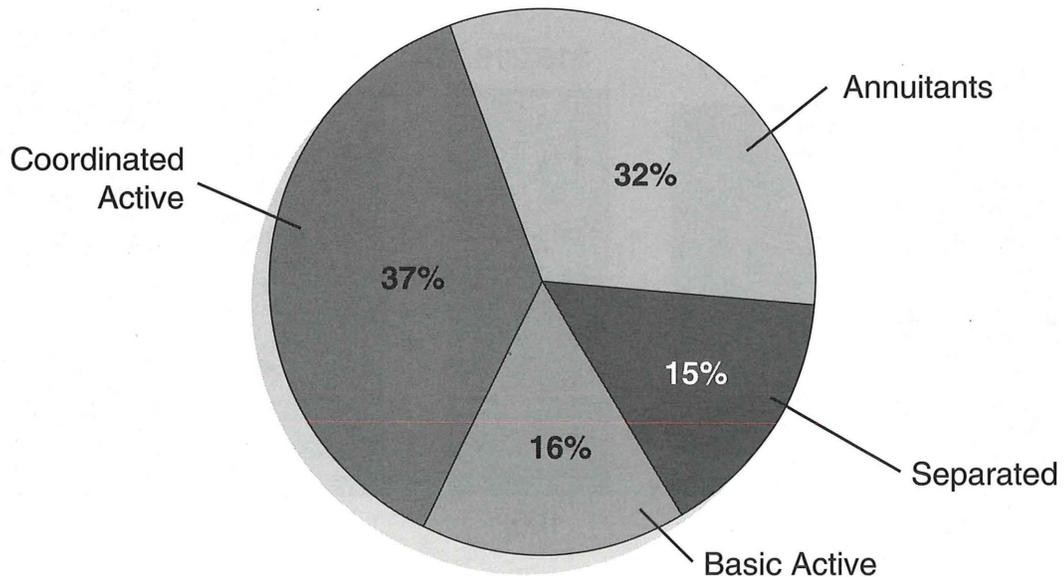
** Effective July 1, 1995.

STATISTICAL SECTION

COMPONENTS OF TOTAL REVENUE AND EXPENSES 1994

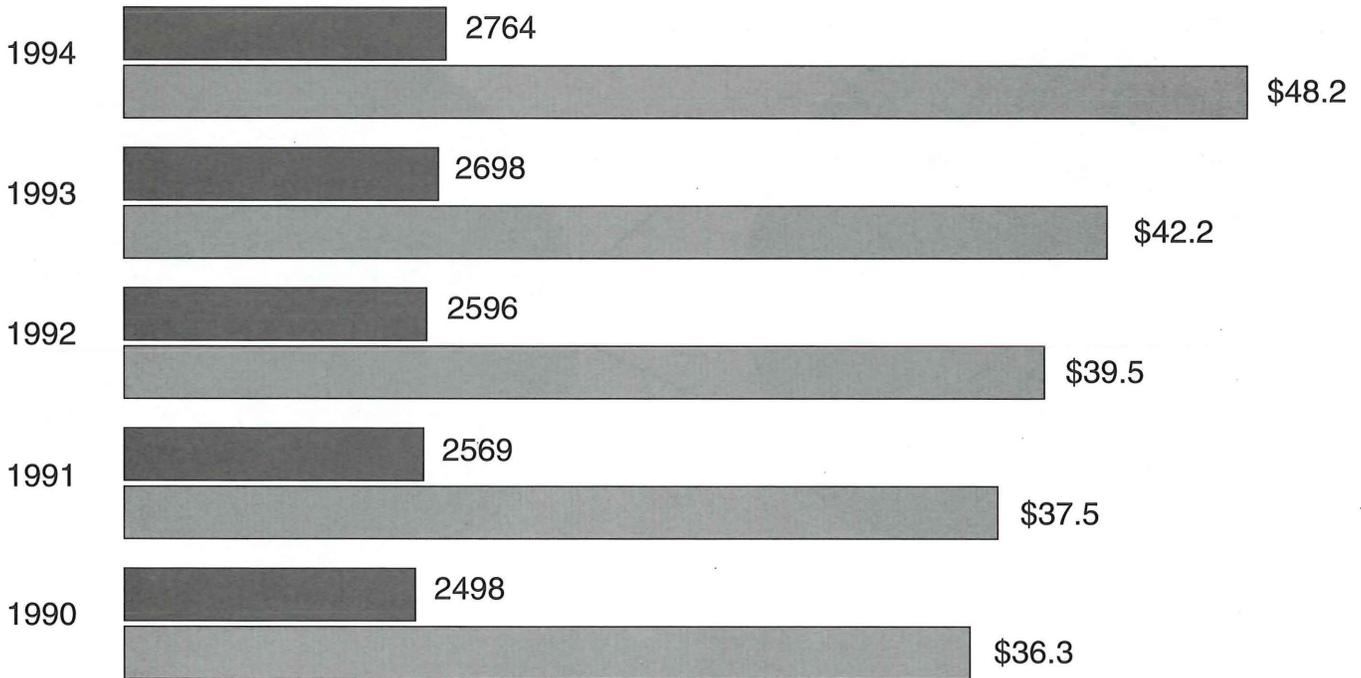


CURRENT MEMBERSHIP AND BENEFIT RECIPIENTS JUNE 30, 1994

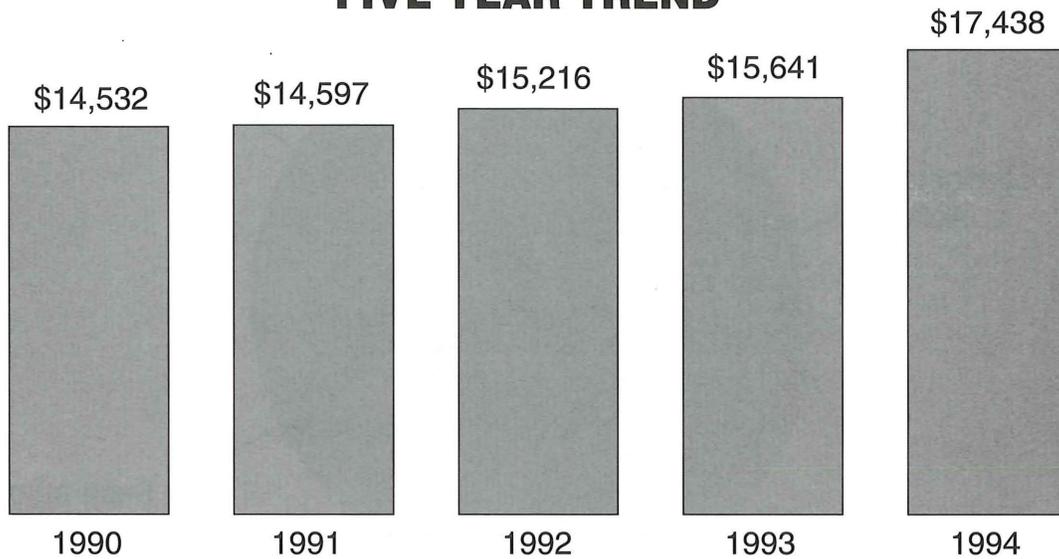


STATISTICAL SECTION

**TOTAL ANNUITY PAYROLL
AND BENEFIT RECIPIENTS
FIVE YEAR TREND**

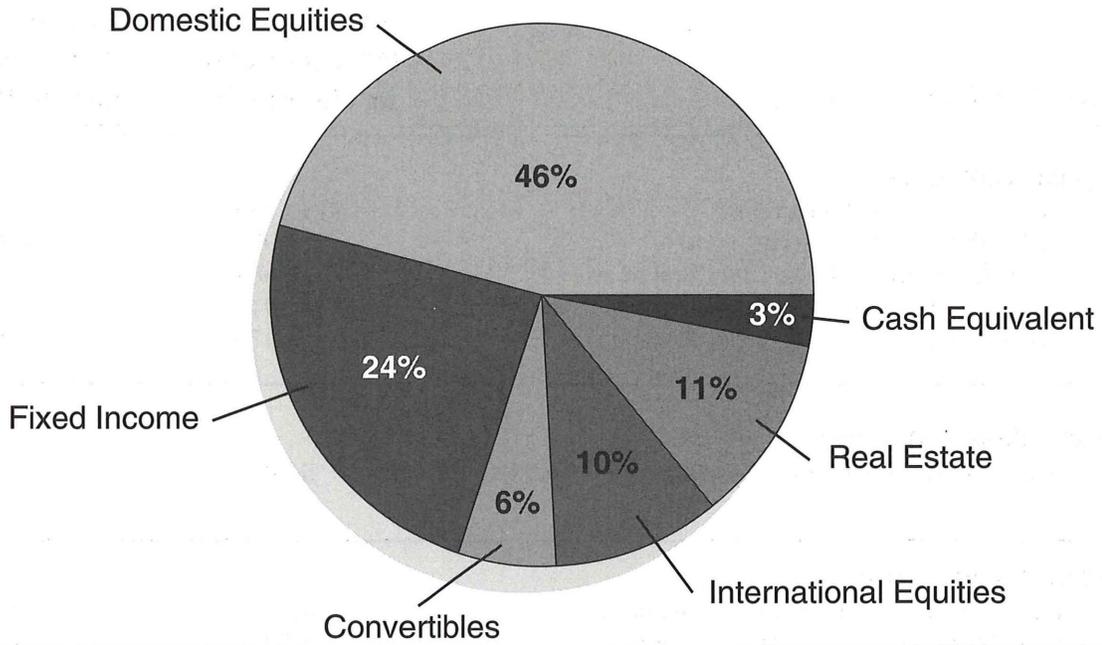


**AVERAGE ANNUAL BENEFIT
FIVE YEAR TREND**

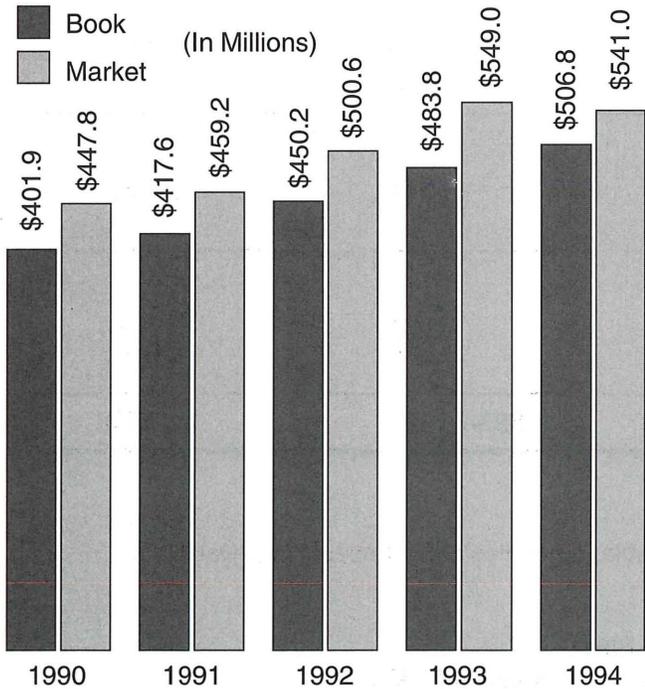


STATISTICAL SECTION

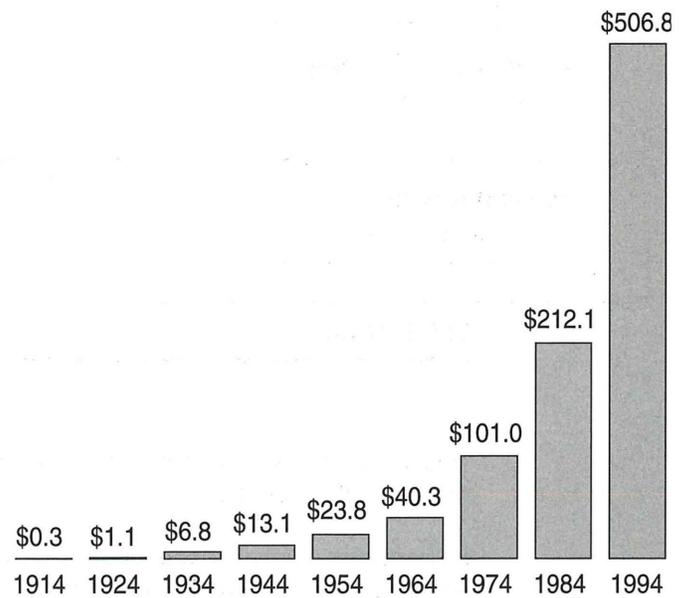
**ASSET DISTRIBUTION
FISCAL YEAR 1994**



**TOTAL ASSETS
FIVE YEAR TREND**



**ASSET GROWTH
BOOK VALUE IN MILLIONS**



STATISTICAL SECTION

**Investment Managers
Assets Under Management and Performance**

Asset Category/Account Name	Assets Under Management (Market Value in Thousands)	Investment Performance (Year Ended June 30, 1994)
Equity Managers		
PanAgora S&P 500 Index Fund	\$133,439	1.18%
PanAgora S&P Midcap Index Fund	10,991	-0.01%
Chancellor Capital --Large Cap Companies	23,684	n/a#
Investment Advisers, Inc. (IAI) -- Regional Companies	42,013	1.70%
Nicholas-Applegate -- Small Cap Companies	36,374	-1.98%
International Manager		
PanAgora EAFE GDP Index Fund--(Europe, Australia, Far East)	51,860	n/a@
Fixed Income Managers		
Patterson Capital --High Quality Securities	47,822	-0.46%
Smith Affiliated -- Government Securities	47,868	-5.35%
Lord Abbett --High Yield Securities	35,501	n/a^
Real Estate		
In-house	54,160	13.42%
Convertible Managers		
Pacific Century	33,843	2.03%
Miscellaneous		
Venture Capital	2,573	19.10%
Short Term Investments	14,036	0.81%
Total Fund	\$534,164*	2.25%

* Includes accrued investment income, receivable from sales of securities and payable for purchase of securities.

Chancellor Capital inception date is April of 1994.

@PanAgora EAFE GDP Index Fund inception date is August of 1993.

^Lord Abbett High Yield inception date is September of 1993.

STATISTICAL SECTION

Cash Investments

Issue	Par	Book Value	Market Value at June 30, 1994
STIF		32,824,165	32,824,165
Deposits and Cash on Hand		43,060	43,060
Total Cash Investment		32,867,225	32,867,225

Healthtrust Inc--The Hospital	500,000	500,000	497,500
Heileman Acquisition Corp	1,000,000	1,000,000	912,500
Henderson Land	200,000	200,000	190,500
Heritage Media Inc	500,000	522,500	515,000
Hillhaven Corp Nev	500,000	526,250	496,250
Horace Mann Edctrs	300,000	298,219	291,000
Huntsman Corp	500,000	500,000	505,000
INCO LTD	200,000	200,000	203,000
Integrated Health Savings	250,000	250,000	242,125
Integrated Health Savings	200,000	197,906	217,000
Kemmerer Bottling Group	500,000	517,500	495,000
Kroger Co	500,000	497,500	487,500
LAM Resh Corp	100,000	119,232	121,500
LSI Logic Corp	200,000	199,200	230,250
Leucadia Natl Corp	200,000	200,750	170,000
Liberty Property	300,000	300,000	299,250
MFS Communications Inc	500,000	315,000	285,000
Manpower Inc Wis	300,000	317,500	366,000
Marcus Cable Co LP	1,000,000	1,025,000	980,000
Media Inc	50,000	50,000	46,000
Medusa Corp	400,000	375,250	380,000
Nextel Comm Inc	1,000,000	570,500	625,000
Noble Affiliates	800,000	791,875	792,000
Novacare Inc	500,000	461,500	457,500
Outboard Marine	300,000	308,950	307,500
Olsten Corp	400,000	412,625	422,500
Owens Ill Inc	500,000	489,375	498,750
Panamsat LP	500,000	506,563	490,000
Pathmark Stores	1,000,000	542,500	517,500
Pennzoil Co Exch	300,000	339,750	332,250
Pennzoil Co	200,000	226,000	218,000
Pier 1 Imports	300,000	339,075	285,000
Plantronics Inc New	1,000,000	1,000,000	960,000
Playtex Family Prods	500,000	500,000	442,500
Premier Auto Tr	1,469,990	1,471,254	1,426,185
RJR Nabisco	500,000	503,125	433,150
Repap Wis Inc	500,000	503,750	452,500
Riverwood Intl	300,000	320,250	327,000
Rogers Comm Inc	500,000	510,000	515,000
Quantum Corp	400,000	384,000	370,000
SPX Corp	500,000	506,563	507,500
Schuler Homes	200,000	219,042	208,500
Seagate Technology	400,000	373,750	342,000
Seagate Technology	200,000	200,000	184,000
Seven Up RC Bott	500,000	513,125	497,500
Sierra On-line	300,000	273,750	250,500
Suzeler Prop	200,000	200,000	200,750
Southland Corp	1,000,000	730,000	660,000
Starbucks Corp	400,000	400,000	388,000
Statesman Group	400,000	399,600	400,000
Sterling Software	500,000	568,917	630,000
Surgical Laser Technologies	278	0	139
Texas New Mex Power Co	500,000	500,000	498,915
Time Warner Inc	750,000	761,250	752,813
Titan Wheel Intl	500,000	508,000	492,500
UCC Invs Holdings	750,000	781,875	761,250
US Air Inc Equip TR	1,000,000	1,045,000	920,060
USF&G Corp	500,000	256,490	245,000
US Home Corp	100,000	91,750	67,000
U.S. Treasury Bonds	1,760,000	2,066,841	2,020,427
U.S. Treasury Bonds	3,800,000	3,658,688	3,598,714
U.S. Treasury Bonds	6,765,000	5,781,961	5,684,697
U.S. Treasury Notes	2,145,000	2,213,037	2,177,175
U.S. Treasury Notes	4,120,000	4,088,456	4,074,927
U.S. Treasury Notes	2,620,000	2,575,378	2,545,094
U.S. Treasury Notes	10,000,000	9,689,550	9,321,900
U.S. Treasury Notes	6,190,000	5,958,812	5,894,056

Government and Corporate Bonds

Issue	Par	Book Value	Market Value at June 30, 1994
AK Steel Corp	500,000	502,500	501,250
AST Resh Inc	1,000,000	310,938	300,000
Adelphia Communications	1,000,000	985,000	890,000
Agnico Eagle Mines	100,000	83,629	81,250
Air & Wtr Tech	400,000	383,250	298,000
American Std Inc	1,000,000	627,500	610,000
Americold Corp	1,000,000	1,025,625	890,000
Arch Communications	200,000	200,000	198,000
Argyle Television Oper	500,000	500,000	505,000
Armco Inc	1,000,000	1,000,000	945,000
Associated Matls Inc	1,000,000	1,000,000	1,030,000
Audiovox Corp	300,000	300,000	220,500
Australian Govt	7,273,000	5,049,164	4,175,877
Baker J Inc	300,000	363,938	369,000
Bell Sports Corp	300,000	260,500	216,750
Bethlehem Steel Corp	500,000	501,875	500,000
Boise Cascade Corp	1,000,000	1,085,000	947,440
Box Energy	400,000	441,500	452,000
California Microwave	300,000	265,500	289,500
Canada Govt	5,600,000	4,232,002	3,331,525
Capital Auto Receivables	1,350,000	1,358,438	1,333,004
Cencall Communications	1,000,000	613,059	555,000
Century Tel Enterprise	350,000	410,875	377,563
Chiron Corp	500,000	363,750	336,875
Clark R & M Hldgs	1,500,000	771,250	825,000
Coeur D Alene Mines	400,000	473,313	512,000
Comcast Cellular	1,500,000	905,000	885,000
Conner Peripherals 6.75%	500,000	407,500	404,375
Conner Peripherals 6.50%	500,000	464,750	407,500
Container Corp Amer	250,000	250,000	256,250
Continental Broadcasting	1,000,000	1,019,375	1,010,000
Continental Homes Hldg	300,000	270,000	250,500
Cypress Semiconductor	200,000	167,806	153,000
Dan River Inc	750,000	760,000	675,000
Delta Airlines	400,000	275,875	276,000
Dial Page Inc	500,000	513,750	510,000
Dow Chem Co	300,000	339,375	294,000
Empresas ICA Sociedad	400,000	388,000	366,000
Essex Group	500,000	511,875	495,000
FF Holdings Corp	535,625	570,177	530,269
Federal National Mtg	600,000	597,162	598,688
Farrellgas LP/Farrellgas Fin	500,000	500,938	498,750
First Rep Bancorp	100,000	100,083	110,000
Flagstar Corp Jr	1,000,000	1,067,500	820,000
GNF Corp	1,000,000	1,016,250	730,000
GNMA Pool #0360795	853,430	873,433	824,354
GNMA Pool #0369694	154,294	157,910	149,037
GNMA Pool #0377932	281,625	288,226	272,030
GNMA Pool #0328388	584,192	597,884	564,288
General Signal Corp	700,000	717,625	707,000
Glycomed Inc	200,000	165,400	116,000
Grancare Inc	600,000	581,750	576,000
Grand UN Co	1,000,000	1,043,750	967,500
Hanson Amer Inc	600,000	473,370	447,000

STATISTICAL SECTION

U.S. Treasury Notes	15,030,000	15,096,705	13,451,850	Allied Holdings Inc	45,800	855,315	698,450
U.S. Treasury Notes	2,425,000	2,181,553	2,179,857	Aluminum Co Amer	12,000	866,837	877,500
U.S. Treasury Notes	5,405,000	5,317,591	5,307,872	American Express Co	13,700	363,433	352,775
U.S. Treasury Notes	5,975,000	6,021,792	5,976,851	American Express Co	5,000	183,750	197,500
U.S. Treasury Notes	8,000,000	8,025,708	7,930,000	American Greetings Corp	7,700	226,414	231,000
U.S. Treasury Notes	3,000,000	3,153,281	3,066,090	Anchor Bancorp Wis Inc	14,200	355,841	386,950
U.S. Treasury STRIP	6,000,000	2,469,990	2,378,280	Andrew Corp	38,600	797,814	1,418,550
Varlen Corp	300,000	324,900	279,000	Anheuser Busch Co	7,100	376,726	360,325
Victory Markets	2,000,000	1,722,780	1,860,000	Antec Corp	30,800	554,400	723,800
Webcraft Technologies Inc	500,000	500,000	465,000	Apache Corp	30,000	713,289	828,750

Total Government and Corporate Bond Securities	145,602,404	138,605,002	
LESS: Provision for Losses	(208,000)	0	
Total Government and Corporate Bond Net of Provision For Losses	<u>145,394,404</u>	<u>138,605,002</u>	

Preferred Securities

Issue	Shares	Market Value at	
		Book Value	June 30, 1994
Ahmanson HF & Co	15,000	715,297	695,625
Battle MTN Gold	3,000	190,920	183,750
Bethlehem Steel Corp	5,000	271,580	258,125
Chieftan Intl Fdg Inc	12,000	301,870	300,000
Chiquita Brands Intl Inc	5,000	211,550	201,250
Chrysler Corp	3,000	392,238	396,000
Cyprus AMAX Minerals	5,883	342,628	396,367
Dollar Dry Dock	3,000	144,000	0
Eastern Air Lines	1,326	207,864	13
FLS Holdings Inc	104,375	3,058,911	2,007,653
First Chicago Corp	5,000	181,250	163,125
Ford Motor Co	5,000	479,171	485,000
Freeport-McMoran Inc	10,000	471,840	445,000
General Motors Corp	12,000	616,490	676,500
Great Western Financial	10,000	551,350	562,500
Kaiser Alum Corp Dep Sh	30,000	219,000	228,750
Kaiser Alum Corp Cnv Pfd	40,000	470,000	405,000
National Health Invs Inc	12,000	305,490	301,500
Norwest Corp	5,000	317,264	378,750
Occidental Pete Corp	5,000	250,000	206,875
Republic NY Corp	10,000	540,600	535,000
Reynolds Metals Co	11,000	546,451	548,625
Rochester Community Bank	15,000	456,500	487,500
Storage Technology	1,000	72,274	75,000
USX Marathon	15,000	773,505	757,500
Unisys Corp	10,000	417,300	343,750
Unocal Corp	8,000	466,875	452,000
Venture Stores	10,000	491,570	440,000
Wash. Mutual Savings Bank	4,000	419,450	379,000
Wheeling Pittsburgh Corp	6,800	367,374	425,000
Total Preferred Stock		<u>14,250,612</u>	<u>12,735,158</u>

Common Stock Securities

Issue	Shares	Market Value at	
		Book Value	June 30, 1994
ADC Telecommunications	15,000	549,835	603,750
AGCO Corp	17,000	637,500	622,625
Aancor Holdings	3,180	31,800	0
Abbott Labs	25,000	711,209	725,000
Aetrium Inc	25,000	270,089	243,750
Airtouch Communications	17,400	406,801	411,075
Albertsons Inc	14,600	416,355	401,500
Alias	38,200	549,125	501,375
Allied Holdings Inc	45,800	855,315	698,450
Aluminum Co Amer	12,000	866,837	877,500
American Express Co	13,700	363,433	352,775
American Express Co	5,000	183,750	197,500
American Greetings Corp	7,700	226,414	231,000
Anchor Bancorp Wis Inc	14,200	355,841	386,950
Andrew Corp	38,600	797,814	1,418,550
Anheuser Busch Co	7,100	376,726	360,325
Antec Corp	30,800	554,400	723,800
Apache Corp	30,000	713,289	828,750
Arctco Inc	16,000	433,779	420,000
Atlantic Richfield Co	5,000	507,953	511,250
Automotive Inds Hlds Inc	24,500	416,488	649,250
Avid Technology Inc	19,000	536,550	517,750
BMC Inds Inc Minn	20,000	373,199	542,500
Banta Corp	13,000	298,912	416,000
Bell Sports Corp	9,200	301,637	213,900
Bemis Inc	33,000	781,205	734,250
Best Buy Inc	17,500	448,062	505,313
Books A Million	38,900	624,669	914,150
Brinker Intl Inc	9,500	272,017	199,500
Buffets Inc	25,000	571,563	459,375
CMAC Invt Corp	16,800	412,524	424,200
CUC Intl Inc	7,800	249,834	210,600
Caesars World Inc	4,600	218,638	166,750
Capital Cities ABC Inc	6,000	417,618	426,750
Career Horizons Inc	37,000	647,500	703,000
Carson Pirie Scott	34,800	601,926	613,350
Caseys Gen Stores Inc	96,600	1,177,631	1,098,825
Catalina Marketing Corp	18,700	837,053	785,400
Circus Circus Enterprises	8,000	252,240	172,000
Cole Nate Corp New CI A	45,000	540,000	607,500
Colgate Palmolive Co	4,900	277,610	256,025
Columbia/HCA Healthcare	10,500	430,437	393,750
Community Health Sys Inc	37,450	523,872	777,088
Compaq Computer Corp	6,300	221,088	203,963
Computer Network Tech	65,000	584,957	455,000
Control Data Sys	32,000	308,950	292,000
Cordis Corp	5,500	256,737	213,472
Corel Corp	27,300	394,042	486,295
Crop Growers Corp	50,000	375,000	393,750
Cyprus AMAX Minerals	15,000	438,681	446,250
Cyrk Inc	16,000	383,860	364,000
Danka Business Sys PLC	20,000	650,000	797,500
Daytons Hudson Corp	3,400	273,472	275,400
Dean Witter Discover	5,200	182,156	195,000
Department 56	14,100	297,817	449,438
Discovery Zone	16,900	278,368	221,813
Donaldson Inc	6,800	163,501	152,150
Dun & Bradstreet	4,300	245,767	238,650
Eaton Corp	4,500	260,159	234,000
Emerson Elec Co	7,500	446,706	426,563
Enron Corp	33,000	1,015,768	1,080,750
Equicredit Corp Com	25,500	592,875	433,500
Federal Mogul Corp	7,500	230,390	218,438
Federated Dept Stores	11,300	272,453	226,000
Fingerhut Cos	29,200	763,864	708,100
First Bank Sys	10,000	361,082	362,500
First Financial Corp Wisc	30,000	338,237	450,000
First Financial Mgmt Corp	5,000	273,900	277,500
First UN Corp	11,700	526,279	539,663
Fiserv Inc	16,500	344,155	338,250
Funco Inc	40,000	661,696	540,000
GAP Inc	6,700	322,840	286,425
Gen Datacomm Inds	42,000	548,520	677,250
General Electric Co	15,500	745,898	722,688
General Motors Corp	14,700	522,732	512,663
Goldwyn Samuel Co	57,000	598,500	441,750

STATISTICAL SECTION

Grace W R & Co	17,800	733,765	709,775	Phelps Dodge Corp	7,000	348,905	399,000
Graphic Scanning Corp	105,000	7,350	2,100	Philip Morris Cos Inc	7,900	400,366	406,850
Green Tree Financial	6,000	298,386	336,000	Pioneer Hi Bred Intl	10,000	244,521	327,500
Grow Biz Intl Inc	10,300	122,865	115,875	POGO Producing Co	37,100	559,473	857,938
Gymboree Corp	12,300	517,689	485,850	Praxair Inc	14,900	277,676	290,550
HBO & Co	28,000	605,640	707,000	Procter & Gamble Co	5,400	306,769	288,225
Harley Davidson	13,000	471,719	594,750	Racotek Inc Com	40,500	434,328	278,438
Haverty Furniture	32,100	441,272	385,200	Raychem Corp	6,300	244,100	226,800
Health Mgmt Assoc Inc	30,000	305,133	615,000	Recovery Engr Inc	35,000	473,007	446,250
Health Mgmt Sys Inc	32,100	638,309	726,263	Riverwood Intl Corp	18,500	290,484	307,563
Healthtrust Inc--The Hopital	8,000	246,240	222,000	St Frances Cap Corp Com	35,000	498,750	603,750
Humana Inc	12,200	229,368	196,725	St Jude Med Inc	15,000	411,927	487,500
IHOP Corp New	16,100	493,455	460,863	Sara Lee Corp	30,000	667,506	637,500
Illinois Tool Works	12,000	467,564	468,000	Scandinavian Broadcasting	4,200	103,688	102,900
Imperial Chem Ind	84	7,203	4,001	Sci Med Life Sys Inc	28,100	928,821	730,600
Inland Stl Inds	25,000	849,958	871,875	Scott Paper Co	4,000	207,188	209,000
Intel Corp	17,600	1,025,192	1,029,600	Seagull Energy Corp	27,800	400,648	719,325
International Dairy Queen	20,000	315,000	330,000	Sensormatic Electrs Corp	10,100	316,633	290,375
Itel Corp New	3,900	120,060	122,363	Service Corp Intl	12,300	307,338	316,725
Johnson Ctls Inc	7,500	349,040	362,813	Servam Corp CI B	34,721	86,803	47,741
Kennametal Inc	20,700	864,770	1,019,475	Shawmut Natl Corp Wt	733	0	3,482
King World Productions	7,000	264,236	279,125	Silicon Graphics Inc	11,700	280,040	258,863
Kohls Corp	5,500	296,478	258,500	Skyline Corp	15,600	328,351	288,600
Komag Inc	23,900	569,418	442,150	Skywest Inc	15,600	483,600	397,800
LaCrosse Footwear	20,000	266,576	220,000	Smith A O Corp	24,400	403,423	622,200
Landmark Graphics Corp	19,700	492,072	605,775	Smith Intl Inc	35,000	527,100	533,750
Liberty PPTY TR	10,000	200,000	200,000	Snap On Inc	25,000	982,700	931,250
Life USA	65,800	802,648	583,975	Southwestern Bell Corp	10,800	444,736	469,800
Lincare Holdings	37,000	807,063	716,875	Sport Supply Group Inc	69,500	935,405	1,120,688
Lincoln Telecomm Com	20,000	321,667	305,000	Sport Supply Group Inc Wt	13,900	0	40,838
Loral Corp	6,600	255,611	231,000	Stewart & Stevenson Svcs	4,800	210,000	199,200
Lowes Cos Inc	11,300	396,759	387,025	Summit Care Corp	35,400	619,449	646,050
MCI Communications	12,200	268,400	269,925	Sunrise Med Inc Com	14,700	330,985	321,563
MGIC Investment Corp	15,000	458,283	395,625	Supervalu Inc	35,000	1,134,637	1,058,750
Magna Intl Class A	5,000	235,150	200,000	Sysco Corp	9,200	232,576	208,150
Mallinckrodt Group Inc	6,900	220,973	224,250	Systems & Computer Tech	22,000	402,194	335,500
Marcus Corp	19,600	527,051	507,150	TCF Finl Corp	15,000	495,900	508,125
Mariner Health Group Inc	47,300	762,713	916,438	TRW Inc	3,000	212,340	193,500
Masland Corp	21,000	465,203	370,125	Tele Communications Inc	17,300	344,975	352,488
Maxim Integrated Prods	10,400	327,975	540,800	Tellabs Inc	15,000	396,943	465,000
May Dept Stores Co	6,900	292,595	270,825	3 Com Corp	2,000	120,080	102,750
McDonalds Corp	44,000	1,284,420	1,270,500	Tiffany & Co New	15,600	517,141	540,150
Medaphis Corp	27,900	858,050	767,250	Time Warner Inc	9,300	350,519	330,150
Medtronic Inc	10,000	752,544	801,250	Toro Co	20,000	434,682	475,000
Merrill Corp	12,400	371,630	272,800	Travelers Inc	6,634	233,417	213,947
Metropolitan Finl Corp	20,000	331,197	315,000	Tribune Co New	15,000	879,277	798,750
Microsoft Corp	9,600	419,533	495,600	Tricord	37,759	534,043	405,909
Morgan JP & Co	12,000	833,403	744,000	Tucker Properties Corp	25,000	450,000	400,000
Morton Intl Inc	10,000	836,789	780,000	Union Switch & Signal Inc	50,000	889,050	918,750
Motorola Inc	32,400	1,587,108	1,445,850	Uniroyal Inc	2,200	2,077	22
Musicland Stores Corp	40,000	776,806	640,000	United Healthcare Corp	17,100	745,841	771,638
NWNL Cos Inc	20,000	658,619	665,000	U S Healthcare Inc	9,700	442,563	358,900
NationsBank Corp	12,600	619,731	647,325	Valspar Corp	19,600	515,824	715,400
Newell Co	17,500	689,537	809,375	Valuevision Intl Inc CL A	63,000	786,478	307,125
Norand Corp	15,000	427,468	525,000	Varity Corp New	5,600	240,162	203,700
Nordstrom Inc	5,100	225,675	216,750	WMS Inds Inc	16,300	389,876	309,700
Norwest Corp	43,100	1,018,047	1,125,988	Walgreen Co	20,000	817,056	727,500
Novellus Sys Inc	4,600	104,181	159,850	Westerfed Finl Corp	56,000	785,500	791,000
OneComm Corp	1,900	39,388	39,425	Willcox & Gibbs Inc	94,600	714,883	603,075
Oracle Sys Corp	6,900	223,388	258,750	Windmere Corp Wts	1,603	0	3,807
PPG Inds Inc	5,300	202,473	198,750	Winnebago Inds Inc	45,000	392,895	393,750
PXRE Corp	10,500	271,250	275,625	Winston Hotels Inc	15,000	150,000	163,125
Paragon Trade Brands Inc	8,200	249,919	237,800	Winthrop Resources Corp	45,000	326,250	540,000
Paycheck Inc	10,400	176,222	304,200	XTRA Corp	16,500	727,543	796,125
Papercraft Hldg	238	2,262	0	Zebra Technologies Corp	11,900	489,507	377,825
Petroleum Geo-Svcs A/S	38,000	624,385	560,500	Zeneca Group PLC ADR	112	3,320	3,727

STATISTICAL SECTION

EAFE GDP Index Fund	50,107,503	51,859,880
S&P Midcap Index Fund	11,492,145	10,990,973
S&P 500 Index Fund	131,659,319	95,967,375
Total Common Stock	251,111,921	291,682,709
Total Preferred and Common Stock	265,362,533	304,417,867
LESS: Provision for Losses	(1,668,182)	
Total Common and Preferred Stock	263,694,351	304,417,867
Net of Provision for Losses	263,694,351	304,417,867

Venture Capital Funds

Fund	Book Value	Market Value
MN Seed I	211,125	216,646
MN Seed II	1,072,085	1,157,319
Cherry Tree Ventures II	527,492	429,013
Artesian Capital	393,552	599,740
Total Venture Capital	2,204,254	2,402,718
Notes Receivable-Real Estate	1,306,370	1,306,370
Total Other Investments	3,510,624	3,709,088

Real Estate Investments

Description and Location	Original Cost	Provision For Loss	Net Book Value
Arbys - Dallas, TX	\$420,290	\$0	\$420,290
Arbys - Irving, TX	423,781	0	423,781
Arbys - Rock Springs, WY	544,895	144,895	400,000
Arbys - Salina, KS	397,950	0	397,950
Arbys - Topeka, KS (Fairlawn)	357,000	0	357,000
Arbys - Topeka, KS (Gage Blvd)	405,575	0	405,575
Arby's - Kansas City, KS	440,000	0	440,000
Arby's - Lodi, CA	555,797	1,000	554,797
Arby's - Roseville, CA	685,000	45,000	640,000
Arby's - Sacramento, CA	622,021	41,000	581,021
Arby's - Vacaville, CA	655,000	0	655,000
Bonanza - Union City, TN	442,823	17,823	425,000
Burger King - Fayetteville, NC	616,719	0	616,719
Burger King - Raleigh, NC	440,000	0	440,000
Burger King - Wilmington, NC	382,004	0	382,004
Carl's Jr. - Merced, CA	744,200	0	744,200
Chi Chi's - Milwaukee, WI *	696,043	196,043	500,000
Chi-Chi's - Fargo, ND	1,026,447	26,447	1,000,000
Chi-Chi's - Hampton, VA	900,000	0	900,000
Chi-Chi's - Madison, WI	1,153,679	0	1,153,679
Chi-Chi's - Sioux Falls, SD	1,490,114	502,764	987,350
Choco Loca Chicken - FL	375,404	51,000	324,404
Cold Storage Facility - CA	2,051,427	437,000	1,614,427
Cub Foods - Madison, WI	2,802,992	0	2,802,992
Cub Foods - Onalaska, WI *	1,952,433	0	1,952,433
Fish Cabin - Concord, NC	350,000	0	350,000
Foster Farms - Stockton, CA	723,550	38,000	685,550
GiLvig's - Durham, NC	350,000	0	350,000
Grandys - Arlington, TX	620,000	0	620,000
Grandys - El Paso, TX	571,600	0	571,600
Grandys - Midland, TX	525,005	0	525,005
Grandys - Tulsa, OK (Lewis)	570,047	0	570,047
Grandys - Tulsa, OK (Sheridan)	542,060	0	542,060
Grandys - Albuquerque, NM	502,500	155,000	347,500
Harrigan's - Albuquerque, NM *	394,570	0	394,570
Harrigan's - OK (74th)	1,124,170	124,170	1,000,000
Harrigan's - OK (Memorial)	996,758	0	996,758

Jack in the Box - CA	794,308	0	794,308
Jag's - St. Louis, MO	343,443	129,443	214,000
Jiffy Lube - Clearwater, FL	153,842	0	153,842
Jiffy Lube - Dunwoody, GA	220,000	0	220,000
Jiffy Lube - Newport News, VA	158,600	0	158,600
Jiffy Lube - Tampa, FL	138,000	0	138,000
Jiffy Lube - Virginia Beach, VA	167,600	0	167,600
Myers Realty, Inc. - Reno, NV	937,200	234,000	703,200
Perkins - Cincinnati, OH	390,000	0	390,000
Perkins - Columbus, OH	540,000	0	540,000
Perkins - Fort Collins, CO	775,000	0	775,000
Perkins - Grove City, OH	550,000	26,000	524,000
Perkins - North Fort Meyers, FL	848,174	0	848,174
Perkins - Port Richey, FL	818,920	437,000	381,920
Perkins - Reynoldsberg, OH	465,190	0	465,190
Perkins - River Falls, WI	565,005	265,005	300,000
Pizza Hut - Bulte, MT	238,034	0	238,031
Pizza Hut - Gillette, WY	239,816	0	239,816
Pizza Hut - Hilton Head Island, SC	425,004	0	425,004
Pizza Hut - Powell, WY	175,663	0	175,663
Pizza Hut - Sheridan, WY	227,093	0	227,093
Pizza Hut - Worland, WY	173,900	0	173,900
Ragazie's - Greensboro, NC	350,000	0	350,000
Rax - Longwood, FL	370,405	0	370,405
Rax - Minot, ND	530,808	230,808	300,000
Silo - Denver, CO	1,117,320	17,000	1,100,320
Wendy's - Colorado Springs, CO	439,918	0	439,918
Wendy's - Jensen Beach, FL	480,000	85,000	395,000
Wendy's - Pueblo, CO (Elizabeth)	350,000	0	350,000
Wendy's - Pueblo, CO (No Ave)	350,000	0	350,000
World Trade Bank - CA	5,646,024	1,476,149	4,169,875

MTRFA Rental Properties 46,831,118 4,680,547 42,150,571

7-11 - Indianapolis, IN (21st)	149,000	0	149,000
7-11 - Indianapolis, IN (52nd)	133,000	0	133,000
Arby's - Plymouth, MN	365,000	0	365,000
Burger King - Burnsville, MN	327,633	77,633	250,000
Chi Chi's - Minnetonka, MN *	720,005	220,005	500,000
Fuddruckers - Roseville, MN	1,300,005	300,005	1,000,000
Kentucky Fried Chicken - MN	500,000	0	500,000
Kent. Fried Chicken - MN	485,000	0	485,000
Kent. Fried Chicken - MN (Central)	507,654	0	507,654
Kent. Fried Chicken - MN (E. Lake)	186,241	0	186,241
Kent. Fried Chicken - MN	311,003	0	311,003
Pearle Vision/Town Express - MN	743,136	384,664	358,472
Perkins - Albert Lee, MN	359,054	0	359,054
Perkins - Burnsville, MN	350,000	0	350,000
Perkins - Crystal, MN	454,500	0	454,500
Perkins - Stillwater, MN	654,000	0	654,000
Perkins - St. Paul, MN	575,740	0	575,740
Pizza Hut - W. St. Paul, MN	250,010	110,010	140,000
Rax - Burnsville, MN	349,500	49,500	300,000
Rax - Roseville, MN	452,503	57,000	395,503
Samurai - Golden Valley, MN	1,084,703	84,703	1,000,000
Subway - MN (White Bear Ave.)	377,617	199,748	177,869
The Vineyard - Anoka, MN	651,000	0	651,000
Wendys - St. Paul, MN (Univ. Ave)	360,020	0	360,020
Wendy's - Roseville, MN	272,320	0	272,320
Vacant - MN (W. Broadway)	389,573	289,573	100,000

MRT Rental Properties 12,308,217 1,772,841 10,535,376

Grand Total

All Properties \$59,139,335 \$6,453,388 \$52,685,947

* - MTRFA ownership interest in property is 50%.

**STATISTICAL SECTION
INVESTMENT EXPENSES**

	1994	1993
Investment Expenses - Securities		
Money Manager and Custodian Fees		
Alliance	0	285,880
Chancellor	36,735	0
Index Fund	69,459	45,086
Investment Advisors, Inc.	261,764	238,724
Lord Abbett	138,730	111,859
Nicholas-Applegate	400,626	348,375
Patterson	194,146	183,095
Pacific Century	112,975	128,317
PanAgora EAFE Index	36,525	0
RCB Trust	0	(11,320)
Smith Affiliated	148,597	138,628
Sullivan Mgmt	23,165	136,337
Custodian Fees	0	82,940
	<hr/>	<hr/>
Total Money Manager and Custodian Fees	1,422,722	1,687,921
Salaries	56,470	51,754
Payroll Taxes	3,937	3,552
Employee Benefits	5,842	5,265
Telephone and Electricity	1,397	1,418
Office Supplies	2,101	1,433
Office Rent	8,513	8,040
Insurance	20,119	20,097
Depreciation	4,973	6,537
Travel	12,092	7,389
Business Expense	4,062	4,060
Audit	3,108	2,900
Legal	3,143	0
Consulting	6,600	4,200
Miscellaneous	1,938	120
Total Investment Expenses - Securities	<hr/> 1,557,017	<hr/> 1,804,686
Investment Expenses - Real Estate		
Salaries	40,980	61,798
Payroll Taxes	2,858	4,919
Employee Benefits	4,247	5,951
Postage & Mailing	811	727
Telephone and Electricity	1,905	2,639
Office Supplies	1,528	1,713
Office Rent	6,191	9,616
Insurance	48,057	29,650
Data Processing	770	994
Depreciation	3,617	7,818
Travel	1,710	3,223
Business Expense	2,767	1,672
Legal Fees	99,527	73,886
Audit	3,108	2,900
Consulting	4,107	0
Property Taxes	37,779	63,859
Utilities on MTRFA Properties	9,477	4,898
Repairs and Maintenance	186	8,350
Sales Expense and Commissions	6,913	6,708
Valuations & Appraisals	10,300	11,206
Miscellaneous	4,360	9,638
Total Investment Expenses - Real Estate	<hr/> 291,198	<hr/> 312,164
Total Investment Expenses	<hr/> 1,848,215	<hr/> 2,116,850

STATISTICAL SECTION
ADMINISTRATIVE EXPENSES

	<u>1994</u>	<u>1993</u>
Salaries	224,413	224,950
Payroll Taxes	15,512	15,401
Employee Benefits	23,085	23,395
Postage & Mailing	31,176	31,278
Telephone & Electricity	5,517	5,635
Printing & Binding	32,480	23,219
Office Supplies	8,656	6,217
Office Rent	33,666	34,891
Insurance	29,341	32,128
Data Processing	33,552	38,803
Depreciation	19,667	28,368
Travel	4,875	7,994
Mileage and Parking	1,818	3,530
Business Expense	17,220	6,067
Legal Fees	21,688	28,085
Actuarial	43,638	56,638
Audit	9,323	9,855
Miscellaneous	253	389
 Total Administrative Expenses	 <u>555,880</u>	 <u>576,842</u>