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Minneapolis Teachers' Retirement Fund Association



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**Eighty-Sixth Annual Report
of the
Board of Trustees
For the Year Ended June 30, 1995**

Minneapolis Teachers' Retirement Fund Association

1994-1995 Annual Report

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INTRODUCTORY SECTION

January 11, 1996

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-Sixth Annual Report for the fiscal year which ended June 30, 1995. This Annual Report has been prepared in accordance with Minnesota Statute 356.20.

MTRFA Membership

At June 30, 1995, the MTRFA had 9,057 members. The membership consisted of 4,778 active members, 1,523 separated members and 2,756 benefit recipients. In the fiscal year ended June 30, 1995, the MTRFA made payments to benefit recipients (retirees, disabilitants and survivors) totaling \$50,210,014.

The MTRFA membership has increased significantly in the past four years, increasing 36.9% from 6,616 members at June 30, 1991, to 9,057 members at June 30, 1995. 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.

For the first time in its history, the MTRFA has multiple employers. This is the result of legislation that placed Minneapolis Technical College teachers into the Higher Education system and the addition of charter school teachers as members.

Revenues

MTRFA revenues consist of employee and employer contributions and investment earnings on fund assets. Fiscal year 1995 employer and employee contributions totaled \$21,194,227 and \$10,470,386 respectively.

The employer contributions increased \$4,838,947 representing a 29.6% increase from the prior year. This increase was the result of the 1993 funding legislation. The year ended 1995 was the first full year of the \$1,250,000 levy by the City of Minneapolis and Special School District #1 and the \$2,500,000 matching money from the State of Minnesota. The remaining increase was the result of the change in the supplemental employer contribution to 3.64% for both coordinated and basic members.

The \$1,036,909 decrease in employee contributions from fiscal year 1994 was due to the continuing shift from basic members (who contribute 8.50% of salary) to coordinated members (who contribute 4.50% of salary) and the change in the interest rate for refund repayments from 6.0% to 8.5% which resulted in the repayment at almost \$1 million of refunded contributions in fiscal year 1994.

Investment income (net of investment expenses) totaled \$44,349,319 in fiscal 1995. 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, 1995, totaled \$51,246,443. Benefit payments to retirees, disabilitants, survivors and death benefit recipients made up 98% (\$50,429,166). The remaining expenses consisted of administrative expenses (\$558,895) and withdrawals of contributions by separated members (\$258,382).

The MTRFA continues to work hard on controlling investment and administrative expenses by re-negotiating various contracts and through operating efficiencies. Administrative expenses increased only \$3,015 or 0.5% from the year ended June 30, 1994.

Investments**INTRODUCTORY SECTION**

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, 1995, the MTRFA time-weighted rate of return was 17.55% compared to the MTRFA custom index return of 16.20%. The custom index represents the returns of the following indices weighted by the asset class allocation of the MTRFA total plan: S&P 500, Lehman Govt/Corp, EAFE (Europe, Australia, Far East) Net Divs., 90 Day T-Bill, First Boston Convertibles, and the Wilshire Real Estate Funds.

In fiscal year 1995, the MTRFA made several changes in the portfolio. These included the hiring of Mitchell Hutchins and Brinson Partners as large capitalization value managers, and the transfer of the convertible account to Lord Abbett.

Funding

The MTRFA funding level continues to be a major concern. The Accrued Liability Funding Ratio increased from 55.86% to 56.44%. This increase was the result of investment return being greater than the MTRFA assumed rate of return of 8.50% which resulted in an actuarial gain of almost \$20 million.

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 1995 legislative session had little impact on the MTRFA. Although a funding bill was introduced during the 1995 legislative session, it was defeated on the floor of the House after coming out of conference committee.

The out-of-state buyback bill that was vetoed by the governor last year was reintroduced but did not make it out of committee. Both the funding and the out-of-state buyback bills will be pursued during the 1996 legislative session.

The most significant legislation of the 1995 session was the mandatory membership of charter school teachers into the MTRFA.

Professional Services

Among the professional consultants the MTRFA uses to provide administrative and investment management services are: William M. Mercer and Milliman & Robertson, Inc., actuarial services; Robert Butterbrodt and Mackall, Crouse & Moore, legal counsel; the Minnesota Office of the State Auditor, which performed the fiscal year 1995 financial audit; and Mellon Trust, MTRFA's asset custodian and performance measurement consultant.

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, 1995. On behalf of the Board of Trustees, I wish to express my gratitude to the staff, advisors, and others who help ensure the successful operation of the MTRFA.

Respectfully Submitted,



Karen U. Kilberg
Executive Director/ Investment Manager

FINANCIAL SECTION**STATE OF MINNESOTA****OFFICE OF THE STATE AUDITOR**

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525 PARK STREET
SAINT PAUL 55103



JUDITH H. DUTCHER
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Minneapolis Teachers' Retirement
Fund Association**

We have audited the consolidated financial statements of the Minneapolis Teachers' Retirement Fund Association as of and for the year ended June 30, 1995, as listed in the table of contents. 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 audit. The financial statements of the Minneapolis Teachers' Retirement Fund Association as of and for the year ended June 30, 1994, were audited by other auditors whose report, dated January 5, 1995, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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, 1995, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules referred to in the table of contents are not a required part of the consolidated financial statements but are required by the Governmental Accounting Standards Board. Such information, as of and for the year ended June 30, 1995, has been subjected to the auditing

FINANCIAL SECTION

procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole. We have applied certain limited procedures to the other information in these schedules which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



JUDITH H. DUTCHER
STATE AUDITOR



GREG HIERLINGER, CPA
ASSISTANT STATE AUDITOR

October 11, 1995

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

EXHIBIT 1

CONSOLIDATED BALANCE SHEET
JUNE 30, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
<u>Assets</u>		
Investments		
Cash and cash equivalents	\$ 60,816,492	\$ 32,867,225
Government and corporate bonds (market value of \$142,525,942 and \$138,605,002 in 1995 and 1994, respectively)	140,900,824	145,394,404
Common preferred stock		
Individual holdings (market value of \$169,603,322 and \$108,127,660 in 1995 and 1994, respectively)	142,317,641	106,619,473
Common stock funds		
International equity fund (market value of \$54,409,209 and \$51,859,881 in 1995 and 1994, respectively)	50,359,885	50,107,503
Collective trust funds		
Equity index fund (market value of \$127,591,174 and \$144,430,326 in 1995 and 1994, respectively)	72,661,452	106,967,375
Real estate	51,969,061	52,502,005
Other investments	2,596,937	3,510,624
Designated for deferred compensation benefits	66,769	-
Total investments	<u>\$ 521,689,061</u>	<u>\$ 497,968,609</u>
Receivables		
Required employer and employee contributions	\$ 1,455,661	\$ 901,540
Supplemental contributions		
State of Minnesota	1,248,000	1,224,000
Special School District No. 1	625,000	625,000
City of Minneapolis	623,306	137,150
Sales of securities	1,585,564	2,459,950
Dividends and interest	3,045,613	3,077,937
Rent	375,115	351,554
Total receivables	<u>\$ 8,958,259</u>	<u>\$ 8,777,131</u>
Furniture and equipment, less accumulated depreciation of \$153,587 and \$134,553 in 1995 and 1994, respectively	<u>\$ 34,857</u>	<u>\$ 37,749</u>
Total Assets	<u>\$ 530,682,177</u>	<u>\$ 506,783,489</u>

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

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

EXHIBIT 1
(Continued)

CONSOLIDATED BALANCE SHEET
JUNE 30, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 473,674	\$ 428,812
Security purchases payable	2,570,795	3,416,817
Rents received in advance	14,543	174,953
Deposits on rental property	54,350	28,350
Deferred compensation payable	66,769	-
Total Liabilities	\$ 3,180,131	\$ 4,048,932
Fund Balance		
Retirement deposit fund	\$ 283,082,800	\$ 264,211,000
Annuity reserve fund	510,848,000	472,436,000
Total required funds	\$ 793,930,800	\$ 736,647,000
Excess of total actuarial present value of credited projected benefits over total required funds	<u>143,046,200</u>	<u>137,586,000</u>
Total actuarial present value of credited projected benefits	\$ 936,977,000	\$ 874,233,000
Unfunded actuarial present value of credited projected benefits	<u>(409,474,954)</u>	<u>(371,498,443)</u>
Total Fund Balance	\$ 527,502,046	\$ 502,734,557
Total Liabilities and Fund Balance	\$ 530,682,177	\$ 506,783,489

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

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

EXHIBIT 2

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
Revenues		
Contributions		
Governmental units		
Required employer	\$ 16,270,951	\$ 13,907,273
Supplemental		
State of Minnesota	2,461,000	1,224,000
Special School District No. 1	1,250,000	625,000
City of Minneapolis	1,212,276	599,007
Required members	<u>10,470,386</u>	<u>11,507,295</u>
Total contributions	\$ 31,664,613	\$ 27,862,575
Investment income		
Interest and dividends	\$ 14,776,003	\$ 12,543,413
Rental income	7,354,003	7,582,240
Net gain on sale of marketable securities, net of provision for losses	24,235,097	25,493,738
Net gain on sale of rental property	189,845	247,013
Investment expenses	<u>(2,205,629)</u>	<u>(1,848,215)</u>
Total investment income, net	\$ 44,349,319	\$ 44,018,189
Total Revenues	\$ 76,013,932	\$ 71,880,764
Expenses		
Benefits to participants		
Retirement, beneficiary, and disability annuities	\$ 50,210,014	\$ 48,208,824
Death benefits	219,152	130,492
Withdrawals	258,382	243,885
Administrative expenses	<u>558,895</u>	<u>555,880</u>
Total Expenses	\$ 51,246,443	\$ 49,139,081
Revenues in Excess of Expenses	\$ 24,767,489	\$ 22,741,683
Fund Balance, Beginning of Year	<u>502,734,557</u>	<u>479,992,874</u>
Fund Balance, End of Year	\$ 527,502,046	\$ 502,734,557

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

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1995

1. Summary of Significant Accounting Policies

Reporting Entity

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 Minn. Stat. ch. 343 of the Laws of 1909, and is now governed by Minn. Stat. chs. 354A and 317A, and applicable sections of Minn. Stat. chs. 356 and 356A. The Fund's membership consists of eligible employees of the Minneapolis Special School District No. 1. 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., is a limited partnership for which the Association is the sole limited partner and Minntex Foods, Inc. (a Texas corporation), is the general partner. Minntex Foods, Ltd., 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, 1995 and 1994.

Basis of Presentation

The accompanying financial statements are presented in accordance with National Council on Governmental Accounting Statement 1 and the *Codification of Governmental Accounting and Financial Reporting Standards*, which designate accounting principles and financial reporting standards applicable to state and local governmental units.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****1. Summary of Significant Accounting Policies (Continued)****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.

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 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. Investments designated for deferred compensation benefits are carried at market value.

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies (Continued)

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.

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

The Association's membership consisted of the following at June 30, 1995 and 1994:

	<u>1995</u>	<u>1994</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>3,384</u>	<u>3,416</u>
Current employees (including members on leave)		
Vested	3,231	2,836
Nonvested	<u>1,547</u>	<u>1,757</u>
Total current employees	<u>4,778</u>	<u>4,593</u>
Total Membership	<u>8,162</u>	<u>8,009</u>

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, 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. 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.

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.

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

3. Required Funds (Continued)

Activity

Activity in the required funds for the years ended June 30, 1995 and 1994, is as follows:

	<u>Retirement Deposit Fund</u>	<u>Annuity Reserve Fund</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	\$ 264,211,000	\$ 472,436,000
Deposits and interest on deposits	27,299,207	-
Impact of annual actuarial determination, net of transfers	-	29,984,593
Transfers for purchase of annuities	<u>(8,427,407)</u>	<u>8,427,407</u>
Balance at June 30, 1995	<u>\$ 283,082,800</u>	<u>\$ 510,848,000</u>

4. Deposits and Investments

Deposits

Minn. Stat. § 118.005 authorizes the Association to deposit its cash in financial institutions designated by the Board of Trustees. All cash deposits of the Association at June 30, 1995 and 1994, were insured or protected by surety bond. The Association's deposits and cash on hand consist of the following at June 30, 1995 and 1994:

<u>1995</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash on hand	\$ 150	\$ -
Checking accounts		
Non-interest bearing	21,934	175,254
Interest bearing	<u>3,393</u>	<u>3,393</u>
Total Deposits and Cash on Hand	<u>\$ 25,477</u>	<u>\$ 178,647</u>

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****4. Deposits and Investments****Deposits (Continued)**

<u>1994</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash on hand	\$ 150	\$
Checking accounts		
Non-interest 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>

At times during the fiscal year ended June 30, 1994, the cash deposited in financial institutions was not fully insured by the Federal Deposit Insurance Corporation or protected by surety bond.

Investments

Minn. Stat. § 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. Generally accepted accounting principles have determined three levels of custodial credit risk for investments:

- (a) insured or registered, or securities held by the Association or its agent in the Association's name;
- (b) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Association's name; and
- (c) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Association's name.

The following are the carrying and market values of the Association's investments at June 30, 1995 and 1994, and the level of custodial credit risk for these investments:

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

4. Deposits and Investments

Investments (Continued)

<u>1995</u>	<u>Credit Risk Category</u>	<u>Carrying Value</u>	<u>Market Value</u>
Government and corporate bonds	1	\$140,900,824	\$142,525,942
Individual stock holdings	1	<u>142,317,641</u>	<u>169,603,322</u>
Total		\$283,218,465	\$312,129,264
Add			
Collective trust fund			
International equity index fund		50,359,885	54,409,209
Equity index fund		72,661,452	121,591,174
Real estate		51,969,061	51,969,061 *
Other investments		2,596,937	3,083,141 **
Short-term investment fund		60,791,015	60,791,015
Investments in deferred compensation		66,769	66,769
Total deposits and cash on hand		<u>25,477</u>	<u>25,477</u>
Total Cash and Investments		<u>\$521,689,061</u>	<u>\$604,065,110</u>
<u>1994</u>	<u>Credit Risk Category</u>	<u>Carrying Value</u>	<u>Market Value</u>
Government and corporate bonds	1	\$145,394,404	\$138,605,002
Individual stock holdings	1	<u>106,619,473</u>	<u>108,127,660</u>
Total		\$252,013,877	\$246,732,662
Add			
Collective trust fund			
International equity index fund		50,107,503	51,859,881
Equity index fund		106,967,375	144,430,326
Real estate		52,502,005	52,502,005 *
Other investments		3,510,624	3,709,088 **
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>

* It was not practical 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.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****5. Securities Lending**

The Association through its custodian, Mellon Trust, lends securities to various brokers on a temporary basis for a fee. All security loan agreements are collateralized by cash, U.S. Government obligations, or irrevocable letters of credit issued by major banks having a market value of at least 102 percent of the value of the loaned securities. The market value of securities on loan was \$81,887,032 and the collateral value was \$83,136,151 at June 30, 1995.

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>1995</u>	<u>1994</u>
Land	\$ 19,568,809	\$ 19,853,812
Buildings	<u>38,853,640</u>	<u>39,101,581</u>
Total	\$ 58,422,449	\$ 58,955,393
Less reserve for losses	<u>6,453,388</u>	<u>6,453,388</u>
Net Real Estate	<u>\$ 51,969,061</u>	<u>\$ 52,502,005</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 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.

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

7. Funding Status and Progress (Continued)

Assumptions to determine the pension benefit obligation were part of an actuarial valuation at June 30, 1995 and 1994. 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, 1995 and 1994, is shown below:

	<u>1995</u>	<u>1994</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 528,683,000	\$ 490,132,000
Current employees		
Accumulated employee contributions, including allocated investment income	137,023,000	124,642,000
Employer-financed, vested	244,136,000	230,457,000
Employer-financed, nonvested	<u>27,135,000</u>	<u>29,002,000</u>
Total pension benefit obligation	\$ 936,977,000	\$ 874,233,000
Net assets available for benefits (market value of \$609,878,095 and \$536,867,135 in 1995 and 1994, respectively)	<u>527,502,046</u>	<u>502,734,557</u>
Unfunded Pension Benefit Obligation	<u>\$ 409,474,954</u>	<u>\$ 371,498,443</u>

The measurement of the pension benefit obligation is based on actuarial valuations as of June 30, 1995 and 1994. Net assets available to pay pension benefits were valued as of the same date.

8. Contributions Required and Made

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

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****8. Contributions Required and Made (Continued)**

Under the Basic Plan, members contributed 8.5 percent of their salaries during the years ended June 30, 1995 and 1994. Employer contributions are paid in an amount provided for by statute, which was 12.14 percent and 13.35 percent (regular contribution of 8.5 percent plus supplemental contributions of 3.64 percent and 4.85 percent) for the years ended June 30, 1995 and 1994.

Members under the Coordinated Plan contributed 4.5 percent of their salaries for the years ended June 30, 1995 and 1994. Employer contributions of 8.14 percent and 5.0 percent (regular contribution of 4.5 percent plus supplemental contributions of 3.64 percent and 0.5 percent) under this program were also paid for the years ended June 30, 1995 and 1994.

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 0.5 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 the fiscal year 1995.

The Special School District No. 1 and the City of Minneapolis were each authorized to levy up to \$1,250,000 per year for the benefit of the Association beginning in calendar 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 (TRA).

Beginning in fiscal year 1996, member contributions are required to include an amount equal to the relative difference between the administrative expenses incurred by the Association and TRA.

**FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**

8. Contributions Required and Made (Continued)

Minn. Stat. ch. 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, 1995 and 1994, the State of Minnesota's consulting actuary has calculated the required contribution rates as follows:

<u>July 1, 1995</u>	<u>Percentage of Covered Payroll</u>		
	<u>Basic Plan</u>	<u>Coordinated Plan</u>	<u>Combined</u>
Employee contribution	8.50%	4.50%	6.16%
Employer contribution	12.14	8.14	9.80
Supplemental contribution	2.87	2.87	2.87
Administrative expense assessment	0.17	0.17	0.17
Total contribution	<u>23.68%</u>	<u>15.68%</u>	<u>19.00%</u>
Normal cost	<u>16.27%</u>	<u>9.17%</u>	12.12%
Amortization of unfunded actuarial accrued liability			12.72
Allowance for expenses			<u>.34</u>
Total required contributions			<u>25.18%</u>
Contribution Deficiency			<u>(6.18)%</u>

<u>July 1, 1994</u>	<u>Percentage of Covered Payroll</u>		
	<u>Basic Plan</u>	<u>Coordinated Plan</u>	<u>Combined</u>
Employee contribution	8.50%	4.50%	6.25%
Employer contribution	12.14	8.14	9.89
Supplemental contribution	3.02	3.02	3.02
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>

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****9. Deferred Compensation Plans**

The State of Minnesota offers its employees and employees of political subdivisions a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all Association employees, permits them to defer a portion of their salary until future years. The compensation which has been deferred is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Association (without being restricted to the provisions or benefits under the plan), subject only to the claims of the Association's general creditors. Participants' rights under the plan are equal to those of the general creditors of the Association in an amount equal to the fair market value of the deferred account of each participant.

The Association has no liability for losses under the plan, but does have the duty of due care that would be required of any ordinary prudent investor. The Association believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

10. 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

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

Schedule 1

ANALYSIS OF FUNDING PROGRESS
(IN THOUSANDS OF DOLLARS)
TEN YEARS ENDED JUNE 30, 1995

Fiscal Year	Net Assets Available for Benefits	Pension Benefit Obligation	Percent Funded	Unfunded Actuarial Credited Pension Benefit Obligation	Annual Covered Payroll	Unfunded Actuarial Credited Pension Benefit Obligations as a Percent of Covered Payroll
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
1995	527,502	936,977	56.3	409,475	165,789	247

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

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

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTASchedule 2REVENUES BY SOURCE AND EXPENSES BY TYPE
TEN YEARS ENDED JUNE 30, 1995

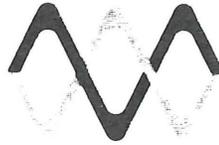
Fiscal Year	Revenues by Source				Total
	Employee Contributions	Employer Contributions	Investment Income	Other Income	
1986	\$ 7,464,009	\$ 10,980,539	\$ 29,625,523	\$ -	\$ 48,070,071
1987	7,936,219	12,050,626	64,995,389	-	84,982,234
1988	8,311,434	11,968,216	52,168,776	-	72,448,426
1989	8,459,552	12,200,600	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	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(b)	11,507,295	16,355,280	44,018,189	-	71,880,764
1995(b)	10,470,386	21,194,227	44,349,319	-	76,013,932

Fiscal Year	Expenses by Type			Total
	Employee Benefits	Administrative Expenses	Withdrawals	
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(a)	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
1995	50,429,166	558,895	258,382	51,246,443

(a) 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 years beginning with 1992 have been classified to conform with this legislation. Years prior to 1992 have not been restated for the reclassification.

(b) Employer contributions include contributions from the State of Minnesota, Special School District No. 1, and the City of Minneapolis.

ACTUARIAL SECTION



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December 27, 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, 1995.

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

Albany • Atlanta • Boston • Chicago • Cincinnati • Dallas • Denver • Hartford • Houston
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ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund
Report Highlights
(dollars in thousands)

	July 1, 1994 Valuation	July 1, 1995 Valuation
A. CONTRIBUTIONS (Table 11)		
1. Statutory Contributions - Chapter 354A % of Payroll	19.16%	19.00%
2. Required Contributions - Chapter 356 % of Payroll	25.03%	25.18%
3. Sufficiency (Deficiency): (A1-A2)	(5.87)%	(6.18)%
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 514,138	\$ 554,960
b. Current Benefit Obligations (Table 8)	\$ 874,233	\$ 963,977
c. Funding Ratio: (a/b)	58.81%	59.23%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 514,138	\$ 554,960
b. Actuarial Accrued Liability (Table 9)	\$ 920,470	\$ 983,249
c. Funding Ratio: (a/b)	55.86%	56.44%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 876,785	\$ 923,541
b. Current and Expected Future Benefit Obligations	\$ 1,109,037	\$ 1,173,787
c. Funding Ratio: (a/b)	79.06%	78.68%

ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund
Report Highlights
(dollars in thousands)

	July 1, 1994 Valuation	July 1, 1995 Valuation
	<u> </u>	<u> </u>
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	4,484	4,686
b. Projected Annual Earnings	\$ 165,789	\$ 174,473
c. Average Annual Earnings (Actual \$)	\$ 36,793	\$ 37,233
d. Average Age	43.1	43.3
e. Average Service	9.4	9.6
f. Additional Members on Leave of Absence *	109	92
2. Others		
a. Service Retirements (Table 4)	2,497	2,482
b. Disability Retirements (Table 5)	48	49
c. Survivors (Table 6)	219	225
d. Deferred Retirements (Table 7)	652	628
e. Terminated Other Non-Vested (Table 7)	671	895
f. Total	<u>4,087</u>	<u>4,279</u>

* Valued as deferred retirements, liability included with actives.

ACTUARIAL SECTION

TABLE 1

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

July 1, 1995

	Market Value	Cost Value
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$ 60,816	\$ 60,816
2. Investments		
a. Fixed Income	142,526	140,901
b. Equity	345,603	265,339
c. Real Estate	51,969	51,969
3. Equity in Minnesota Post-Retirement Investment Fund (MPRIF)	0	0
4. Other	12,076	11,590
B. TOTAL ASSETS	\$ 612,990	\$ 530,615
C. AMOUNTS CURRENTLY PAYABLE	\$ 3,113	\$ 3,113
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$ 283,083	\$ 283,083
2. Employer Reserves	326,794	244,419
3. MPRIF Reserves	0	0
4. Non-MPRIF Reserves	0	0
5. Total Assets Available for Benefits	\$ 609,877	\$ 527,502
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	\$ 612,990	\$ 530,615
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Cost Value of Assets Available for Benefits (D5)		\$ 527,502
2. Market Value (D5)	\$ 609,877	
3. Cost Value (D5)	527,502	
4. Market Over Cost: (F2-F3)	\$ 82,375	
5. 1/3 of Market Over Cost: (F4)/3		27,458
6. Actuarial Value of Assets (F1+F5)		\$ 554,960

ACTUARIAL SECTION

TABLE 2

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

Year Ending June 30, 1995

	<u>Market</u> Value	<u>Cost</u> Value
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 536,947	\$ 502,734
B. OPERATING REVENUES		
1. Member Contributions	\$ 10,470	\$ 10,470
2. Employer Contributions	16,271	16,271
3. Supplemental Contributions *	4,923	4,923
4. Investment Income	22,130	22,130
5. MPRIF Income	0	0
6. Net Realized Gain (Loss)	24,425	24,425
7. Other	0	0
8. Net Change in Unrealized Gain (Loss)	48,162	0
9. Total Revenue	<u>\$ 126,381</u>	<u>\$ 78,219</u>
C. OPERATING EXPENSES		
1. Service Retirements	\$ 46,128	\$ 46,128
2. Disability Benefits	762	762
3. Survivor Benefits	3,320	3,320
4. Refunds	477	477
5. Administrative Expenses	559	559
6. Investment Expenses	2,205	2,205
7. Total Disbursements	<u>\$ 53,451</u>	<u>\$ 53,451</u>
D. CHANGES IN ACCOUNTING METHOD	0	0
E. ASSETS AVAILABLE AT END OF PERIOD	<u>\$ 609,877</u>	<u>\$ 527,502</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, 1994	4,593	652	671
B. ADDITIONS	637	47	360
C. DELETIONS			
1. Service Retirement	(29)	(20)	(14)
2. Disability	(2)	-	-
3. Death - Survivor	(2)	-	-
4. Death - Other	(1)	(1)	-
5. Terminated - Deferred	(33)	-	(14)
6. Terminated - Refund	(37)	(4)	(83)
7. Terminated - Other Non-Vested	(338)	(22)	-
8. Returned as Active	-	(20)	(22)
D. DATA ADJUSTMENTS	(10)	(4)	(3)
1. Vested	3,231		
2. Non-Vested	1,547		
E. TOTAL ON June 30, 1995	4,778	628	895
		Recipients	
		Retirement Annuitants	Disabled
		Survivors	
A. ON JUNE 30, 1994	2,497	48	219
B. ADDITIONS	72	2	14
C. DELETIONS			
1. Service Retirement	-	-	-
2. Death	(85)	(3)	(7)
3. Annuity Expired	-	-	(2)
4. Returned as Active	-	-	-
D. DATA ADJUSTMENTS	(2)	2	1
E. TOTAL ON June 30, 1995	2,482	49	225

* Includes 92 members on leave of absence.

ACTUARIAL SECTION

TABLE 8

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

July 1, 1995

A.	CURRENT ASSETS (TABLE 1, F6)			\$	554,960
B.	EXPECTED FUTURE ASSETS				
1.	Present Value of Expected Future Statutory Supplemental Contributions				178,043
2.	Present Value of Future Normal Costs				190,538
3.	Total Expected Future Assets				<u>368,581</u>
C.	TOTAL CURRENT AND EXPECTED FUTURE ASSETS			\$	<u>923,541</u>
D.	CURRENT BENEFIT OBLIGATIONS				
			Non-Vested	Vested	Total
1.	Benefit Recipients				
a.	Retirement Annuities	\$		\$ 479,730	\$ 479,730
b.	Disability Benefits			9,237	9,237
c.	Surviving Spouse and Child Benefits			21,881	21,881
2.	Deferred Retirements With Future Augmentation			16,745	16,745
3.	Former Members Without Vested Rights			1,090	1,090
4.	Active Members				
a.	Retirement Annuities*		1,864	363,980	365,844
b.	Disability Benefits		15,656	0	15,656
c.	Survivors' Benefits		9,461	0	9,461
d.	Deferred Retirements		154	15,413	15,567
e.	Refund Liability Due to Death or Withdrawal		0	1,766	1,766
5.	Total Current Benefit Obligations	\$	<u>27,135</u>	\$ <u>909,842</u>	\$ <u>936,977</u>
E.	EXPECTED FUTURE BENEFIT OBLIGATIONS				\$ <u>236,810</u>
F.	TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS				\$ <u><u>1,173,787</u></u>
G.	CURRENT UNFUNDED ACTUARIAL LIABILITY: (D5-A)			\$	382,017
H.	CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY: (F-C)			\$	250,246

* Includes members on leave of absence.

ACTUARIAL SECTION

TABLE 9

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

	July 1, 1995		
	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
	(1)	(2)	(3)
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)			
1. Active Members			
a. Retirement Annuities*	\$ 576,445	\$ 150,216	\$ 426,229
b. Disability Benefits	26,912	12,528	14,384
c. Survivors' Benefits	14,961	5,836	9,125
d. Deferred Retirements	22,842	14,947	7,895
e. Refunds Due to Death or Withdrawal	3,944	7,011	(3,067)
f. Total	<u>\$ 645,104</u>	<u>\$ 190,538</u>	<u>\$ 454,566</u>
2. Deferred Retirements With Future Augmentation	16,745		16,745
3. Former Members Without Vested Rights	1,090		1,090
4. Annuitants in MPRIF	0		0
5. Recipients Not in MPRIF	510,848		510,848
6. Total	<u>\$ 1,173,787</u>	<u>\$ 190,538</u>	<u>\$ 983,249</u>
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)			
1. AAL: (A6)			\$ 983,249
2. Current Assets (Table 1, F6)			554,960
3. UAAL: (B1-B2)			<u>\$ 428,289</u>
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE			
1. Present Value of Future Payrolls Through the Amortization Date of July 1, 2020			\$ 3,367,790
2. Supplemental Contribution Rate: (B3/C1)			12.72%

* 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, 1995

A.	UAAL AT BEGINNING OF YEAR	\$ 406,332
B.	CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING	
1.	Normal Cost and Expenses	\$ 21,094
2.	Contribution	(31,664)
3.	Interest on A, B1 and B2	34,985
4.	Total: (B1+B2+B3)	<u>\$ 24,415</u>
C.	EXPECTED UAAL AT END OF YEAR: (A+B4)	\$ 430,747
D.	INCREASE (DECREASE) DUE TO ACTUARIAL LOSSES (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED	
1.	Salary Increases	\$ (4,435)
2.	Investment Return	(19,833)
3.	MPRIF Mortality	0
4.	Mortality of Other Benefit Recipients	(807)
5.	Other Items	22,617
6.	Total	<u>\$ (2,458)</u>
E.	UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS: (C+D5)	\$ 428,289
F.	CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO PLAN AMENDMENTS	
G.	CHANGE IN ACTUARIAL ACCRUED LIABILITY DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS	0
H.	UAAL AT END OF YEAR: (E+F+G)	<u><u>\$ 428,289</u></u>

ACTUARIAL SECTION

TABLE 11

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

July 1, 1995

	Percent of Payroll	Dollar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A		
1. Employee Contributions	6.16%	\$ 10,753
2. Employer Contributions	9.80%	17,104
3. Supplemental Contribution *	2.87%	5,000
4. Administrative Expense Assessment **	0.17%	297
5. Total	<u>19.00%</u>	<u>\$ 33,154</u>
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	9.62%	\$ 16,792
b. Disability Benefits	0.77%	1,336
c. Survivors' Benefits	0.37%	645
d. Deferred Retirement Benefits	0.94%	1,639
e. Refunds Due to Death or Withdrawal	0.42%	731
f. Total	<u>12.12%</u>	<u>\$ 21,143</u>
2. Supplemental Contribution Amortization by July 1, 2020 of UAAL	12.72%	\$ 22,193
3. Allowance for Expenses	0.34%	\$ 593
4. Total	<u>25.18%</u>	<u>\$ 43,929</u>
C. CONTRIBUTION SUFFICIENCY (DEFICIENCY): (A5-B4)	<u>(6.18)%</u>	<u>\$ (10,775)</u>

Note: Projected Annual Payroll for Fiscal Year Beginning on July 1, 1995 is \$174,473

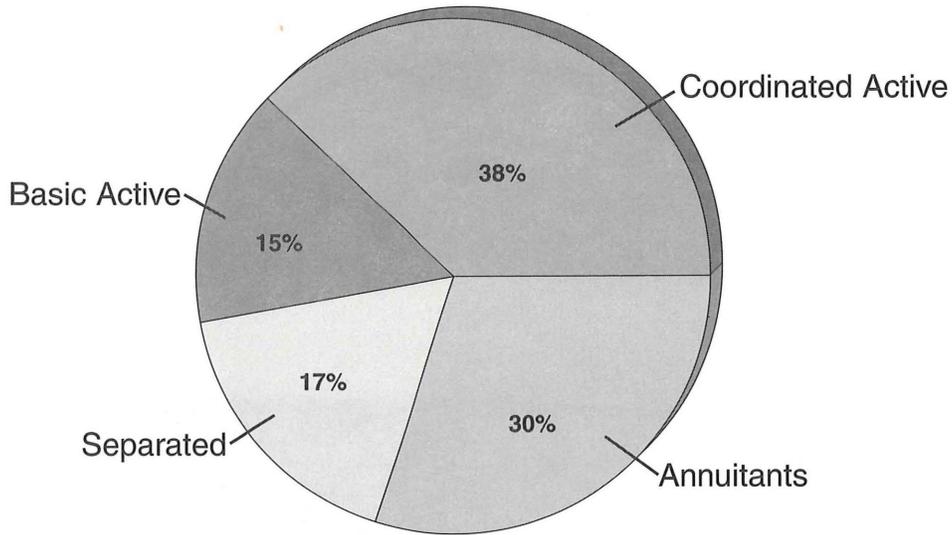
* Includes contributions from School District Number 1, the City of Minneapolis and matching State contributions.

** Effective July 1, 1995.

STATISTICAL SECTION

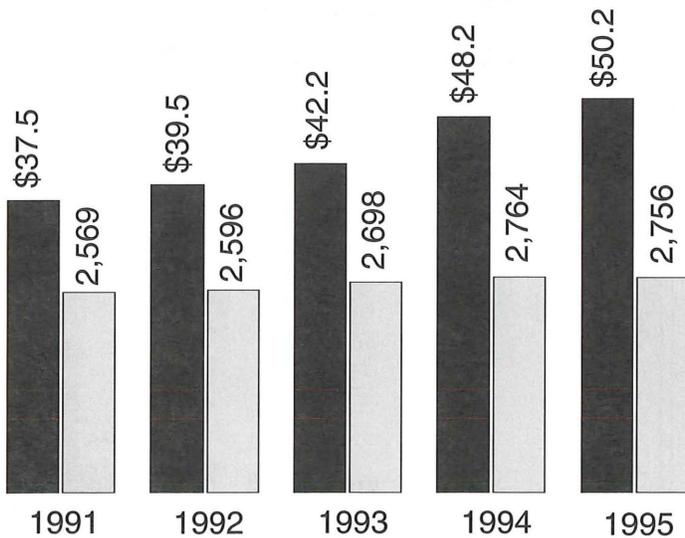
Current Membership and Benefit Recipients

June 30, 1995



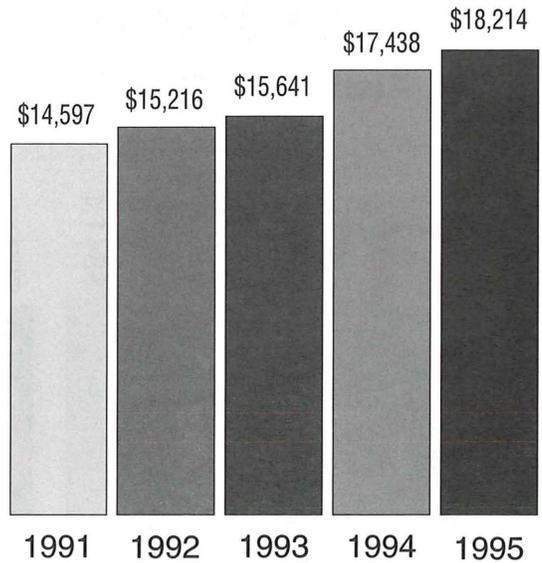
Total Annuity Payroll and Benefit Recipients

Five Year Trend



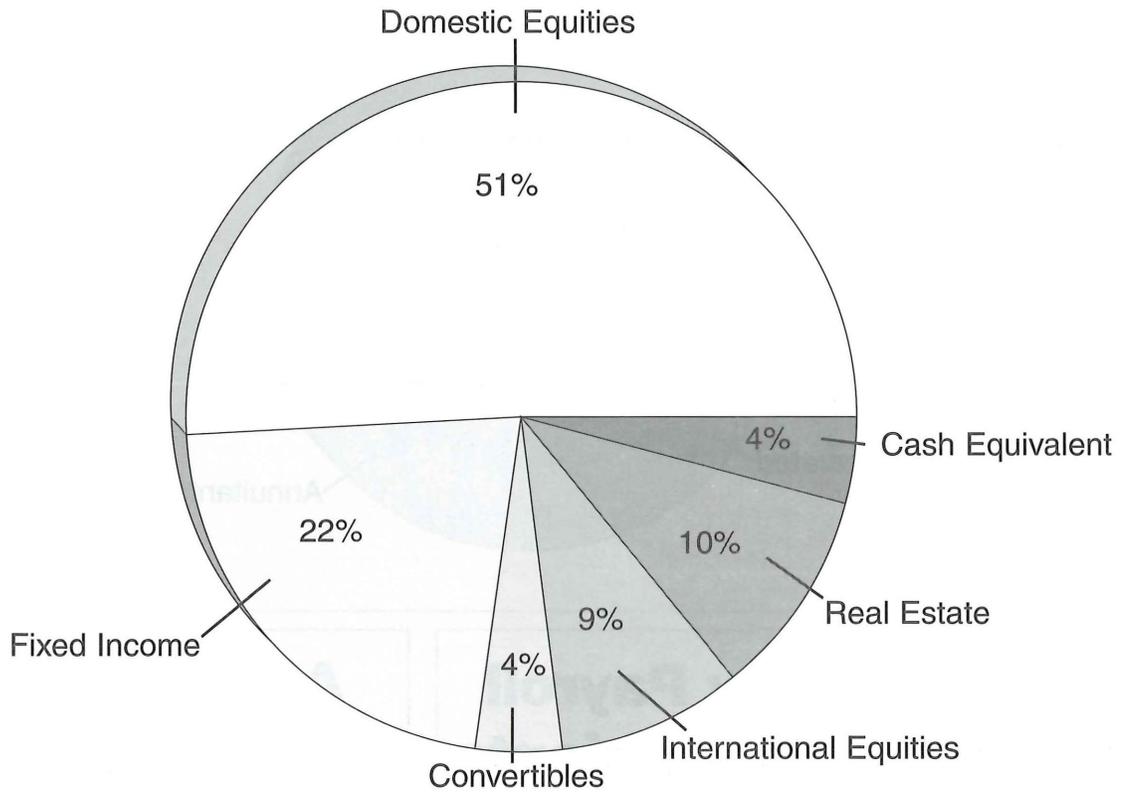
Average Annual Benefit

Five Year Trend



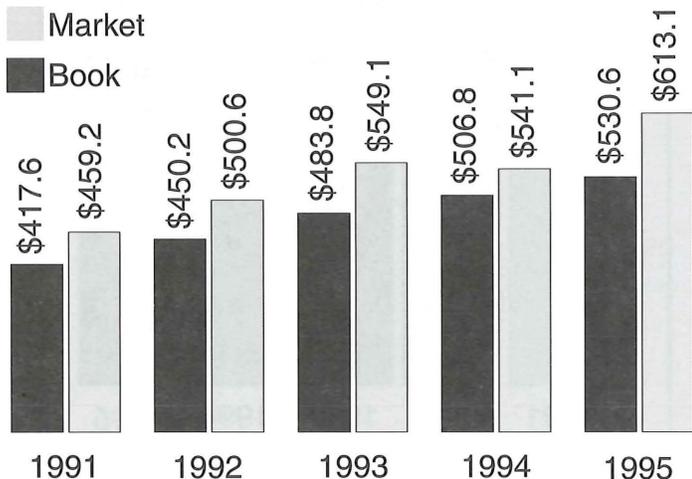
Asset Distribution

Fiscal Year 1995



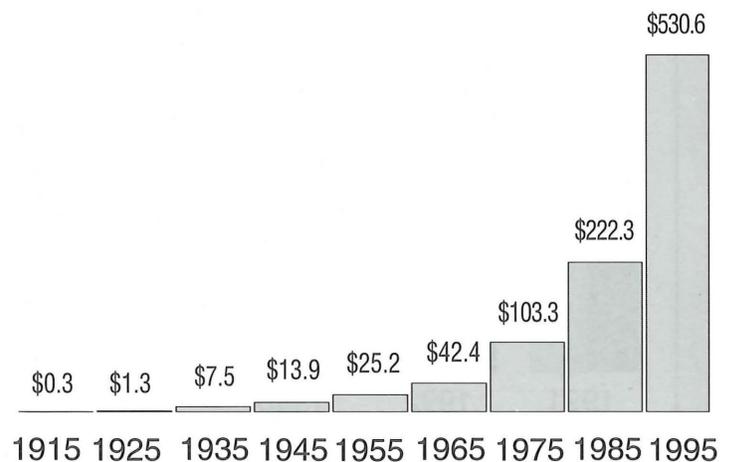
Total Assets

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, 1995)
Equity Managers		
PanAgora S&P 500 Index Fund	\$108,117	25.79%
PanAgora S&P Midcap Index Fund	13,474	22.60%
Chancellor Capital--Large-Cap Growth Companies	29,466	24.41%
Mitchell Hutchins--Large-Cap Value Companies	29,843	n/a#
Brinson Partners--Large-Cap Value Companies	28,466	n/a#
Investment Advisers, Inc. (IAI)--Regional Companies	52,600	25.20%
Nicholas Applegate--Small-Cap Growth Companies	49,322	35.60%
International Managers		
PanAgora EAFE GDP Index Fund--(Europe, Australia, Far East)	54,410	4.92%
Fixed Income Managers		
Patterson Capital--High Quality Securities	53,226	11.30%
Smith Affiliated--Government Securities	40,678	12.05%
Lord Abbett--High Yield Securities	38,899	9.57%
Real Estate		
In-house	52,949	12.30%
Convertible Managers		
Lord Abbett	29,400	n/a@
Miscellaneous		
Venture Capital	2,242	-4.31%
Short Term Investments	22,496	8.45%
Total Fund	\$605,589*	17.55%

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

Mitchell Hutchins and Brinson Partners inception date is October 1, 1994.

@ Lord Abbett Convertible inception date is October 1, 1994

STATISTICAL SECTION

Cash Investments

Issue	Par	Book Value	Market Value at June 30, 1995
U.S. Treasury Bill	175,000	172,852	172,852
U.S. Treasury Bill	400,000	394,716	394,716
STIF		60,223,447	60,223,447
Deposits and Cash on Hand		25,477	25,477
Total Cash Investment		60,816,492	60,816,492

Granite Broadcasting	500,000	516,250	548,750
Heileman Acquisition	1,000,000	1,000,000	600,000
Heritage Media	750,000	781,250	808,125
Huntsman	500,000	500,000	546,250
Integra Bk	710,000	710,000	707,224
International Lease	465,000	446,409	459,099
Kroger Co	500,000	497,500	532,500
Magnetek Inc	500,000	520,000	492,500
Marcus Cable	1,000,000	1,025,000	960,000
Tenet Healthcare	500,000	530,000	528,125
Olympic Automobile	810,000	809,193	809,328
Owens III	50,000	489,375	508,750
PMI Acquisition	500,000	493,125	505,000
Paccar Finl Corp	1,010,000	996,880	1,035,361
Panamsat LP	500,000	506,563	510,000
Panacelsus Healthcare	750,000	717,500	750,000
Pathmark Stores	1,000,000	542,500	600,000
Playtex Family	500,000	500,000	467,500
Premier Auto	992,326	993,179	972,638
Quebec Prov	490,000	508,282	517,141
Repap Wis Inc	500,000	503,750	483,750
Rogers Comm	500,000	510,000	512,500
Rowan Cos	500,000	520,000	535,000
SPX Corp	500,000	506,563	521,250
Safeway	1,000,000	1,032,500	1,140,000
Seven Up	500,000	513,125	440,000
Society Natl Bank	595,000	590,746	603,645
Texas New Mex Pwr	500,000	500,000	519,140
Time Warner Inc	500,000	507,031	520,625
Tultex Corp	500,000	500,000	510,000
UCC Invs Hldgs	750,000	781,875	765,938
US Air	1,000,000	1,045,000	993,580
U.S. Treasury Bonds	3,160,000	3,597,216	3,885,820
U.S. Treasury Bonds	1,740,000	1,765,397	2,033,903
U.S. Treasury Bonds	2,865,000	2,339,886	2,706,078
U.S. Treasury Bonds	440,000	423,729	486,820
U.S. Treasury Notes	1,455,000	1,501,151	1,561,855
U.S. Treasury Notes	1,520,000	1,490,984	1,542,557
U.S. Treasury Notes	12,025,000	11,534,088	12,056,987
U.S. Treasury Notes	2,975,000	2,863,888	2,932,696
U.S. Treasury Notes	13,030,000	13,087,828	12,632,976
U.S. Treasury Notes	1,625,000	1,461,865	1,585,139
U.S. Treasury Notes	1,670,000	1,673,499	1,689,055
U.S. Treasury Notes	2,160,000	2,200,721	2,306,146
U.S. Treasury Notes	8,000,000	8,025,708	8,210,000
U.S. Treasury Notes	2,195,000	2,180,580	2,345,555
U.S. Treasury Notes	2,730,000	2,659,248	2,842,613
U.S. Treasury Notes	4,035,000	4,098,499	4,111,302
U.S. Treasury Notes	1,605,000	1,639,855	1,644,868
U.S. Treasury Notes	960,000	957,825	991,498
U.S. Treasury Notes	2,000,000	1,990,613	2,089,060
U.S. Treasury Notes	5,600,000	5,589,451	5,796,000
U.S. Treasury Notes	2,150,000	2,145,380	2,215,167
U.S. Treasury Notes	2,000,000	1,998,180	1,991,240
U.S. Treasury Notes	3,825,000	3,977,698	4,135,169
United Stationers Supply	500,000	500,000	511,250
Victory Markets	2,000,000	1,722,780	1,860,000
VMX Technologies	505,000	489,764	498,783
VMX Technologies	505,000	504,621	539,512
Webcraft Technologies	500,000	500,000	440,000

Government and Corporate Bonds

Issue	Par	Book Value	Market Value at June 30, 1995
Australian Bond	7,273,000	5,049,164	4,264,608
Canadian Bond	5,600,000	4,232,002	3,708,056
AK Steel Corp	500,000	502,500	525,000
AT&T Corp	250,000	249,915	267,170
ACT III Theatres	500,000	514,750	535,000
Adelphia Comm	1,000,000	985,000	885,000
Agricultural Minerals & Chem	500,000	505,000	513,750
American Gen Fin	640,000	631,149	644,192
American Std Inc	1,000,000	627,500	760,000
Amerigas Partners LP	1,000,000	1,000,000	1,040,000
ARMCO Inc	1,000,000	1,000,000	960,000
Associated Matls	1,000,000	1,000,000	920,000
Associates Corp	535,000	530,019	546,733
Bethlehem Steel Corp	500,000	501,875	497,500
Boise Cascade Corp	1,000,000	1,085,000	1,148,930
Borden Chem & Plastic	1,000,000	1,000,000	1,015,000
Cellular Inc	500,000	367,500	370,000
Clark USA	1,500,000	771,250	937,500
Comcast Cellular	1,000,000	603,333	710,000
Connor Peripherals Inc	1,000,000	781,875	840,000
Crown Cent	1,000,000	998,437	1,045,000
Dan River	750,000	760,000	742,500
Dial Page Inc	500,000	513,750	515,000
Digital Equip	1,000,000	709,375	915,550
Domtar Inc	1,000,000	1,030,000	1,067,500
Eagle Inds	500,000	320,000	370,000
Empresas ICA	500,000	478,000	262,500
Essex Group	500,000	511,875	486,250
FF Hldgs Corp	614,670	620,876	350,362
Federal Home Ln	710,000	711,101	730,299
Federal Natl Mtg DEB	500,000	499,688	506,250
Federal Natl Mtg AGN	1,500,000	1,491,563	1,557,345
Federal Natl Mtg MTN	600,000	597,162	621,600
Fieldcrest Cannon Inc	500,000	513,750	520,000
Flagstar Corp	1,000,000	1,067,500	680,000
Ford Motor	590,000	580,295	595,481
GNMA Pool #0351447	532,409	467,439	511,443
GNMA Pool #0359919	84,885	74,527	81,543
GNMA Pool #0364986	268,424	235,668	257,854
GNMA Pool #0371689	246,011	215,990	236,323
GNMA Pool #0376796	501,429	440,239	481,682
GNMA Pool #0383988	179,359	157,472	172,296
General Motors	550,000	565,252	565,191
Genesis Health	500,000	498,750	503,750
Grancare Inc	600,000	551,229	516,000

STATISTICAL SECTION

XEROX Corp	520,000	545,132	553,467	Bandag inc	14,000	800,355	875,000
Young Broadcasters	500,000	501,876	546,551	Bank New York	10,500	389,666	423,938
Total Government and Corporate		141,108,824	142,525,942	Bankers Life Hldg	38,000	785,913	722,000
Bond Securities				Banta Corp	14,000	379,439	465,500
LESS: Provisions for Losses		(208,000)	0	Bard C R	7,900	197,839	237,000
Total Governemnt and Corporate Bond				Baxter Intl	15,000	422,130	545,625
Net of Provision For Losses		140,900,824	142,525,942	Bay Networks	8,100	301,854	335,138

Preferred Securities

Issue	Par	Market		Issue			
		Book Value	Value at June 30, 1995				
Dollar Dry Dock	3,000	144,000	0	Biogen Inc	1,200	64,281	53,400
Eastern Air Lines	1,326	207,864	13	Biomet Inc	15,000	252,851	232,500
RJR Nabisco Hldgs	41,700	293,569	250,200	Birmingham Stl	5,100	120,703	93,713
Total Preferred Stock		645,433	250,213	Black & Decker	2,100	63,036	64,838

Common Stock

Issue	Shares	Market		Issue			
		Book Value	Value at June 30, 1995				
Tower Semiconductor	22,500	652,500	652,500	Boise Cascade Office	13,500	327,291	300,375
Madge N.V.	9,500	258,394	266,000	Borg Warner Automotive	19,000	480,714	541,500
Orthofix International	34,400	634,687	589,100	Boston Scientific	10,277	183,861	327,579
ABC Rail	20,000	470,000	460,000	Briggs & Stratton	10,100	360,310	348,450
ADC Telecommunications	7,400	183,749	264,550	Bristol Myers Squibb	3,900	254,850	265,688
Aancor Holdings	3,180	31,800	0	British Pete PLC	6,200	543,674	530,875
AG Associates	37,000	626,688	647,500	Buffets Inc	32,600	342,938	448,250
AGCO Corp	30,600	835,814	1,147,500	Burlington Northern	12,000	600,423	760,500
A L Pharmaceutical	15,000	344,820	281,250	Cigna Corp	9,600	604,874	745,200
AMR Corp	8,200	496,626	611,925	CMS Energy Corp	12,200	263,487	298,900
AST Research	6,900	92,298	106,950	CUC Intl	9,300	311,095	391,763
Abbott Labs	27,000	936,305	1,093,500	Campbell Soup	4,700	184,317	230,300
Aetna Life & Cas	5,000	302,072	314,375	Capital Cities ABC	2,500	174,008	270,000
Aetrium Inc	20,000	328,607	365,000	Carnival Corp	10,500	258,075	244,125
Air & Wtr Technologies	5,200	37,840	31,200	Carson Pirie Scott & Co	34,400	594,802	563,300
Airtouch Communication	15,900	371,732	453,150	Cascade Communication	7,200	242,736	311,400
Alantec Corp	24,000	819,756	822,000	Caseys Gen Store	76,300	955,865	1,373,400
Allegan Inc	13,200	343,182	358,050	Centerior Energy	9,400	86,189	90,475
Alliance Entertainment	82,500	683,005	768,323	Centex Corp	10,700	258,640	302,275
Allied Signal	14,200	516,398	631,900	Cherry Corp	29,100	365,545	385,575
Altera Corp	2,500	111,220	108,125	Chevron Corp	11,300	523,389	524,038
Aluminum Co	2,900	114,809	145,363	Chubb Corp	1,100	77,722	88,138
Alza Corp	10,500	216,780	245,438	CIMA Labs	86,656	494,350	368,288
American Mobile Satellite Corp	2,000	32,770	52,500	Circuit City Stores	9,200	287,196	290,950
American STD	13,200	266,628	361,350	Cisco Sys Inc	4,700	162,177	237,646
Ameritech	34,500	1,495,946	1,518,000	Cirrus Logic	6,400	242,477	401,203
Amgen	5,100	342,941	410,234	Citicasters Inc	28,000	656,470	770,000
AMP Inc	7,700	340,145	325,325	Citicorp	28,100	1,276,047	1,626,288
Amoco Corp	15,500	955,179	1,032,688	Clarcor Inc	7,000	158,448	160,125
AMSCO Intl	33,500	458,075	464,813	Coca Cola	20,300	365,603	444,063
AON Corp	16,000	521,174	596,000	Comair Hldgs	43,000	994,463	1,628,625
Apple South	54,000	898,668	1,053,000	Comcast Corp	19,300	316,208	358,266
Applied Innovation Inc	26,900	1,060,832	1,284,475	Comerica Inc	3,500	96,359	112,438
Apria Healthcare Group	13,000	336,942	367,250	Community Health	37,450	523,872	1,268,619
Applied Matls Inc	7,500	332,565	649,688	Computer Assoc	6,300	380,852	425,250
Aptargroup Inc	26,000	702,268	835,250	Computer Network	90,000	935,751	922,500
Arch Communications Group	41,000	840,496	912,250	Computer Sciences	1,700	72,828	96,688
Archer Daniels Midland	35,000	690,646	651,875	Consolidated Edison Co	4,100	115,021	120,950
Automatic Data Processing	7,500	420,436	471,563	Cooper Inds	15,300	605,722	604,350
Automotive Inds	11,900	228,093	322,788	Cordis Corp	2,900	180,934	193,575
BMC Inds	50,000	544,523	1,256,250	Credence Sys Corp	36,900	782,416	1,116,225
Ball Corp	3,000	85,862	104,625	Cyberopics Corp	12,000	234,654	304,500
				DPL Inc	14,700	306,395	325,238
				DSC Communications Corp	4,800	197,447	223,200
				Danka Business Sys	10,700	173,875	258,812

STATISTICAL SECTION

Dean Witter Discover & Co	11,400	443,883	535,800	Intergrated Process	41,000	748,287	1,447,833
Department 56	8,331	280,034	382,500	Intel Corp	21,400	915,243	1,354,898
Diametrics Med	21,000	176,400	202,125	Inter Tel	32,300	485,063	488,538
Digital Link Corp	34,000	582,250	960,500	Intl Business Mach	5,300	379,986	508,800
Dollar Gen Corp	11,100	251,709	351,038	Intl Flavors & Fragrances	5,700	282,292	283,575
Donnelley R R & Sons	26,700	784,918	961,200	International Paper	1,800	141,840	154,350
Dover Corp	3,000	191,492	218,250	International Rectifier	25,300	574,713	822,250
Du Pont E I De Nemours	7,400	459,638	508,750	Interpublic Group Cos	9,400	319,932	352,500
EMC Corp	24,100	430,733	584,425	Ipalco Enterprises	5,300	168,476	168,938
Eastman Kodak	6,800	371,532	412,250	Itel Corp	23,200	790,836	904,800
Emerson Elec	7,700	458,842	550,550	Ivax Corp	13,400	341,730	329,975
Engelhard Corp	7,000	262,158	300,125	Johnson & Johnson	10,700	579,187	722,250
Enron Corp	5,800	208,578	203,725	Johnson Ctls Inc	9,000	454,381	508,500
Entergy Corp	16,700	392,131	402,888	Juno Ltg Inc	14,000	245,000	224,000
Equitable Iowa	23,000	723,348	756,125	Just for Feet Inc	32,000	677,544	1,276,000
Equity Inns	40,000	500,000	430,000	KLA Instrs Corp	3,900	247,759	301,275
Exar Corp	33,000	895,125	973,500	Kimberly Clark	9,600	542,105	574,800
Exxon Corp	6,000	372,842	423,750	King World Prodtns	3,300	124,568	133,650
FHP Intl	3,100	90,706	71,300	Kohls Corp	6,000	263,605	273,750
Federated Dept Stores	9,100	202,365	234,325	Kroger Co	7,400	196,072	198,875
First American Finl	28,100	642,127	649,813	LTV Corp New	7,500	108,651	109,688
First Chicago Corp	16,100	872,755	963,988	LSI Logic Corp	9,000	242,309	352,125
First Finl Mgmt Corp	13,800	974,997	1,179,900	Lattice Semiconductor	7,800	270,210	268,125
Fiserv Inc	26,000	564,535	731,250	Lilly Eli & Co	5,400	399,968	423,900
Fleetwood Enterprise	10,600	235,976	209,350	Lincare Holdings	2,100	62,738	55,782
Ford Motor	11,200	301,972	333,200	Lincoln Natl	6,500	260,195	284,375
Forest Labs	7,100	350,143	315,063	Lindsay Mfg	16,000	452,000	556,000
Frame Technology	8,800	107,914	257,400	Liz Claiborne Inc	4,300	97,968	91,375
General Elec	7,700	369,041	434,088	Lockheed Martin	20,900	1,000,007	1,319,313
General Instr Corp	24,000	789,267	918,000	Loral Corp	3,000	140,250	155,250
General Motors	13,900	553,102	604,650	Lyondell Petrochemical	32,500	907,646	832,813
General Nutrition Cos	3,000	107,063	105,375	Magma Copper	16,500	276,668	268,125
Genzyme Corp	11,100	399,010	444,000	Magna Group	2,000	50,164	55,000
Gillette	6,000	244,478	267,000	Manor Care Inc	7,900	217,385	230,088
Glendale Fed Bank	17,100	231,795	213,750	Manpower Inc	17,400	515,762	443,700
Goodyear Tire	9,300	349,912	382,463	Mariner Health Group	20,900	337,013	235,125
Grace W & R	7,300	354,154	448,038	Marriott Intl	7,300	225,138	261,888
Grainger W W	4,000	240,204	235,000	Mattel	13,700	333,206	359,625
Grand Casinos Inc	28,000	658,795	990,500	McDonalds	54,700	1,665,122	2,140,138
Green Tree Financial	4,600	173,634	204,125	McDonnell Douglas	4,200	245,319	322,350
Gulf South Med Supply	30,000	500,775	720,000	Medtronic Inc	9,000	545,310	694,125
Halliburton Co	12,900	457,582	461,175	Melville Corp	12,000	430,341	411,000
Harcourt Gen Inc	6,800	269,325	289,000	Mens Wearhouse	30,800	718,721	847,000
Harley Davidson	33,600	766,280	814,800	Mentor Graphics	17,300	295,291	298,425
Harnischfeger Inds	21,800	579,276	754,825	Merck & Co	18,500	879,866	908,813
Healthsouth Corp	4,100	84,794	71,238	Merix Corp	12,200	364,790	369,050
Healthcare Compare	11,000	327,596	330,000	Merrill Corp	19,000	295,845	361,000
Health Mgmt Assoc	22,000	223,764	643,500	Merrill Lynch & Co	2,100	99,293	110,250
Health Mgmt	43,150	572,025	1,262,138	Microsoft Corp	7,000	540,315	632,625
Hercules Inc	5,300	243,004	258,375	Micron Technology	6,700	229,712	368,500
Hillenbrand Ind	3,400	102,888	105,825	Midlantic Corp	14,100	437,334	564,000
Hollywood Ent	15,000	551,400	675,000	Minnesota Mining & Mfg	15,000	832,548	860,625
Honeywell Inc	28,500	959,382	1,229,063	Mirage	6,700	169,243	205,188
Host Marriott Corp	29,500	286,992	313,438	Mississippi Chem	40,000	723,000	797,520
IMC Global	4,400	190,485	238,150	Mobil Corp	3,300	310,553	316,800
ITI Technologies	7,500	180,333	178,125	Monsanto Co	5,300	407,705	477,663
Idex Corp	22,800	620,565	763,800	Motorola Inc	14,000	790,619	939,750
Illinois Cent Corp	35,000	1,133,932	1,207,500	Nalco Chem	23,000	756,951	836,625
Illinois Tool Works	10,000	419,694	550,000	National Semiconductor	8,100	157,365	224,775
Illinova Corp	6,900	133,553	175,088	Nautica Enterprises	22,000	668,248	797,500
Inland Steel	7,600	288,501	231,800	Nelcor	4,500	197,857	202,500
Instent Inc	15,000	214,800	213,750	Netcom on-line	18,300	472,381	466,650

STATISTICAL SECTION

Network Peripherals	43,000	948,950	937,959	Spectrian Corp	25,000	661,617	993,750
Newell	34,900	739,201	850,688	Spine-Tech Inc	30,000	309,750	322,500
Nextel	7,100	151,834	100,288	Sprint Corp	19,300	731,665	648,963
Nike	6,800	466,377	571,200	State Street Boston	5,400	185,982	199,125
Norwest Corp	11,400	293,066	327,750	Stone Container	3,800	75,563	80,750
Novellus Sys	5,200	320,724	352,300	Summa Four Inc	34,000	796,790	960,500
Oak Technologies	10,300	335,889	378,525	Sybron Intl Corp	34,000	1,221,869	1,355,750
Occidental Pete Corp	3,400	69,734	77,775	System & Computer	2,100	37,078	42,000
Office Depot	12,000	304,133	337,500	TJX Cos	8,500	165,970	112,625
Ohio Edison	10,100	208,188	228,513	Tele Communications	25,000	515,480	585,950
Old Republic Intl Corp	5,000	114,513	130,625	Telefonos De Mexico	3,200	99,216	94,800
Ornda Healthcorp	22,500	400,518	385,313	Tellabs Inc	14,700	396,568	707,438
Owens Ill Inc	14,600	162,845	189,800	Teltrend Inc	50,000	800,000	987,500
Pri Automation Inc	32,000	835,368	1,048,000	Tenneco Inc	8,400	368,421	386,400
Pacificare Health Sys	1,800	119,779	91,800	Teradyne Inc	6,800	313,906	444,550
Papercraft Hldg	238	2,262	0	3 Com Corp	9,700	416,185	649,900
Pentair	5,700	236,661	247,950	Time Warner Inc	10,900	417,935	449,625
Peoplesoft	5,500	300,452	298,375	Timken Co	5,400	196,857	249,075
Pepsico Inc	16,900	803,588	768,950	Toll Bros Inc	5,100	82,871	81,600
Performance Sys	70,000	974,980	1,063,160	Tosco Corp New	2,300	69,139	73,313
Petroleum Geo-Svcs	38,000	624,385	1,092,500	Transamerica Corp	7,400	371,779	431,050
Pfizer Inc	13,300	999,098	1,225,263	Tricord Sys	22,759	343,376	85,346
Philip Morris	27,700	1,652,023	2,060,188	Truck Components	34,000	355,710	535,500
Players Intl	19,050	270,029	381,000	USF&G Corp	12,400	172,083	201,500
Pogo Producing Co	20,700	312,159	473,513	U S Robotics Corp	4,900	345,124	534,100
Potash Corp	4,800	172,812	268,200	Ulramar Corp	3,800	93,399	95,950
Praxair Inc	14,700	278,870	365,663	Ultratech Stepper Inc	30,600	744,666	1,078,650
Procter & Gamble	5,900	351,675	424,063	Unicom Corp	7,900	203,706	210,338
Promus Cos	9,100	407,256	354,900	Union Carbide Corp	11,200	365,759	375,200
Protective Life Corp	10,000	223,260	272,500	Uniroyal Inc	2,200	2,077	22
Public Svc Enterprise	15,300	427,015	424,575	Unired Healthcare Corp	12,000	519,887	496,500
Questar Corp	6,600	199,160	189,750	U.S. Bankcorp Ore	8,700	218,362	209,348
Quintiles Transnational Corp	22,200	639,872	999,000	US Air Group	23,700	309,703	275,513
RJR Nabisco Hldgs	12,280	396,533	340,770	United Waste Systems	20,800	533,508	748,800
Raychem Corp	4,600	190,683	175,950	Valspar Corp	10,000	263,176	378,750
Raytheon Co	1,800	129,411	139,725	Vigoro Corp	12,800	460,815	531,200
Read-Rite Corp	8,400	204,719	224,700	WMX Technologies	19,500	508,053	553,313
Reliastar Finl Corp	36,000	1,179,655	1,377,000	Walgreen Co	7,800	299,640	390,975
Richfood Hldgs	46,500	781,965	1,028,813	Warner Lambert Co	7,000	543,781	604,625
Rite Aid Corp	8,300	210,919	212,688	Webb Del Corp	31,300	648,935	727,725
Riverwood Intl Corp	18,500	290,484	430,125	Wellman Inc	1,600	51,616	43,800
Roosevelt Finl	30,400	470,772	507,315	Westvaco Corp	5,400	219,530	238,950
Royal Dutch	6,500	732,537	792,188	Willamette Ind	3,900	200,558	216,450
SCE Corp	21,700	354,358	371,613	Windmere Corp	1,603	0	1,202
St. Paul Cos	6,700	318,513	329,975	Winnebago Inds	15,000	134,219	131,250
Sara Lee Corp	40,200	901,676	1,145,700	Winthrop Resources Corp	25,000	190,313	350,000
Schering Plough Corp	32,200	1,152,754	1,420,825	Wisconsin Cent Transn	10,000	443,286	490,000
Schlumberger LTD	18,200	1,076,786	1,130,675	Woodhead Daniel	10,700	121,578	147,125
Scott Paper Co	18,000	576,265	891,000	Wrigley WM Jr	11,000	483,159	510,125
Seagate Technology	22,100	663,851	872,950	Zebra Technologies	28,200	1,139,199	1,501,650
Sears Roebuck & Co	32,900	1,572,975	1,957,550	EAFE GDP Index Fund		50,359,885	54,409,209
Service Corp	10,900	272,356	344,713	S&P Midcap Index Fund	11,492,145	11,000,000	13,474,425
Shawmut Natl	733	0	7,238	S&P 500 Index Fund	84,594,423	61,661,452	108,116,749
Silicon Graphics	16,400	405,615	653,950	Total Common Stock		265,665,246	345,353,492
Silicon Valley	33,900	699,527	1,228,875	Total Preferred and Common Stock		266,310,679	345,603,705
Smith Intl Inc	29,100	442,085	487,425	LESS: Provisions for Losses		(971,701)	0
Smithfield Foods Inc	11,000	363,292	234,443	Total Common and Preferred Stock			
Sofamor/Danek Group	10,000	239,044	223,750	Net of Provision for Losses		265,338,978	345,603,705

STATISTICAL SECTION

Venture Capital Funds

Fund	Book Value	Market Value
MN Seed I	180,636	214,398
MN Seed II	837,516	1,064,209
Cherry Tree Ventures	433,243	246,615
Artesian Capital	165,343	577,720
Total Venture Capital	1,616,738	2,102,942
Notes Receivable--Real Estate	980,199	980,199
Total Other Investments	2,596,937	3,083,141

Real Estate Investments

Description and Location	Original Cost	Provisions 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 -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
Cold Storage- Fullerton, CA	2,344,541	437,000	1,907,541
Cub Foods - Madison, WI	2,802,992	0	2,802,992
Cub Foods - Onalaska, WI *	1,952,433	0	1,952,433
Foster Farms - Stockton, CA	723,550	38,000	685,550
Golden Coral - 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
Grandy's -Albuquerque, NM	502,500	155,000	347,500
Harrigan's - Albuquerque, NM *	394,570	0	394,570
Harrigan's - Oklahoma City, OK	1,124,170	124,170	1,000,000
Harrigan's - Oklahoma City, OK	996,758	0	996,758
Jack in the Box -Grass Vall, 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 - 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 - Butte, MT	238,031	0	238,031
Pizza Hut - Gillette, WY	239,816	0	239,816
Pizza Hut - Hilton Head, 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
Vacant - Pinellas Park, FL	375,404	51,000	324,404
Wendy's-Colorado Springs, CO	439,918	0	439,918
Wendy's - FL	480,000	85000	395,000
Wendy's - Pueblo, CO	350,000	0	350,000
Wendy's - Pueblo, CO	350,000	0	350,000
World Trade Bank - CA	5,646,024	1,476,149	4,169,875
MTRFA Rental Properties	46,114,232	4,680,547	41,433,685
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
Fuddrucker's - Roseville, MN	1,300,005	300,005	1,000,000
Kentucky Fried Chicken - Blm.	500,000	0	500,000
Kent. Fried Chicken - Eden Pr.	485,000	0	485,000
Kent. Fried Chicken - Mpls, MN	507,654	0	507,654
Kent. Fried Chicken - Mpls, MN	186,241	0	186,241
Kent. Fried Chicken - St. Paul,	311,003	0	311,003
Pearle Vision/T.E.-Mpls., 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 - St. Paul, MN	377,617	199,748	177,869
The Vineyard - Anoka, MN	651,000	0	651,000
Wendys - St. Paul, MN	360,020	0	360,020
Wendy's - Roseville, MN	272,320	0	272,320
Vacant - Minneapolis, MN	389,573	289,573	100,000
MRT Rental Properties	12,308,217	1,772,841	10,535,376
Grand Total			
All Properties	58,422,449	6,453,388	51,969,061

* - MTRFA ownership interest in property is 50%.

STATISTICAL SECTION
INVESTMENT EXPENSES

	1995	1994
Investment Expenses - Securities		
Money Manager and Custodian Fees		
Brinson	\$96,478	\$0
Chancellor	150,120	36,735
Index Fund	50,650	69,459
Investment Advisers, Inc.	270,231	261,764
Lord Abbett	167,029	138,730
Mitchell Hutchins	100,920	0
Nicholas-Applegate	413,617	400,626
Patterson	194,136	194,146
Pacific Century	28,305	112,975
PanAgora EAFE Index	79,834	36,525
Smith Affiliated	138,607	148,597
Sullivan Mgmt	0	23,165
Custodian Fees	67,440	0
Total Money Manager and Custodian Fees	<u>1,757,367</u>	<u>1,422,722</u>
Salaries	58,618	56,470
Payroll Taxes	4,035	3,937
Employee Benefits	6,094	5,842
Telephone and Electricity	1,775	1,397
Office Supplies	2,403	2,101
Office Rent	9,135	8,513
Insurance	20,450	20,119
Depreciation	3,483	4,973
Travel	16,506	12,092
Business Expense	3,151	4,062
Audit	3,151	3,108
Legal	0	3,143
Consulting	5,700	6,600
Miscellaneous	1,029	1,938
Total Investment Expenses - Securities	<u>1,892,897</u>	<u>1,557,017</u>
Investment Expenses - Real Estate		
Salaries	54,439	40,980
Payroll Taxes	3,975	2,858
Employee Benefits	5,848	4,247
Postage & Mailing	203	811
Telephone and Electricity	2,190	1,905
Office Supplies	2,232	1,528
Office Rent	8,486	6,191
Insurance	45,631	48,057
Data Processing	325	770
Depreciation	3,236	3,617
Travel	1,533	1,710
Business Expense	2,815	2,767
Legal Fees	83,727	99,527
Audit	3,151	3,108
Consulting	2,159	4,107
Property Taxes	54,139	37,779
Utilities on MTRFA Properties	10,059	9,477
Repairs and Maintenance	18,116	186
Sales Expense and Commissions	0	6,913
Valuations & Appraisals	7,750	10,300
Miscellaneous	2,718	4,360
Total Investment Expenses - Real Estate	<u>312,732</u>	<u>291,198</u>
Total Investment Expenses	<u><u>\$2,205,629</u></u>	<u><u>\$1,848,215</u></u>

STATISTICAL SECTION
ADMINISTRATIVE EXPENSES

	<u>1995</u>	<u>1994</u>
Salaries	\$212,477	\$224,413
Payroll Taxes	14,538	15,512
Employee Benefits	24,297	23,085
Postage & Mailing	33,626	31,176
Telephone & Electricity	6,757	5,517
Printing & Binding	20,172	32,480
Office Supplies	8,495	8,656
Office Rent	32,296	33,666
Insurance	27,221	29,341
Data Processing	41,890	33,552
Depreciation	12,315	19,667
Travel	5,958	4,875
Mileage and Parking	2,187	1,818
Business Expense	11,715	17,220
Legal Fees	44,872	21,688
Actuarial	50,274	43,638
Audit	9,453	9,323
Miscellaneous	352	253
Total Administrative Expenses	<u>\$558,895</u>	<u>\$555,880</u>

Components of Total Revenue and Expenses 1995

