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# MTRFA

## Minneapolis Teachers' Retirement Fund Association



Bird Pitcher by John Kantar, Teacher, South High School

## Eighty-Seventh Annual Report of the Board of Trustees

For the Year Ended June 30, 1996

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Pursuant to Minn. Stat. 356.215 and  
Minn. Stat. 356.20



## **Minneapolis Teachers' Retirement Fund Association**

### **1995-1996 Annual Report**

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December 16, 1996

**INTRODUCTORY SECTION**

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

**Letter of Transmittal**

On behalf of the Board of Trustees of the Minneapolis Teachers' Retirement Fund Association (MTRFA), I am pleased to submit the Eighty-Seventh Annual Report for the fiscal year which ended June 30, 1996. This Annual Report has been prepared in accordance with Minnesota Statute 356.20.

**MTRFA Membership**

At June 30, 1996, the MTRFA had 9,319 members. The membership consisted of 4,729 active members, 1,746 separated members and 2,844 benefit recipients. Active members make up 50% of the total membership. Of those active members, 74% are members of the coordinated plan. In the fiscal year ended June 30, 1996, the MTRFA made payments to benefit recipients (retirees, disabilitants and survivors) totaling \$54,400,222.

**Revenues**

MTRFA revenues consist of employee and employer contributions and investment earnings on fund assets. Fiscal year 1996 employer and employee contributions totaled \$23,085,417 and \$11,293,407 respectively.

The employer contribution included required contributions based on a percentage of payroll (\$17,079,515), contributions resulting from the 1993 funding legislation (State of Minnesota, \$2,460,858; Special School #1, \$1,250,000; and City of Minneapolis, \$1,210,858) and for the first time excess police and fire relief amortization aid from the State of Minnesota in the amount of \$1,084,188.

Employer contributions have increased from \$13,711,352 in fiscal 1993 to \$23,085,417 in fiscal 1996, an increase of 68.4%. Of this \$9.4 million increase, \$8.0 million is attributable to the 1993 funding legislation and \$1.1 million of the increase is the result of the 1996 funding legislation.

Investment income (net of investment expenses) totaled \$63,406,903 in fiscal 1996. 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, 1996, totaled \$55,202,529. Benefit payments to retirees, disabilitants, survivors and death benefit recipients made up 99% (\$54,417,919). The remaining expenses consisted of administrative expenses (\$537,400) and withdrawals of contributions by separated members (\$247,210).

The MTRFA continues to work hard on controlling investment and administrative expenses by renegotiating various contracts and through operating efficiencies. Administrative expenses decreased \$21,495 or 3.8% from the year ended June 30, 1995.

**Investments**

The MTRFA investment portfolio is dominated by high-quality and diversified assets that emphasize a long-term investment approach. These assets totaled over \$701 million at June 30, 1996. For the year ended June 30, 1996, the MTRFA time-weighted rate of return was 18.21% compared to the MTRFA custom index return of 15.7%. 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, and the Wilshire Real Estate Funds.

**INTRODUCTORY SECTION**

In fiscal year 1996, the MTRFA made several changes in the portfolio. These included the hiring of Wellington Capital, as an international equity manager and the transfer of the core fixed income portfolios to Northern Trust and Loomis, Sayles. These changes were made by the Board of Trustees in conjunction with the recommendations of the MTRFA Investment Advisory Committee (IAC). The IAC is a committee of professionals from the business and investment community who have no other direct relationship to the MTRFA.

In addition, the MTRFA liquidated the convertible portfolio and began the liquidation of the real estate portfolio. A real estate administrator was hired to coordinate the real estate liquidation in October 1995. In fiscal 1996, \$3 million of real estate representing 5.1% of the real estate portfolio was sold. The complete liquidation of the current real estate portfolio will be completed during the next few years.

**Funding**

Although the MTRFA funding level continues to be a major concern, there was an improvement in the Accrued Liability Funding Ratio which increased from 56.44% to 58.09%. 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.

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 1996 legislative session included the passage of two bills affecting the MTRFA. One bill provides for additional funding for the MTRFA. This funding includes excess police and fire relief amortization aid from the State of Minnesota, which is anticipated to increase annually until reaching a maximum of approximately \$2.7 million, and, beginning in 1998, additional contributions by the City of Minneapolis and the Minneapolis Public Schools that will be phased in to a maximum of \$1,000,000 each in 2003.

The other bill passed in the 1996 legislative session allows eligible active members to purchase qualified out-of-state teaching service.

**Member Services**

MTRFA retirement counselors continue to meet with individual members in their schools. It is the goal of the MTRFA to visit each school in the district at least once a year in order to better serve our members.

The MTRFA continues to offer pre-retirement seminars and is increasing the number of seminars offered each year in response to increasing attendance by its members.

**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 ended June 30, 1996. 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**

JUDITH H. DUTCHER  
STATE AUDITOR

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525 PARK STREET  
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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 years ended June 30, 1996 and 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 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, 1996 and 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

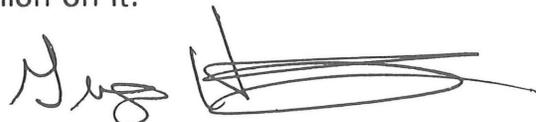
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules referred to in the table of contents are not a required part of the consolidated financial statements but are required by the Governmental Accounting Standards Board. Such information, as of and for the years ended June 30, 1996 and 1995, has been subjected to the auditing 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 SECTION

financial statements taken as a whole. We have applied certain limited procedures to the information in the schedules as of and for the years ended June 30, 1987 through 1994, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



JUDITH H. DUTCHER  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

October 25, 1996

## FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA

EXHIBIT 1

CONSOLIDATED BALANCE SHEET  
JUNE 30, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
<b><u>Assets</u></b>		
<b>Investments</b>		
Cash and cash equivalents	\$ 55,649,900	\$ 60,816,492
Government and corporate bonds (market value of \$153,935,842 and \$142,525,942 in 1996 and 1995, respectively)	157,925,327	140,900,824
Common and preferred stock		
Individual holdings (market value of \$225,691,864 and \$169,603,322 in 1996 and 1995, respectively)	179,538,250	142,317,641
Common stock funds		
International equity fund (market value of \$61,355,427 and \$54,409,209 in 1996 and 1995, respectively)	51,214,136	50,359,885
Collective trust funds		
Equity index fund (market value of \$143,173,269 and \$127,591,174 in 1996 and 1995, respectively)	67,800,037	72,661,452
Real estate	49,170,279	51,969,061
Other investments	1,345,859	2,596,937
Designated for deferred compensation benefits	84,902	66,769
<b>Total investments</b>	<b>\$ 562,728,690</b>	<b>\$ 521,689,061</b>
<b>Receivables</b>		
Required employer and employee contributions	\$ 1,470,546	\$ 1,455,661
Direct contribution aid		
State of Minnesota	1,247,161	1,248,000
Special School District No. 1	625,000	625,000
City of Minneapolis	622,161	623,306
State amortization aid	1,084,188	
Sales of securities	1,789,029	1,585,564
Dividends and interest	3,223,462	3,045,613
Rent	203,271	375,115
<b>Total receivables</b>	<b>\$ 10,264,818</b>	<b>\$ 8,958,259</b>
Furniture and equipment, less accumulated depreciation of \$168,442 and \$153,587 in 1996 and 1995, respectively	<b>\$ 26,834</b>	<b>\$ 34,857</b>
<b>Total Assets</b>	<b>\$ 573,020,342</b>	<b>\$ 530,682,177</b>

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, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
<b><u>Liabilities and Fund Balance</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 698,704	\$ 473,674
Security purchases payable	2,067,443	2,570,795
Rents received in advance	46,199	14,543
Deposits on rental property	37,850	54,350
Deferred compensation payable	84,902	66,769
<b>Total Liabilities</b>	<b>\$ 2,935,098</b>	<b>\$ 3,180,131</b>
<b>Fund Balance</b>		
<b>Required funds</b>		
Retirement deposit fund	\$ 286,713,000	\$ 283,082,800
Annuity reserve fund	574,700,000	510,848,000
<b>Total required funds</b>	<b>\$ 861,413,000</b>	<b>\$ 793,930,800</b>
Excess of total actuarial present value of credited projected benefits over total required funds	<u>147,520,000</u>	<u>143,046,200</u>
<b>Total actuarial present value of credited projected benefits</b>	<b>\$ 1,008,933,000</b>	<b>\$ 936,977,000</b>
Unfunded actuarial present value of credited projected benefits	<u>(438,847,756)</u>	<u>(409,474,954)</u>
<b>Total Fund Balance</b>	<b>\$ 570,085,244</b>	<b>\$ 527,502,046</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 573,020,342</b>	<b>\$ 530,682,177</b>

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, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
<b>Revenues</b>		
<b>Contributions</b>		
Governmental units		
Required employer	\$ 17,079,513	\$ 16,270,951
Direct contribution aid		
State of Minnesota	2,460,858	2,461,000
Special School District No. 1	1,250,000	1,250,000
City of Minneapolis	1,210,858	1,212,276
State amortization aid	1,084,188	-
Required members	<u>11,293,407</u>	<u>10,470,386</u>
<b>Total contributions</b>	<b>\$ 34,378,824</b>	<b>\$ 31,664,613</b>
<b>Investment income</b>		
Interest and dividends	\$ 15,910,387	\$ 14,776,003
Rental income	6,994,067	7,354,003
Net gain on sale of marketable securities, net of provision for losses	42,666,235	24,235,097
Net gain on sale of rental property	554,779	189,845
Investment expenses	<u>(2,718,565)</u>	<u>(2,205,629)</u>
<b>Total investment income, net</b>	<b>\$ 63,406,903</b>	<b>\$ 44,349,319</b>
<b>Total Revenues</b>	<b>\$ 97,785,727</b>	<b>\$ 76,013,932</b>
<b>Expenses</b>		
Benefits to participants		
Retirement, beneficiary, and disability annuities	\$ 54,400,222	\$ 50,210,014
Death benefits	17,697	219,152
Withdrawals	247,210	258,382
Administrative expenses	<u>537,400</u>	<u>558,895</u>
<b>Total Expenses</b>	<b>\$ 55,202,529</b>	<b>\$ 51,246,443</b>
<b>Revenues in Excess of Expenses</b>	<b>\$ 42,583,198</b>	<b>\$ 24,767,489</b>
<b>Fund Balance, Beginning of Year</b>	<u>527,502,046</u>	<u>502,734,557</u>
<b>Fund Balance, End of Year</b>	<b>\$ 570,085,244</b>	<b>\$ 527,502,046</b>

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

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FINANCIAL SECTION  
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 1996

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, 1996 and 1995.

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 paid. 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. (The State of Minnesota is required to match these tax levies.)

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, 1996 and 1995:

	<u>1996</u>	<u>1995</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>3,484</u>	<u>3,384</u>
Current employees (including members on leave)		
Vested	3,454	3,231
Nonvested	<u>1,275</u>	<u>1,547</u>
Total current employees	<u>4,729</u>	<u>4,778</u>
Total Membership	<u><u>8,213</u></u>	<u><u>8,162</u></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, 1996 and 1995, is as follows:

	<u>Retirement Deposit Fund</u>	<u>Annuity Reserve Fund</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	\$ 283,082,800	\$ 510,848,000
Deposits and interest on deposits	26,537,528	-
Impact of annual actuarial determination, net of transfers	-	40,944,672
Transfers for purchase of annuities	<u>(22,907,328)</u>	<u>22,907,328</u>
Balance at June 30, 1996	<u>\$ 286,713,000</u>	<u>\$ 574,700,000</u>

**4. Deposits and Investments**

**Deposits**

Minn. Stat. §§ 118.005 and 356A.06 authorize the Association to deposit its cash in financial institutions designated by the Board of Trustees. All cash deposits of the Association at June 30, 1996 and 1995, were insured or protected by surety bond. The Association's deposits and cash on hand consist of the following at June 30, 1996 and 1995:

<u>1996</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash on hand	\$ 150	\$ -
Checking accounts		
Non-interest bearing	(38,543)	171,269
Interest bearing	<u>3,464</u>	<u>3,464</u>
Total Deposits and Cash on Hand	<u>\$ (34,929)</u>	<u>\$ 174,733</u>

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

<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>

**Investments**

The Association's investments are authorized by state law and its own Articles of Incorporation. Permissible investments include, but are not limited to: government and corporate bonds, foreign and domestic common stock, real property, venture capital investments, and notes. Generally accepted accounting principles have determined three levels of custodial credit risk for investments:

- (1) insured or registered, or securities held by the Association or its agent in the Association's name;
- (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Association's name; and
- (3) 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, 1996 and 1995, and the level of custodial credit risk for these investments:

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

4. Deposits and InvestmentsInvestments (Continued)

<u>1996</u>	<u>Credit Risk Category</u>	<u>Carrying Value</u>	<u>Market Value</u>
Government and corporate bonds	1	\$ 157,925,327	\$ 153,935,842
Individual stock holdings	1	<u>179,538,250</u>	<u>225,691,864</u>
Total		\$ 337,463,577	\$ 379,627,706
Add			
Collective trust fund			
International equity index fund		51,214,136	61,355,427
Equity index fund		67,800,037	143,173,269
Real estate		49,170,279	49,170,279
Other investments		1,345,859	1,961,939
Short-term investment fund		55,684,829	55,684,829
Investment in deferred compensation		84,902	84,902
Total deposits and cash on hand		<u>(34,929)</u>	<u>(34,929)</u>
Total Cash and Investments		<u>\$ 562,728,690</u>	<u>\$ 691,023,422</u>
<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>

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

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 of notes receivable and investments in venture capital funds. Market values of investments in venture capital funds are determined via reference to audited financial information of the funds adjusted for subsequent distributions from the funds.

**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 \$58,511,688 and the collateral value was \$59,628,103 at June 30, 1996.

**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>1996</u>	<u>1995</u>
Land	\$ 18,441,456	\$ 19,568,809
Buildings	<u>36,990,711</u>	<u>38,853,640</u>
Total	\$ 55,432,167	\$ 58,422,449
Less: reserve for losses	<u>6,261,888</u>	<u>6,453,388</u>
Net Real Estate	<u>\$ 49,170,279</u>	<u>\$ 51,969,061</u>

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

**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.

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

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

	1996	1995
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 592,242,000	\$ 528,683,000
Current employees		
Accumulated employee contributions, including allocated investment income	136,710,000	137,023,000
Employer-financed, vested	250,295,000	244,136,000
Employer-financed, nonvested	29,686,000	27,135,000
Total pension benefit obligation	\$ 1,008,933,000	\$ 936,977,000
Net assets available for benefits (market value of \$698,379,976 and \$609,878,095 in 1996 and 1995, respectively)	570,085,244	527,502,046
Unfunded Pension Benefit Obligation	\$ 438,847,756	\$ 409,474,954

**FINANCIAL SECTION****MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA****7. Funding Status and Progress (Continued)**

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

**8. Contributions Required and Contributions Made**

The Association's funding policy provides for periodic employer contributions at rates determined by state statutes. The Association has two benefit plans. Prior to July 1, 1978, members were part of the Basic Plan. Established effective July 1, 1978, pursuant to Minnesota statutes, all new members are part of the plan coordinated with Social Security. Following are contribution rates provided for by statute as of June 30:

	<u>1996</u>	<u>1995</u>
<b>Basic Plan</b>		
Employee contribution	8.50%	8.50%
Employer contribution		
Regular	8.50	8.50
Supplemental	3.64	3.64
<b>Coordinated Plan</b>		
Employee contribution	4.50	4.50
Employer contribution		
Regular	4.50	4.50
Supplemental	3.64	3.64

Legislation for 1993 authorizes Special School District No. 1 and the City of Minneapolis to each 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. This direct contribution aid will be allowed to continue until the fund reaches the same funded status as the Minnesota Teachers' Retirement Association (TRA). Direct contribution aid as of June 30 follows:

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

8. Contributions Required and Contributions Made (Continued)

	1996	1995
State of Minnesota	\$ 2,460,858	\$ 2,461,000
Special School District No. 1	1,250,000	1,250,000
City of Minneapolis	1,210,858	1,212,276

Legislation for 1996 requires the state to annually provide certain aid to the Association until it is fully funded. The state amortization aid contribution was \$1,084,188 for fiscal year 1996. Beginning in fiscal year 1998, the School District and the City must make an additional annual contribution to the Association in order for the Association to continue receiving state amortization aid.

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

The actuarial valuation at June 30, 1996, recognized the following changes in plan provisions: (a) additional funding to be provided, effective July 1, 1996, through a redirection of 49 percent of excess police and fire amortization aid to the Association; and (b) additional contributions to the Association by Special School District No. 1 and the City of Minneapolis effective July 1, 1998.

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. 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. Using the actuarial assumptions prescribed by state statutes as of July 1, 1996 and 1995, the State of Minnesota's consulting actuary has calculated the required contribution rates as follows:

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

**8. Contributions Required and Contributions Made (Continued)**

<u>July 1, 1996</u>	<u>Percentage of Covered Payroll</u>		
	<u>Basic Plan</u>	<u>Coordinated Plan</u>	<u>Combined</u>
Employee contribution	8.50%	4.50%	6.03%
Employer contribution	12.14	8.14	9.67
Supplemental contribution			
1993 legislation	2.74	2.74	2.74
1996 legislation	0.59	0.59	0.59
Administrative expense assessment	0.15	0.15	0.15
<b>Total contribution</b>	<b><u>24.12%</u></b>	<b><u>16.12%</u></b>	<b><u>19.18%</u></b>
<b>Normal cost</b>	<b><u>16.29%</u></b>	<b><u>9.10%</u></b>	<b>11.85%</b>
Amortization of unfunded actuarial accrued liability			12.99
Allowance for expenses			<u>0.31</u>
<b>Total required contributions</b>			<b><u>25.15%</u></b>
<b>Contribution Deficiency</b>			<b><u>(5.97)%</u></b>

<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			
1993 legislation	2.87	2.87	2.87
Administrative expense assessment	0.17	0.17	0.17
<b>Total contribution</b>	<b><u>23.68%</u></b>	<b><u>15.68%</u></b>	<b><u>19.00%</u></b>
<b>Normal cost</b>	<b><u>16.27%</u></b>	<b><u>9.17%</u></b>	<b>12.12%</b>
Amortization of unfunded actuarial accrued liability			12.72
Allowance for expenses			<u>0.34</u>
<b>Total required contributions</b>			<b><u>25.18%</u></b>
<b>Contribution Deficiency</b>			<b><u>(6.18)%</u></b>

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. Risk Management

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

11. Fund Balance - Reserved

At June 30, 1996, \$1,084,188 of the total fund balance is considered reserved as it represents the amount of state amortization aid which, pursuant to legislation, must be separately accounted for and may not be used in determining benefit increases.

**FINANCIAL SECTION****MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA****12. 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, 1996**

<b>Fiscal Year</b>	<b>Net Assets Available for Benefits</b>	<b>Pension Benefit Obligation</b>	<b>Percent Funded</b>	<b>Unfunded Actuarial Credited Pension Benefit Obligation</b>	<b>Annual Covered Payroll</b>	<b>Unfunded Actuarial Credited Pension Benefit Obligations as a Percent of Covered Payroll</b>
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
1996	570,085	1,008,933	56.5	438,848	174,473	252

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, 1996

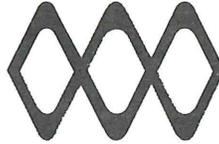
Fiscal Year	Revenues by Source					Total
	Employer Contributions	Supplemental Aid (a)	Employee Contributions	Investment Income	Other Income	
1987	\$ 12,050,626	\$ -	\$ 7,936,219	\$ 64,995,389	\$ -	\$ 84,982,234
1988	11,968,216	-	8,311,434	52,168,776	-	72,448,426
1989	12,200,600	-	8,459,552	31,410,353	-	52,070,505
1990	12,248,786	-	8,723,780	39,661,195	252,784	60,886,545
1991	12,357,645	-	9,336,880	24,400,322	1,217,954	47,312,801
1992	13,637,820	-	10,306,800	47,611,898	65,000	71,621,518
1993	13,711,352	-	10,713,420	56,078,307	-	80,503,079
1994	13,907,273	2,448,007	11,507,295	44,018,189	-	71,880,764
1995	16,270,951	4,923,276	10,470,386	44,349,319	-	76,013,932
1996	17,079,513	6,005,904	11,293,407	63,406,903	-	97,785,727

Fiscal Year	Expenses by Type			Total
	Employee Benefits	Administrative Expenses	Withdrawals	
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
1995	50,429,166	558,895	258,382	51,246,443
1996	54,417,919	537,400	247,210	55,202,529

(a) Supplemental aid includes contributions from the State of Minnesota, Special School District No. 1, and the City of Minneapolis.

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

ACTUARIAL SECTION



MILLIMAN & ROBERTSON, INC.

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November 11, 1996

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, 1996.

The results of our calculations are set forth in the following report, as are the actuarial assumptions upon which our calculations have been made. We have relied on the basic employee data and asset figures as submitted by the 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, Dallas, Denver, Hartford, Houston, Indianapolis, Irvine, Los Angeles, Milwaukee, Minneapolis, New York, Omaha, Philadelphia, Phoenix, Portland, ME, Portland, OR, St. Louis, Salt Lake City, San Diego, San Francisco, Seattle, Tampa, Washington, D.C., Bermuda, Tokyo

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## ACTUARIAL SECTION

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

	July 1, 1995 Valuation	July 1, 1996 Valuation
<b>A. CONTRIBUTIONS (Table 11)</b>		
1. Statutory Contributions - Chapter 354A % of Payroll	19.00%	19.18%
2. Required Contributions - Chapter 356 % of Payroll	25.18%	25.15%
3. Sufficiency (Deficiency): (A1-A2)	(6.18)%	(5.97)%
<b>B. FUNDING RATIOS</b>		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 554,960	\$ 612,852
b. Current Benefit Obligations (Table 8)	\$ 936,977	\$ 1,008,933
c. Funding Ratio: (a/b)	59.23%	60.74%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 554,960	\$ 612,852
b. Actuarial Accrued Liability (Table 9)	\$ 983,249	\$ 1,055,063
c. Funding Ratio: (a/b)	56.44%	58.09%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 923,541	\$ 1,030,664
b. Current and Expected Future Benefit Obligations	\$ 1,173,787	\$ 1,248,989
c. Funding Ratio: (a/b)	78.68%	82.52%

ACTUARIAL SECTION

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

	July 1, 1995 Valuation	July 1, 1996 Valuation
<b>C. PLAN PARTICIPANTS</b>		
1. Active Members		
a. Number (Table 3)	4,686	4,690
b. Projected Annual Earnings	\$ 174,473	\$ 182,179
c. Average Annual Earnings (Actual \$)	\$ 37,233	\$ 38,844
d. Average Age	43.3	43.2
e. Average Service	9.6	9.7
f. Additional Members on Leave of Absence *	92	88
2. Others		
a. Service Retirements (Table 4)	2,482	2,590
b. Disability Retirements (Table 5)**	49	22
c. Survivors (Table 6)	225	232
d. Deferred Retirements (Table 7)	628	640
e. Terminated Other Non-Vested (Table 7)	895	1,106
f. Total	4,279	4,590

\* Valued as deferred retirements, liability included with actives.

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

## ACTUARIAL SECTION

TABLE 1

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

July 1, 1996

	<u>Market Value</u>	<u>Cost Value</u>
<b>A. ASSETS</b>		
1. Cash, Equivalents, Short-Term Securities	\$ 55,650	\$ 55,650
2. Investments		
a. Fixed Income	153,936	157,925
b. Equity	430,221	298,552
c. Real Estate	49,170	49,170
3. Equity in Minnesota Post-Retirement Investment Fund (MPRIF)	0	0
4. Other	12,344	11,723
<b>B. TOTAL ASSETS</b>	<u>\$ 701,321</u>	<u>\$ 573,020</u>
<b>C. AMOUNTS CURRENTLY PAYABLE</b>	<u>\$ 2,935</u>	<u>\$ 2,935</u>
<b>D. ASSETS AVAILABLE FOR BENEFITS</b>		
1. Member Reserves	\$ 286,713	\$ 286,713
2. Employer Reserves	411,673	283,372
3. MPRIF Reserves	0	0
4. Non-MPRIF Reserves	0	0
5. Total Assets Available for Benefits	<u>\$ 698,386</u>	<u>\$ 570,085</u>
<b>E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS</b>	<u>\$ 701,321</u>	<u>\$ 573,020</u>
<b>F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS</b>		
1. Cost Value of Assets Available for Benefits (D5)		\$ 570,085
2. Market Value (D5)	\$ 698,386	
3. Cost Value (D5)	570,085	
4. Market Over Cost: (F2-F3)	<u>\$ 128,301</u>	
5. 1/3 of Market Over Cost: (F4)/3		42,767
6. Actuarial Value of Assets (F1+F5)		<u>\$ 612,852</u>

ACTUARIAL SECTION

TABLE 2

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

Year Ending June 30, 1996

	<u>Market Value</u>	<u>Cost Value</u>
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 609,877	\$ 527,502
B. OPERATING REVENUES		
1. Member Contributions	\$ 11,294	\$ 11,294
2. Employer Contributions	17,079	17,079
3. Supplemental Contributions *	6,006	6,006
4. Investment Income	22,904	22,904
5. MPRIF Income	0	0
6. Net Realized Gain (Loss)	43,221	43,221
7. Other	0	0
8. Net Change in Unrealized Gain (Loss)	45,926	0
9. Total Revenue	<u>\$ 146,430</u>	<u>\$ 100,504</u>
C. OPERATING EXPENSES		
1. Service Retirements	\$ 48,463	\$ 48,463
2. Disability Benefits	908	908
3. Survivor Benefits	5,029	5,029
4. Refunds	265	265
5. Administrative Expenses	538	538
6. Investment Expenses	2,718	2,718
7. Total Disbursements	<u>\$ 57,921</u>	<u>\$ 57,921</u>
D. CHANGES IN ACCOUNTING METHOD	0	0
E. ASSETS AVAILABLE AT END OF PERIOD	<u>\$ 698,386</u>	<u>\$ 570,085</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, 1995	4,778	628	895
B. ADDITIONS	519	68	305
C. DELETIONS			
1. Service Retirement	(124)	(45)	(10)
2. Disability	(4)	-	-
3. Death - Survivor	-	(1)	-
4. Death - Other	(1)	-	-
5. Terminated - Deferred	(66)	-	-
6. Terminated - Refund	(101)	(3)	(66)
7. Terminated - Other Non-Vested	(272)	-	-
8. Returned as Active	-	(7)	(18)
D. DATA ADJUSTMENTS	-	-	-
1. Vested	3,454		
2. Non-Vested	1,275		
E. TOTAL ON June 30, 1996	4,729	640	1,106
		Recipients	
	Retirement Annuitants	Disabled	Survivors
A. ON JUNE 30, 1995	2,482	49	225
B. ADDITIONS	179	4	45
C. DELETIONS			
1. Service Retirement	-	-	-
2. Death	(98)	(3)	(23)
3. Annuity Expired	-	-	(15)
4. Returned as Active	-	-	-
D. DATA ADJUSTMENTS	27	(28) **	-
E. TOTAL ON June 30, 1996	2,590	22	232

\* Includes 88 members on leave of absence.

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

ACTUARIAL SECTION

TABLE 8

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

July 1, 1996

A.	CURRENT ASSETS (TABLE 1, F6)			\$	612,852
B.	EXPECTED FUTURE ASSETS				
	1. Present Value of Expected Future Statutory Supplemental Contributions				223,886
	2. Present Value of Future Normal Costs				193,926
	3. Total Expected Future Assets				<u>417,812</u>
C.	TOTAL CURRENT AND EXPECTED FUTURE ASSETS			\$	<u>1,030,664</u>
D.	CURRENT BENEFIT OBLIGATIONS				
		<u>Non-Vested</u>	<u>Vested</u>		<u>Total</u>
1.	Benefit Recipients				
	a. Retirement Annuities	\$	539,357	\$	539,357
	b. Disability Benefits		7,696		7,696
	c. Surviving Spouse and Child Benefits		27,647		27,647
2.	Deferred Retirements With Future Augmentation		16,151		16,151
3.	Former Members Without Vested Rights		1,391		1,391
4.	Active Members				
	a. Retirement Annuities*	1,414	369,475		370,889
	b. Disability Benefits	20,131	0		20,131
	c. Survivors' Benefits	8,014	0		8,014
	d. Deferred Retirements	127	15,130		15,257
	e. Refund Liability Due to Death or Withdrawal	0	2,400		2,400
5.	Total Current Benefit Obligations	\$ <u>29,686</u>	\$ <u>979,247</u>	\$	<u>1,008,933</u>
E.	EXPECTED FUTURE BENEFIT OBLIGATIONS			\$	<u>240,056</u>
F.	TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS			\$	<u>1,248,989</u>
G.	CURRENT UNFUNDED ACTUARIAL LIABILITY: (D5-A)			\$	396,081
H.	CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY: (F-C)			\$	218,325

\* 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, 1996			
	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
	(1)	(2)	(3)
<b>A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)</b>			
1. Active Members			
a. Retirement Annuities*	\$ 581,680	150,217	431,463
b. Disability Benefits	34,898	16,467	18,431
c. Survivors' Benefits	12,505	4,778	7,727
d. Deferred Retirements	22,580	15,087	7,493
e. Refunds Due to Death or Withdrawal	5,084	7,377	(2,293)
f. Total	<u>\$ 656,747</u>	<u>\$ 193,926</u>	<u>\$ 462,821</u>
2. Deferred Retirements With Future Augmentation	16,151		16,151
3. Former Members Without Vested Rights	1,391		1,391
4. Annuitants in MPRIF	0		0
5. Recipients Not in MPRIF	574,700		574,700
6. Total	<u>\$ 1,248,989</u>	<u>\$ 193,926</u>	<u>\$ 1,055,063</u>
<b>B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)</b>			
1. AAL: (A6)			\$ 1,055,063
2. Current Assets (Table 1, F6)			612,852
3. UAAL: (B1-B2)			<u>\$ 442,211</u>
<b>C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE</b>			
1. Present Value of Future Payrolls Through the Amortization Date of July 1, 2020			\$ 3,404,962
2. Supplemental Contribution Rate: (B3/C1)			12.99%

\* 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, 1996

A.	UAAL AT BEGINNING OF YEAR	\$	428,289
B.	CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING		
1.	Normal Cost and Expenses	\$	21,736
2.	Contribution		(34,379)
3.	Interest on A, B1 and B2		36,791
4.	Total: (B1+B2+B3)	\$	24,148
C.	EXPECTED UAAL AT END OF YEAR: (A+B4)	\$	452,437
D.	INCREASE (DECREASE) DUE TO ACTUARIAL LOSSES (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED		
1.	Salary Increases	\$	(9,193)
2.	Investment Return *		(9,411)
3.	MPRIF Mortality		0
4.	Mortality of Other Benefit Recipients		4,757
5.	Other Items		3,621
6.	Total	\$	(10,226)
E.	UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS: (C+D5)	\$	442,211
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)	\$	442,211

\* The gain due to investment return consists of gross investment gain of \$(32,429) offset by \$23,018 applied to provide increases in actual annuitant benefits as of January 1, 1997.

## ACTUARIAL SECTION

TABLE 11

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

July 1, 1996

	Percent of Payroll	Dollar Amount
<b>A. STATUTORY CONTRIBUTIONS - CHAPTER 354A</b>		
1. Employee Contributions	6.03%	\$ 10,983
2. Employer Contributions	9.67%	17,615
3. Supplemental Contribution		
a. 1993 Legislation *	2.74%	5,000
b. 1996 Legislation	0.59%	1,080
4. Administrative Expense Assessment	0.15%	264
5. Total	19.18%	\$ 34,942
<b>B. REQUIRED CONTRIBUTIONS - CHAPTER 356</b>		
1. Normal Cost		
a. Retirement Benefits	9.26%	\$ 16,865
b. Disability Benefits	0.96%	1,752
c. Survivors' Benefits	0.29%	531
d. Deferred Retirement Benefits	0.92%	1,672
e. Refunds Due to Death or Withdrawal	0.42%	771
f. Total	11.85%	\$ 21,591
2. Supplemental Contribution Amortization by July 1, 2020 of UAAL	12.99%	\$ 23,665
3. Allowance for Expenses	0.31%	\$ 565
4. Total	25.15%	\$ 45,821
<b>C. CONTRIBUTION SUFFICIENCY (DEFICIENCY): (A5-B4)</b>	(5.97)%	\$ (10,879)

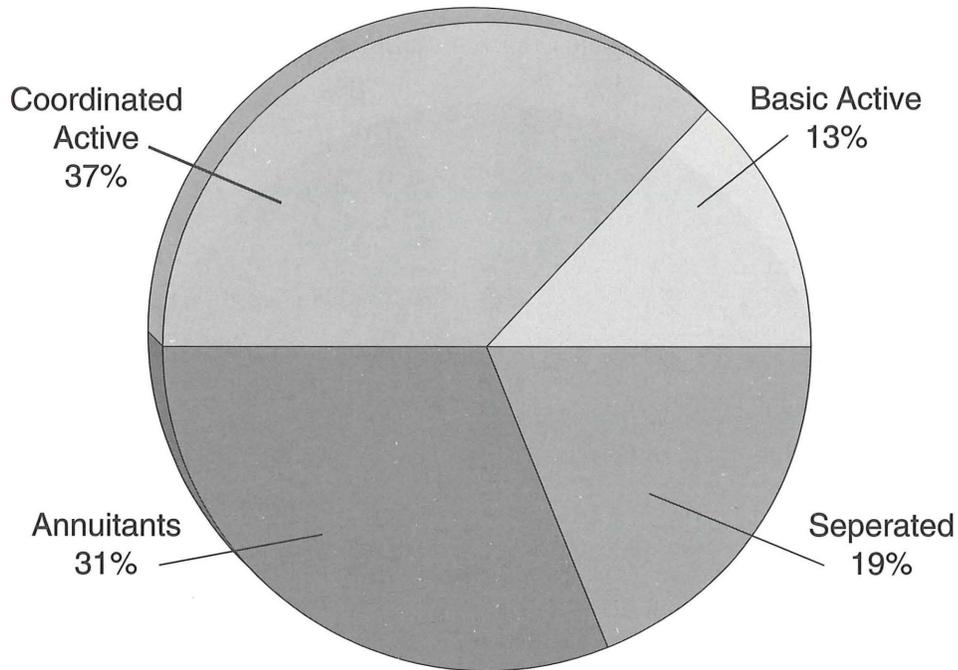
Note: Projected Annual Payroll for Fiscal Year Beginning on July 1, 1996 is \$182,179.

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

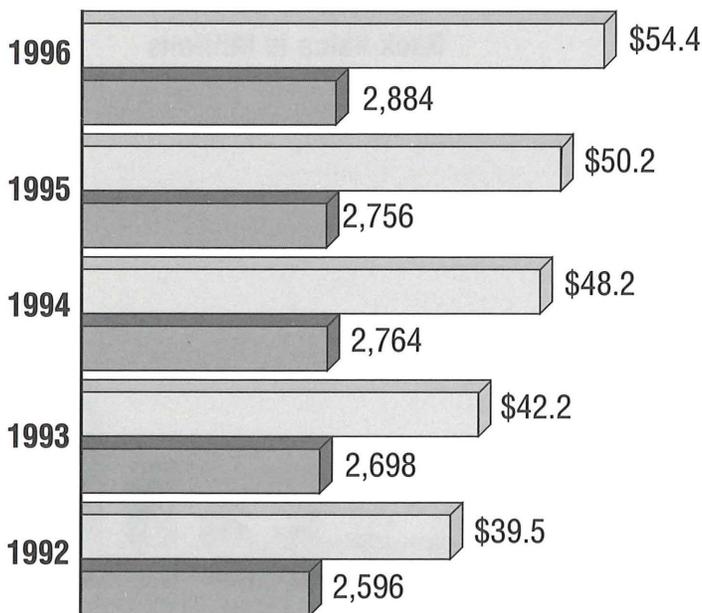
STATISTICAL SECTION

**Current Membership and Benefit Recipients**

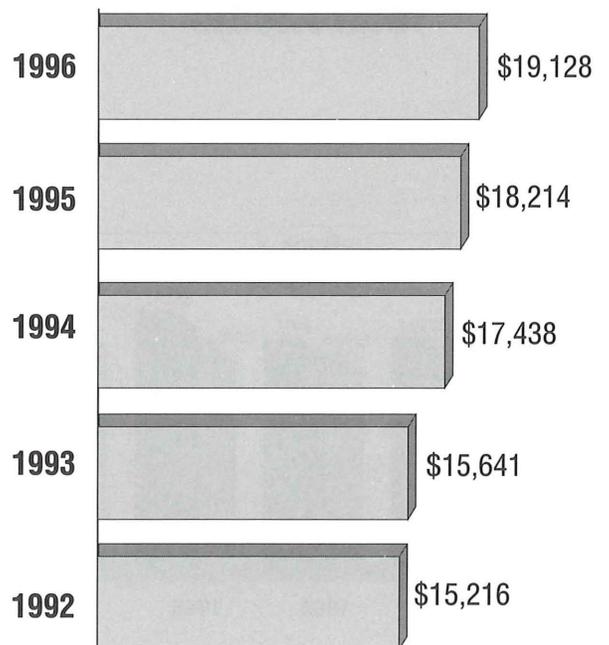
June 30, 1996



**Total Annuity Payroll and Benefit Recipients**



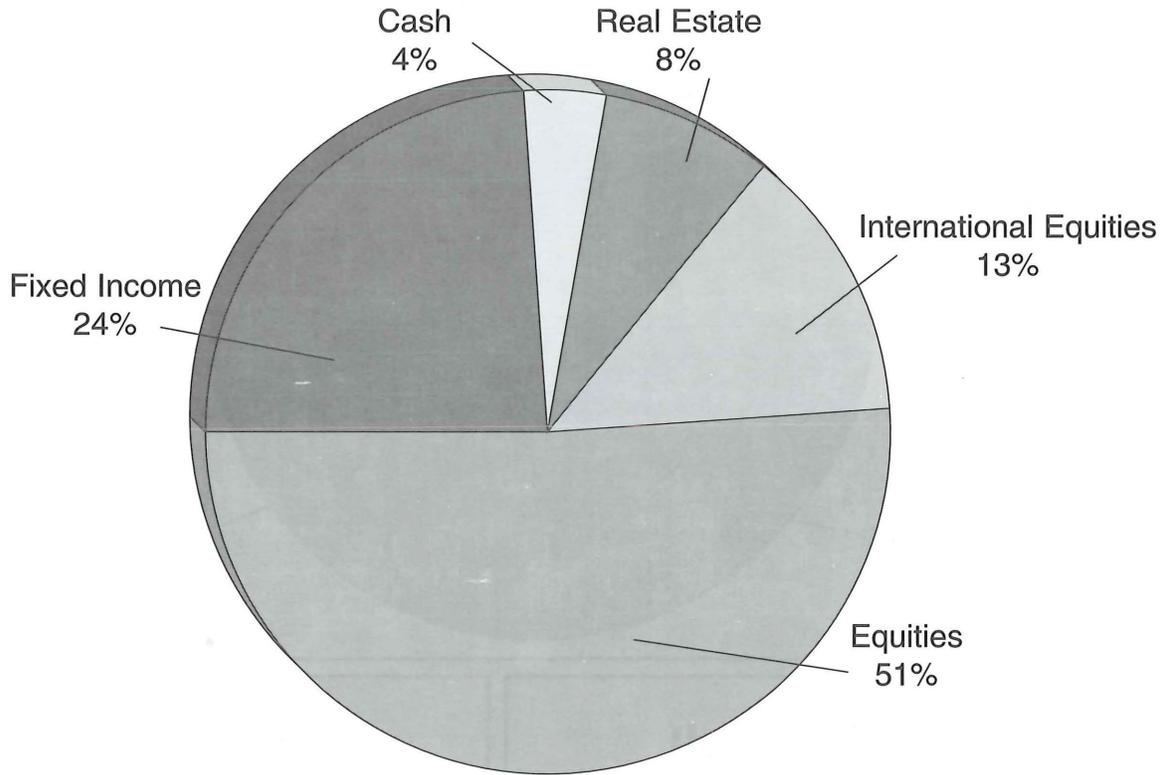
**Average Annual Benefit**



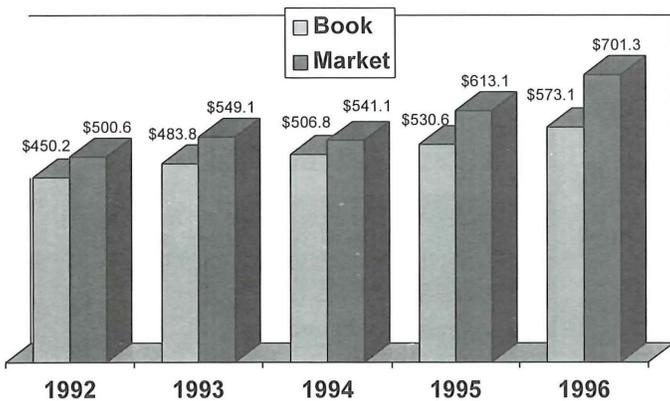
**STATISTICAL SECTION**

**Asset Distribution**

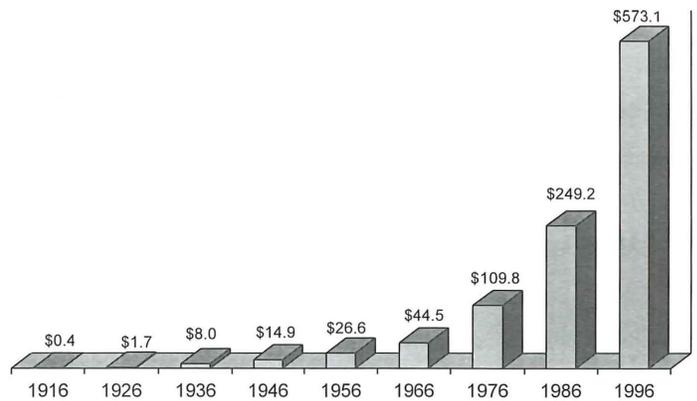
June 30, 1996



**Total Assets**



**Asset Growth**  
Book Value in Millions



STATISTICAL SECTION

**Investment Managers  
Assets Under Management and Performance**

<b>Asset Category/Account Name</b>	<b>Assets Under Management (Market Value in Thousands)</b>	<b>Investment Performance (Year Ended June 30, 1996)</b>
<b>Equity Managers</b>		
PanAgora -- S&P 500 Index Fund	\$143,173	26.27%
Chancellor Capital--Large-Cap Growth Companies	37,987	28.92%
Mitchell Hutchins--Large-Cap Value Companies	36,843	23.45%
Brinson Partners--Large-Cap Value Companies	35,710	25.45%
Investment Advisers, Inc.--Regional Companies	48,643	26.17%
Nicholas Applegate--Small-Cap Growth Companies	58,551	41.26%
<b>International Managers</b>		
PanAgora EAFE GDP Index Fund--(Europe, Australia, Far East)	61,360	12.77%
Wellington Management--International	28,831	15.33%
<b>Fixed Income Managers</b>		
Lord Abbett--High Yield Securities	42,454	4.24%
Loomis, Sayles & Co.--Core Fixed Income	61,822	na#
Northern Trust --Core Fixed Income	61,177	na#
<b>Real Estate</b>		
In-house	49,939	13.23%
<b>Miscellaneous</b>		
Venture Capital	1,192	-11.96%
Short Term Investments	25,667	1.67%
<b>Total Fund</b>	<b>\$693,349*</b>	<b>18.21%</b>

\* Includes accrued investment income, receivables from sales of securities and payables for purchase of securities

# Loomis, Sayles & Co. and Northern Trust inception date is November 1, 1995

## STATISTICAL SECTION

## Cash Investments

Issue	Par	Book Value	Market Value at June 30, 1996	Issue	Par	Book Value	Market Value at June 30, 1996
STIF		55,684,829	55,684,829	FNMA Agency	1,500,000	1,533,795	1,514,055
Deposits and Cash on Hand		(34,929)	(34,929)	FNMA GTD REMIC	1,500,000	1,522,031	1,489,324
Total Cash Investment		55,649,900	55,649,900	FNMA GTD REMIC	617,111	401,122	405,633

## Government and Corporate Bonds

Issue	Par	Book Value	Market Value at June 30, 1996	Issue	Par	Book Value	Market Value at June 30, 1996
Acetex Corp	500,000	497,815	492,500	FNMA GTD REMIC	2,368,577	1,397,460	1,488,059
Adelphia Communicatio	500,000	492,500	462,500	FNMA GTD REMIC	491,450	314,681	222,224
AK Steel Corp	500,000	502,500	538,750	Ford Motors	2,000,000	2,276,260	2,169,560
Alvey Systems	500,000	503,875	517,500	Four M Corp	580,000	580,000	591,600
American Radio System	1,000,000	1,000,630	942,500	General Motors	825,000	836,311	796,505
American Re Corp	1,500,000	1,652,565	1,631,070	Genesis Health	500,000	498,750	506,250
American Std Inc	1,000,000	627,500	872,500	GNMA 7.00%	100,919	98,790	96,756
Amerigas Partners	1,000,000	1,000,000	1,030,000	GNMA 7.00%	2,018,252	1,975,679	1,934,999
ARMCO Inc	500,000	500,000	485,000	GNMA 7.00%	1,009,197	987,910	967,568
Associated Matl Inc	1,000,000	1,000,000	857,500	GNMA 8.00%	1,385,357	1,446,832	1,402,674
BE Areospace Inc	750,000	750,000	736,875	Grand Met Investment	4,900,000	2,989,343	2,846,165
Boise Cascade Corp	1,000,000	1,085,000	1,123,090	Granite Broadcasting	500,000	516,250	546,250
Borden Chem & Plastic	500,000	500,000	498,750	Grupo Televisa SA De	500,000	500,000	510,000
Brooks Fiber Properties	1,000,000	589,236	532,500	Heritage Media Inc	500,000	520,833	530,625
Calmar Inc	500,000	502,500	487,500	Interface Inc	1,000,000	1,005,063	950,000
Camden Property	1,000,000	995,630	946,250	Kaufman & Broad Hom	1,165,000	1,160,800	1,153,350
Canadian Bond	2,600,000	1,964,858	1,790,148	KCS Energy	750,000	760,500	791,250
CBS Inc	500,000	492,500	467,180	Kroger Co	500,000	497,500	527,500
Cellular Inc	500,000	367,500	407,500	Lehman Bros	2,650,000	2,710,834	2,622,997
Century Communicatio	2,000,000	1,050,000	980,000	Lloyds Bank Prim Cap	2,000,000	1,670,000	1,745,500
Chancellor Broadcastin	800,000	811,125	756,000	Lumbermans Mutual Ca	1,050,000	1,047,060	1,085,291
Clark USA	500,000	257,083	343,125	Majestic Star Casino	300,000	300,000	324,000
CMC SECS Co	1,750,000	1,750,000	1,747,048	MESA Operations	600,000	602,000	606,000
Collateralized Mtg	2,073,439	2,155,748	2,054,653	Metrocall Inc	1,000,000	1,005,156	925,000
Comcast Cellular	1,000,000	603,333	685,000	MFS Communications	1,500,000	974,127	907,500
Crown Cent Pete	1,000,000	998,438	1,022,500	Mobilemedia Corp	1,000,000	1,000,000	895,000
Crown Paper	500,000	494,375	476,250	National Westminster B	2,000,000	1,670,000	1,721,800
Dan River	750,000	760,000	720,000	Niagara Mohawk Power	1,000,000	898,640	836,920
Developers Diversified	2,000,000	2,069,303	2,002,740	Northern Illinois	1,500,000	1,610,625	1,562,415
Digital Equip Corp	1,000,000	709,375	904,080	Olympic Automobile	1,692,585	1,739,660	1,729,822
Doane Prods	600,000	607,500	600,000	Oregon Stl	350,000	350,000	359,188
Domtar Inc	500,000	515,000	530,000	Owens Illinois	500,000	502,188	503,750
Ekco Group	650,000	648,310	623,188	Panacelsus Healthcare	750,000	717,500	750,000
Equitable Cos	1,200,000	1,249,464	1,188,420	Penncorp Financial	500,000	519,375	491,250
Equitable Life	800,000	798,496	773,520	PMI Acquisition Corp	500,000	493,125	490,000
Essex Group	500,000	511,875	496,250	Poland Bond	1,700,000	1,252,688	1,294,125
Exide Electronics	450,000	457,500	459,000	Prime Hospitality Corp	500,000	498,370	472,500
Falcon Drilling Co	500,000	500,000	482,500	Prudential Home MTG	15,614,438	258,946	297,650
Federated Dept Stores	600,000	597,528	594,000	Prudential Home MTG	36,292,939	927,378	856,287
FF Holdings Corp	705,380	661,540	176,345	Prudential Ins	1,400,000	1,497,972	1,392,622
FHLMC Group 8.50%	1,446,699	1,509,088	1,497,767	Repap Wis Inc	500,000	503,750	467,500
FHLMC Multiclass 5.03	470,000	373,650	307,695	Revco DS Inc	950,000	991,800	1,000,037
FHLMC Multiclass 6.25	1,450,000	1,443,203	1,386,287	Rifkin Acquisition	350,000	350,000	342,125
FHLMC Multiclass 7.25	1,000,000	1,016,875	1,006,180	RJR Nabisco Co 9.25%	2,000,000	1,992,240	2,007,140
FHLMC Multiclass 8.00	1,500,000	1,544,063	1,532,205	RJR Nabisco Inc 8.75%	850,000	882,039	846,702
FHLMC Multiclass 8.00	1,000,000	1,039,375	1,042,810	Rogers Comm	500,000	510,000	508,750
FNMA 7.00%	8,383,596	8,439,923	8,063,930	Salomon Inc	1,500,000	1,531,875	1,515,825
FNMA 8.00%	1,315,434	1,355,719	1,337,626	Showboat Marina Casin	500,000	500,000	542,500
				Sinclair Broadcast	1,000,000	1,004,000	955,000
				Southdown Inc	500,000	500,000	485,000
				Standard Cr	2,000,000	1,985,000	2,008,000
				Sullivan Broadcasting	500,000	502,500	476,250
				Sweetheart Cup Inc	500,000	510,000	495,000
				Tele-Communications I	2,000,000	2,143,140	1,971,520

STATISTICAL SECTION

<u>Issue</u>	<u>Par</u>	<u>Book Value</u>	<u>Market Value at June 30, 1996</u>	<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1996</u>
Texas Petrochemical Sr	400,000	400,000	406,500	Autobacs Seven	3,000	251,043	290,583
Trump Atlantic City	400,000	400,000	402,000	Ayala Land Inc	185,000	219,517	331,870
Tultex Corp	500,000	500,000	517,500	Bankgkok Metropolitan	177,272	152,810	125,685
Twin Laboratories Inc	500,000	501,800	507,500	Bombardier Inc	13,400	162,710	200,718
UCC Invs Holdings	500,000	521,250	522,500	BTR ORD	50,000	263,937	197,014
UNC Inc	500,000	504,881	506,250	Buderus AG	500	247,146	212,080
United Stationers Suppl	500,000	500,000	536,250	Cap Gemini	3,250	92,587	126,355
US Air Inc	1,000,000	1,045,000	1,025,340	China Light & Power	60,000	285,544	272,067
US Treasury Bond	1,000,000	993,750	1,023,440	CIE Bancaire SA	3,064	311,016	345,458
US Treasury Bond	3,160,000	3,597,216	3,749,056	Circle K Japan	6,200	227,132	321,798
US Treasury Bond	1,410,000	1,516,159	1,425,200	Compagnie Financiere	2,500	141,581	147,738
US Treasury Bond	1,430,000	1,167,901	1,296,381	Compagnie UAP	12,000	279,242	243,767
US Treasury Notes	3,000,000	2,980,781	2,947,020	Cubiertas	5,000	335,243	326,159
US Treasury Notes	750,000	713,555	714,255	D.B. S. Land	90,000	291,200	308,717
US Treasury Notes	3,250,000	3,306,246	3,267,258	Daiki Co	12,000	237,165	235,756
US Treasury Notes	1,670,000	1,673,499	1,680,705	Danieli & C	40,000	249,356	268,973
US Treasury Notes	3,050,000	3,318,781	3,160,075	Deutsche Pfander	6,000	291,786	238,714
US Treasury Notes	1,605,000	1,575,931	1,640,101	Development Bank of S	23,000	292,476	286,889
US Treasury Notes	1,985,000	2,015,177	2,020,055	DMCI Holdings	400,000	191,383	286,260
US Treasury Notes	4,000,000	4,431,250	4,208,120	Eaux (CIE General Des)	1,500	153,197	167,663
US Treasury Notes	6,000,000	6,247,482	6,087,180	ESC Medical Sys Ltd	28,000	1,111,048	791,000
US Treasury Notes	3,400,000	3,359,371	3,334,108	Familymart	5,700	224,226	254,178
US Treasury Notes Strip	5,000,000	4,153,560	4,179,950	Filinvest land	670,000	132,747	274,905
Van De Kamps	500,000	502,813	530,000	Finanziaria Autogrill	25,000	21,767	28,676
Viacom Inc	500,000	508,750	457,500	Futaba Corp	3,000	133,873	135,697
Victory Markets	2,000,000	1,722,780	180,000	Godo Steel	30,000	176,572	208,343
Young Broadcasters	500,000	501,875	525,000	Grand Metropolitan	40,000	248,903	265,483
Zurich Reins Centre	1,700,000	1,549,125	1,546,558	Herlitz AG	1,000	215,694	131,720
Total Government and Corporate				Hidroel Cantabrico	10,000	308,221	348,424
Bond Securities		158,133,327	153,935,842	I.O. Data Device Inc	6,600	328,751	253,301
LESS: Provisions for Losses		(208,000)	-	Ichiken Co	16,000	160,138	156,440
<b>Total Government and Corporate Bond</b>				International Container	350,000	223,628	237,118
<b>Net of Provisions for Losses</b>		<u>157,925,327</u>	<u>153,935,842</u>	Istituto Naz Delle	180,000	273,891	268,516
				Japan Associated Financ	2,000	191,080	233,929
				Japan Industrial Land D	11,000	363,490	344,771
				Kemira	23,200	195,830	242,890
				Keppel Corp Ord	35,000	288,165	292,700
				Kesko Ord	20,000	222,773	295,733
				Koninklijke Van Omme	6,000	188,658	236,412
				Kyokuto Boeki Kaisha	13,000	92,705	105,131
				Land & General Berhad	110,000	258,145	271,197
				Legal and General GRP	30,000	270,742	311,958
				Loral Space & Commun	6,400	83,200	88,000
				Manila Electric Co	22,000	203,444	230,916
				Marui Co	15,000	315,892	333,074
				Mitsubishi Cable Indust	70,000	448,965	473,340
				Mitsubishi Heavy Inds	35,000	250,119	304,793
				Mitsui & Co	27,000	212,993	244,995
				Mitsui Home Co	20,000	342,096	325,307
				Mori Seiki	12,000	261,682	241,239
				Mos Food Services	11,000	252,782	270,389
				Nestle SA	260	294,135	297,232
				Nichei Co	4,000	259,388	266,825
				Nichicon Corp	20,000	255,507	290,583
				Nihon Cement	39,000	271,678	287,595
				Nintendo Co	2,000	141,801	149,130
				Nippon Koei	27,500	266,740	238,726

<b>Preferred Securities</b>			
<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1996</u>
Dollar Dry Dock	3,000	144,000	-
Eastern Air Lines	1,326	207,864	13
RJR Nabisco Holdings	35,000	246,401	227,500
Total Preferred Stock		598,264	227,513

<b>Common Stock</b>			
<u>Issues</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1996</u>
<i>International:</i>			
ABB AG	300	314,042	371,520
Akzo Nobel	3,000	335,440	359,719
Amersham Intl	15,000	200,152	243,644
AMMB Holdings Berha	17,000	217,997	238,525
Amway Japan	4,000	152,235	201,033
Aokam Perdana BHD	75,000	204,503	125,676
AOKI Corporation	60,000	270,966	223,146
Arnoldo Mondadori Edi	40,000	256,161	302,921
Assurances Generales D	3,300	86,683	89,424

## STATISTICAL SECTION

Issue	Shares	Book	Market	Issue	Shares	Book	Market
		Value	Value at June 30, 1996			Value	Value at June 30, 1996
Nishimatsu Constructio	24,000	278,429	263,170	Alza Corp	10,700	233,978	292,913
Noritsu Koiki	7,000	210,434	354,366	America Online	9,900	312,034	433,125
Oerlikon-Buhrle Holdin	3,000	312,447	312,000	American Eagle Outfite	1,800	31,275	32,175
Powergen	40,000	323,862	292,840	American Mgmt Sys	5,500	146,628	160,875
Rank Organisation	35,000	234,996	270,923	American Mobile Satelli	1,400	22,939	21,700
Rheinelektra	300	254,035	270,082	Amerin Corp	35,000	660,941	936,250
Rhone-Poulenc SA	10,000	231,679	263,012	Amoco Corp	9,500	583,346	685,188
Rogers Cantel Mobil Co	12,000	289,999	283,465	AMP Inc	7,400	319,866	296,925
Saga Petroleum Ser 'B'	25,000	326,963	338,928	AMR Corp	3,900	262,789	354,900
Sakura Bank	30,000	335,219	334,445	AMRE Corp	56,400	1,198,854	1,205,550
Sandoz AG	230	159,554	263,304	Analog Devices Inc	10,100	283,396	256,288
Sankyo Co	9,000	359,270	345,411	Anesta Corp	7,900	110,679	96,775
Sanshin Electronics	11,000	156,285	179,924	Anixter International In	58,300	1,058,100	867,213
Santos A	85,000	245,594	293,908	Aon Corp	13,400	436,483	680,050
Sanyo Chemical Industr	14,000	126,276	144,561	Apple South Inc	29,200	485,946	781,100
Sanyo Shinpan Finance	3,500	247,280	224,197	Aptargroup Inc	28,000	824,858	847,000
Sekisui Jyshi	8,000	98,044	106,730	Archer Daniels Midland	21,500	411,746	411,188
Semen Cibinong	100,000	293,692	221,268	Ascend Communication	11,200	543,702	630,000
Senko Co	30,000	183,763	186,138	Atlas Air Inc	27,100	461,129	1,558,250
Sidel ORD	1,200	293,490	305,351	Atmel Corp	15,800	553,084	475,975
SMH AG Neuenburg	2,000	279,323	312,800	Automatic Data Process	12,600	353,166	486,675
Sony Music Ent	7,000	331,308	326,221	Autozone Inc	10,700	268,116	371,825
STET ITL1000 DI RISP	115,000	264,337	302,187	Avon Prods Inc	19,400	697,281	875,425
Straits Steamship Land	90,000	278,537	301,063	Baker Hughes Inc	10,400	255,736	341,900
Sumitomo Realty & De	35,000	258,616	277,288	Bank of Los Angeles	17,282	-	105,852
TAI Cheung Holding	263,000	234,954	219,145	BankAmerica Corp	9,100	693,531	689,325
Tamura Seisakushu	45,000	300,566	292,777	Banta Corp	15,000	271,028	378,750
Television Francaise	700	78,076	80,012	Bard C R Inc	15,200	472,349	518,700
Tenaga National Berhad	85,000	321,179	357,787	Baxter Intl Inc	26,000	976,419	1,228,500
Toa Corp	40,000	296,065	275,232	Beckman Instrs Inc	4,300	126,633	162,325
Tomoku	15,000	87,025	87,038	Bell & Howell Co	18,000	326,910	587,250
Tostem Corp	5,000	152,600	147,576	Bemis Inc	15,000	366,340	525,000
Toyo Kohan	50,000	420,321	367,798	Berkshire Hathaway Inc	15	282,151	460,500
Unitika	40,000	111,844	120,985	Biogen Inc	1,000	53,568	54,875
Usinor Sacilor	9,800	149,589	141,449	Birmingham Stl Corp	4,300	101,769	70,950
Viscofan Envoltura	15,000	225,439	237,295	BMC Inds Inc	23,700	178,752	681,375
Vodafone Group	70,000	242,297	260,587	Boeing Co	11,400	559,011	993,225
WMC Ltd	40,000	261,419	286,049	Borg Warner Automotiv	10,600	405,883	418,700
<b>Domestic:</b>				Boston Chicken Inc	13,300	373,494	432,250
360 Communications C	38,200	869,652	916,800	Boston Scientific Corp	9,777	195,351	439,965
3Com Corp	21,600	566,744	988,200	Boston Technology Inc	4,300	64,974	72,563
Aancor Holdings	3,180	31,800	-	Brinker Intl Inc	3,100	48,001	46,500
Abbott Labs	21,000	799,698	913,500	Buenos Aires Embotella	8,000	180,096	106,000
ABC Rail Prod	35,500	806,815	767,688	Buffets Inc	39,000	437,992	477,750
ACT Networks	53,000	1,790,032	1,722,500	Burlington North Santa	12,300	674,461	994,763
ADT Ltd New	12,700	214,528	241,300	Burns Philp	6,850	581,394	575,400
Aetna Life & Cas	16,400	1,119,757	1,172,600	Callaway Golf	9,600	174,345	319,200
Aetrium Inc	40,000	656,300	720,000	Carson Pirie Scott	15,100	318,637	403,925
Air Express	4,400	121,326	124,300	Carter Wallace	12,100	205,361	176,963
AK Steel	3,900	154,613	152,588	Cascade	11,200	125,863	761,600
Aksys Ltd	13,800	240,568	210,450	Case Corp	21,500	1,019,369	1,032,000
Alcan Alum Ltd	3,300	112,547	100,650	Caseys Gen Stores	9,300	103,514	184,838
Allergan Inc	11,000	285,985	434,500	Castle A M & Co	28,750	515,821	679,219
Alliance Semiconductor	14,700	338,568	123,113	Centor Energy	9,100	75,845	68,250
Allied Signal Inc	10,500	409,751	599,813	Chase Manhattan	26,232	1,711,159	1,852,635
Allstate Corp	16,300	727,283	743,688	Chevron Corp	9,500	465,765	560,500
Aluminum Co	6,300	356,829	361,463	Chrysler Corp	5,500	343,667	343,750
				Cigna	5,300	333,941	624,738

STATISTICAL SECTION

<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1996</u>	<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1996</u>
CIMA Labs	92,456	566,672	693,420	First Un Corp	6,200	346,028	377,425
CISCO	10,300	491,732	583,238	Fisher Scientific Intl Inc	6,900	260,854	258,750
Citicorp	15,900	677,366	1,315,725	Fleet Financial Group In	653	16,181	28,406
Clarcor Inc	12,000	268,091	297,000	Fleetwood Enterprises I	4,200	113,441	130,200
Clarify Inc	27,800	741,448	1,376,100	Florida Progress Corp	8,700	298,497	302,325
CMS	11,700	257,402	361,238	Food Lion Inc	15,300	91,724	121,451
Coast Svgs	6,000	174,460	196,500	Ford Mtr Co	27,400	828,378	887,075
Coca Cola Enterprises	10,300	185,503	356,638	Fore Sus Inc	13,600	390,806	491,300
Cognos	91,800	966,296	2,111,400	Forest Labs Inc	7,300	350,768	281,963
Coherent Communicatio	33,200	828,401	705,500	Fort Howard Corp	40,000	864,741	795,000
Columbia / HCA Health	3,000	162,942	160,875	Foundation Health Corp	3,000	127,087	107,625
Combined Broadcasting	4,319	-	-	FSI Intl Inc	54,300	927,619	685,538
Comcast Corp	25,300	446,575	468,050	Fuisz Technologies Ltd	50,500	476,334	959,500
Comerica Inc	3,000	82,593	133,875	Gannett Inc	7,200	460,664	509,400
Computer Assoc	14,300	743,996	1,015,300	General Elec Co	4,400	376,314	381,700
Computer Prod	80,000	966,280	1,370,000	General Instr Corp	41,800	1,179,446	1,206,975
Computervision Corp	19,500	246,200	195,000	General Mtrs Corp	6,500	298,539	340,438
Comverse Technology	3,300	75,028	100,650	Genzyme Corp	1,400	46,669	70,350
Continental Airlines	5,900	312,930	364,325	Gillette Co	12,000	519,185	748,500
Cooper Cameron	1,687	31,943	73,806	Glendale Fed Bk Fed Sv	11,800	159,952	213,875
Cooper Ind	5,000	208,897	207,500	Global Marine Inc	9,700	112,306	134,588
Corning Inc	16,800	576,790	644,700	Goodyear Tire & Rubr	12,900	554,207	619,200
Corporate Express	9,700	404,349	388,000	Grace W R & Co	12,200	675,174	864,675
CUC	20,550	525,795	729,525	Great Atlantic & Pac Te	5,500	175,882	180,813
Cyberoptics Corp	15,000	272,821	232,500	Great Western Finl Corp	8,900	212,300	212,488
Cytec Inds Inc	1,000	77,691	85,500	Green Tree Financial C	15,000	486,017	468,750
Dana Corp	6,500	211,229	201,500	Gtech Hldgs Corp	15,600	437,783	462,150
Dassault Sys S A ADR	400	9,200	12,400	Guangshen Ry Ltd	5,800	110,200	110,925
Data Documents Inc	16,000	209,080	196,000	Guidant Corp	10,200	327,921	502,350
Data Gen Corp	7,000	121,797	91,000	Gulf South Med Supply	27,500	459,044	1,072,500
Data Translation Inc	40,000	1,044,763	655,000	Harnischfeger Inds Inc	6,400	228,805	212,800
Dayton Hudson Corp	7,000	758,907	721,875	Harte-Hanks Communic	8,500	210,906	235,875
Deere & Co	19,000	570,239	760,000	HBO & Co	10,200	314,929	691,050
Dial Corp	8,800	211,708	251,900	Health Care & Retireme	5,850	125,606	139,669
Diametrics Med Inc	60,000	494,014	300,000	Health Mgmt Sys Inc	44,725	395,270	1,420,019
Diamond Home Svcs In	5,600	77,225	93,800	Healthsouth Corp	5,400	180,113	194,400
Diamond Offshore Drill	2,700	132,975	153,900	Heartland Express Inc	11,395	235,532	304,816
Du Pont E I De Nemour	7,400	467,232	585,525	Hercules Inc	13,500	704,345	747,563
Dun & Bradstreet Corp	6,800	455,040	425,000	Hewlett Packard Co	4,000	382,690	398,500
Eastman Kodak Co	4,200	241,292	326,550	HFS Inc	14,200	601,841	994,000
Eckerd Corp	16,600	316,404	375,575	Hilton Hotels Corp	3,900	374,019	439,238
EG & G Inc	5,600	134,020	119,700	Home Depot Inc	11,500	521,026	621,000
EMC Corp	12,200	260,491	225,700	Honeywell Inc	13,400	551,105	730,300
Empi Inc	3,500	64,588	45,500	Hunt J B Trans Svcs Inc	5,400	111,066	112,725
Engineering Animation	11,200	246,388	224,000	Idex Corp	25,000	795,953	950,000
Enron Corp	23,700	855,708	968,738	Illinois Cent Corp	38,350	926,769	1,088,181
Entergy Corp	3,300	76,705	93,638	Illinois Tool Works	5,000	336,008	338,125
Envoy Corporation	46,900	617,486	1,371,825	IMC Global Inc	12,200	305,743	459,025
Equitable Iowa Cos	16,800	538,949	596,400	Imperial Credit Inds	45,000	906,075	1,361,250
Exxon Corp	8,100	561,116	703,688	Inland Stil Inds Inc	4,400	167,027	86,350
Falcon Bldg Prods Inc	72,000	895,989	882,000	Instent Inc	15,000	224,850	326,250
Federal Express Corp	1,100	89,162	90,200	Integrated Health Svcs I	13,200	340,001	313,500
Federal Home Ln Mtg C	6,200	525,624	530,100	Intel Corp	3,100	226,447	227,658
Federal Natl Mtg Assn	36,600	1,139,997	1,226,100	Inter Tel Inc	32,300	485,063	845,872
Federated Dept Stores I	26,200	758,465	894,075	Intercel Inc	40,000	725,000	800,000
Filenet Corp	1,700	75,644	62,050	International Game Tec	16,600	255,482	280,125
Firserv Inc	3,000	70,569	90,000	International Paper Co	10,700	401,585	394,563
First Data Corp	15,554	803,943	1,240,432	Interpublic Group Cos I	4,600	153,035	215,625

## STATISTICAL SECTION

Issue	Shares	Book	Market	Issue	Shares	Book	Market
		Value	Value at June 30, 1996			Value	Value at June 30, 1996
Intl Business Machs Cor	3,600	402,220	356,400	National Semiconductor	12,600	209,208	195,300
ITI Technologies	28,000	713,706	924,000	National Surgery Center	60,000	814,815	1,590,000
Ivax Corp	12,400	309,002	195,300	NationsBank Corp	9,300	735,789	768,413
James Riv Corp	6,200	165,306	163,525	Natures Sunshine Prods	25,000	686,901	637,500
Johnson & Johnson	16,800	454,689	831,600	Nautica Enterprises Inc	36,000	364,499	1,035,000
Juno Ltg Inc	7,000	122,500	119,000	Newell Co	33,000	737,140	1,010,625
Just For Feet Inc	35,900	506,746	1,898,213	Newfield Expl Co	25,000	724,011	971,875
Kaiser Alum Corp	13,400	200,021	147,400	Newpark Res Inc Par	20,040	353,798	736,470
Kerr McGee Corp	5,300	337,269	322,638	Nextel Communications	10,800	201,263	205,880
Kimberly Clark Corp	9,900	573,763	764,775	Nike Inc	18,400	759,848	1,890,600
Knight Ridder Inc	800	55,888	58,000	Noram Energy Corp	18,000	181,203	195,750
Kohls Corp	10,500	369,156	384,563	Northfield Laboratories	3,800	42,537	56,050
Korea Fund Inc	20,000	408,325	422,500	Northland Cranberries I	15,000	224,843	450,000
Kroger Co	4,500	119,233	177,750	Novellus Sys Inc	7,100	423,279	255,600
Lands End Inc	40,000	684,817	990,000	NVR Inc	60,000	599,854	667,500
Landstar Sys Inc	25,000	710,453	725,000	Old Republic Intl Corp	6,300	96,191	135,450
Life USA Holdings Inc	9,400	85,162	83,425	Olympic Finl Ltd	18,000	350,290	414,000
Lilly Eli & Co	9,100	545,621	591,500	Orange Plc Adr	13,500	235,610	236,250
Lindsay Mfg Co	13,750	262,717	553,438	Ornda Healthcorp	24,800	441,108	595,200
Linear Technology Cor	5,300	254,497	159,000	Owens Ill Inc Nes	9,600	107,076	153,600
Littelfuse Inc	900	30,150	33,750	Oxford Health Plans Inc	9,400	409,306	386,575
Lockheed Martin Corp	24,500	1,360,854	2,058,000	Papercraft Hldg Corp	238	2,262	-
Lodgenet Entmt Corp	5,900	77,788	81,125	Patterson Dental Co	15,800	415,964	572,750
Lucent Technologies In	9,000	248,922	340,875	Pentair Inc	27,000	589,713	810,000
Lyondell Petrochemical	11,800	351,928	284,675	Peoplesoft Inc	11,000	300,452	783,750
Magna Group Inc	1,800	36,118	43,200	Pepsico Inc	33,400	828,060	1,185,700
Magnetek Inc	5,000	520,000	476,250	Performance Food Grou	40,000	945,000	1,040,000
Manor Care Inc	7,000	193,156	275,625	Pfizer Inc	4,600	171,693	328,325
Manpower Inc	18,000	497,181	706,500	Pharmacia & Upjohn In	5,100	215,693	226,313
Marine Drilling Cos Inc	155,000	980,995	1,569,375	Philip Morris Cos Inc	18,200	1,075,536	1,892,800
Marriott Intl Inc	8,600	423,922	462,250	Pmt Svcs Inc	48,800	959,641	1,396,900
Martek Biosciences Cor	39,000	585,000	1,140,750	Polaris Industries Partne	26,000	787,676	887,250
Mascotech Inc	5,000	395,813	395,000	Possis Medical Inc	10,000	145,000	166,250
Mattel Inc	25,300	534,520	724,213	Ppg Inds Inc	1,600	81,114	78,000
McDonalds Corp	7,000	202,452	327,250	Praxair Inc	16,100	369,286	680,225
Medtronic Inc	11,100	419,979	621,600	Premenos Technology C	28,000	1,079,390	511,000
Medwave Inc	8,164	32,657	87,763	Price/Costco Inc	14,400	276,974	311,400
Melville Corp	14,600	474,416	591,300	Pure Software Inc	32,500	1,041,564	1,105,000
Meme Electronics Mate	7,400	382,860	286,750	Quick & Reilly Group I	3,400	93,928	110,500
Mens Warehouse Inc.	50,800	547,505	972,338	Quintiles Transnational	17,700	255,084	1,163,775
Mentor Corp	50,800	966,128	1,295,400	Racotek Inc	50,000	298,811	234,400
Mentor Graphics Corp	9,300	160,671	151,125	Reading & Bates Corp	11,500	184,673	254,438
Mercantile Bancorporati	2,900	132,086	129,050	Recovery Engr Inc	18,000	260,239	238,500
Merck & Co Inc	14,100	692,654	911,213	Reliance Inds Ltd Globa	15,000	251,250	180,465
Meridian Data Inc	80,000	1,094,000	710,000	Reliastar Finl Corp	14,000	458,755	603,750
Merrill Corp	30,000	508,676	750,000	Renal Treatment Ctrs In	44,600	712,440	1,282,250
Merrill Lynch & Co Inc	11,000	651,226	716,375	Repsol Sa Sponsored A	7,000	218,007	243,250
Metatools Inc	42,600	796,401	1,001,100	Reynolds Metals Co	9,300	526,428	484,763
Metromail Corp New	6,100	132,079	136,488	Rhone Poulenc Rorer	7,000	422,059	469,875
Mfs Communications C	22,100	487,503	831,513	Richfield Hldgs Inc	46,500	781,965	1,511,250
Micron Technology Inc	17,000	631,502	439,875	Ringer Corp	18,691	44,861	44,391
Minnesota Mng & Mfg	3,000	168,214	207,000	RJR Nabisco Hldgs Cor	3,280	104,984	104,140
Mobil Corp	1,100	103,518	123,613	Rockwell Intl Corp	5,000	274,126	286,875
Monsanto Co	36,500	631,522	1,186,250	Roosevelt Finl Group In	22,400	346,884	431,200
Morgan JP & Co Inc	7,000	549,141	592,375	Rowan Cos Inc	7,700	78,971	113,575
Morgan Stanley Group I	9,300	461,274	456,863	Rural Cellular Corp	17,200	180,992	219,300
Mylex Corp	36,500	822,976	647,875	Safeskin Corp	22,100	807,868	917,150
Nabisco Hldgs Corp	1,300	45,582	45,988	Salomon Inc	10,700	454,484	470,800

STATISTICAL SECTION

<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1996</u>	<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1996</u>
Sanmina Corp	49,400	1,173,985	1,333,800	United Sts Satellite	4,000	108,000	151,000
Sara Lee Corp	27,400	614,176	890,500	United Technologies Co	5,100	503,812	586,500
Schering Plough Corp	18,900	812,878	1,185,975	United Waste Systems	41,600	533,508	1,341,600
Seacor Holdings Inc	30,000	814,917	1,342,500	Urologix Inc	14,200	208,755	191,700
Seagate Technology	3,400	81,184	153,000	US Air Group Inc	36,300	429,025	653,400
Sears Roebuck & Co	29,100	1,072,267	1,414,988	US Bancorp Ore	17,500	510,701	632,188
Secure Computing Corp	29,500	925,460	678,500	US Freightways Corp	35,000	670,079	682,500
Service Corp Intl	9,000	224,881	517,500	US Robotics Corp	2,500	44,021	213,750
Service Merchandise In	42,700	298,880	240,188	US West Communicatio	10,700	342,449	342,400
Shandogn Huaneng Pwr	35,000	286,125	288,750	USA Detergents Inc	11,200	257,600	446,600
Sheldahl Co	11,000	222,241	229,625	USF & G Corp	15,100	224,732	245,375
Smith Intl Inc	17,400	262,044	524,175	USG Corp Com	31,000	890,436	864,125
Snap On Inc	14,000	630,828	663,250	USX-Marathon Group	12,500	607,813	618,750
Sprint Corp	21,600	765,121	907,200	Valmet Corp Sponsored	1,800	55,506	59,400
Spyglass Inc	5,000	116,104	107,190	Valspar Corp	7,000	184,223	322,000
Staples Inc	20,200	351,393	393,900	VLSI Technology Inc	11,300	211,368	156,788
State Str Boston Corp	2,900	100,129	147,900	Walgreen Co	11,000	370,205	368,500
Sterling Healthcare Gro	22,300	298,263	446,000	Warner Lambert Co	3,200	181,085	176,000
Student Ln Marketing A	12,100	944,160	895,400	Waters Corp	6,400	169,600	211,200
Summit Bancorp	8,320	265,875	292,240	Wausau Paper Mls Co	10,000	238,707	197,500
Sun Microsystems Inc	7,500	341,552	441,563	Westcorp	68,000	1,308,305	1,207,000
SuperValu Inc	8,900	288,369	280,350	Western Staffing Svcs I	53,000	832,628	742,000
Sybron Intl Corp	19,000	342,657	475,000	Westvaco Corp	2,600	66,372	77,675
Taiwan Fd Inc	12,000	265,849	288,000	Whitman Corp	4,500	110,201	108,563
Tech Data Corp	75,000	1,208,517	1,631,250	Windmere Corp	1,603	-	8,817
Tele Comm Inc New Co	7,350	180,506	194,775	Winthrop Resources Co	18,000	137,025	364,500
Tele Communications I	21,300	341,526	386,063	Wisconsin Cent Transn	17,000	293,596	552,500
Teltrend Inc	24,700	395,200	957,125	WMX Technologies Inc	24,700	762,151	808,925
Tencor Instrs	11,700	427,483	220,838	Worldcom Inc	2,100	98,057	116,288
Terra Inds Inc	11,000	154,598	136,125	York Intl Corp	1,500	79,305	77,625
Texaco Inc	9,300	746,768	780,038	YPF Sociedad Anonima	5,000	102,750	112,500
Textron Inc	5,000	419,173	399,375	Zale Corp	8,000	137,360	135,000
Thai Fd Inc	9,800	238,319	231,525	EAFE GDP Index Fund		51,218,236	61,359,527
The Travelers	27,900	1,234,417	1,272,938	S&P 500 Index Fund	88,886,090	67,795,973	143,169,170
Thermo Electron Corp	10,050	392,013	418,331	Total Common Stock		303,052,138	429,993,047
Thermo Sentron Inc	21,000	345,216	336,000	Total Preferred and Common Stock		303,650,403	430,220,560
Time Warner Inc	9,500	380,087	372,875	Less: Provision for Loss		5,097,980	-
Timen Co	3,000	109,365	116,250	Total Preferred and Common Stock			
Tjx Cos Inc	9,800	204,759	330,750	Net of Provision for Loss		298,552,423	430,220,560
TransAmerica Corp	3,000	150,721	243,000				
Transportacion Maritim	4,300	34,658	31,713				
Tricord Sys Inc	22,759	343,376	102,416				
Tro Learning Inc	10,100	144,255	164,125				
Tyson Foods Inc	8,300	191,855	227,213				
Ultramar Corp	4,700	117,841	136,300				
Unicom Corp	5,200	134,085	144,950				
Uniroyal Inc	2,200	2,077	22				
United States Surgical C	2,900	78,266	89,900				

<b>Venture Capital Funds</b>		
<u>Fund</u>	<u>Book Value</u>	<u>Market Value</u>
MN Seed I	20,256	54,018
MN Seed II	-	217,502
Cherry Tree Ventures	355,149	261,964
Artesian Capital	201,776	658,226
	577,181	1,191,710

## STATISTICAL SECTION

### Real Estate Investments

Description and Location	Original Cost	Provisions For Loss	Net Book Value	Description and Location	Original Cost	Provisions For Loss	Net Book Value
Arbys - Dallas, TX	420,290	-	420,290	Perkins - Port Richey, FL	818,920	437,000	381,920
Arbys - Irving, TX	423,781	-	423,781	Perkins - Reynoldsberg, OH	465,190	-	465,190
Arbys - Rock Springs, WY	544,895	144,895	400,000	Perkins - River Falls, WI	565,005	265,005	300,000
Arbys - Salina, KS	397,950	-	397,950	Pizza Hut - Butte, MT	238,031	-	238,031
Arbys - Topeka, KS (Fairlawn)	357,000	-	357,000	Pizza Hut - Gillette, WY	239,816	-	239,816
Arbys - Topeka, KS (Gage Blvd)	405,575	-	405,575	Pizza Hut - Hilton Head Island,	425,004	-	425,004
Arby's - Kansas City, KS	440,000	-	440,000	Pizza Hut - Powell, WY	175,663	-	175,663
Arby's - Lodi, CA	555,797	1,000	554,797	Pizza Hut - Sheridan, WY	227,093	-	227,093
Arby's - Roseville, CA	685,000	45,000	640,000	Pizza Hut - Worland, WY	173,900	-	173,900
Arby's - Sacramento, CA	622,021	41,000	581,021	Ragazie's - Greensboro, NC	350,000	-	350,000
Arby's - Vacaville, CA	655,000	-	655,000	Rax - Minot, ND	530,808	230,808	300,000
Bank of Los Angeles - Beverly	5,646,024	1,476,149	4,169,875	Wendy's - Pueblo, CO (No Ave	350,000	-	350,000
Boston Market - Stockton, CA	723,550	38,000	685,550	Vacant - Pinellas Park, FL	360,762	51,000	309,762
Burger King - Wilmington, NC	382,004	-	382,004	Vacant - Union City, TN	442,823	17,823	425,000
Carl's Jr. - Merced, CA	744,200	-	744,200	MTRFA RENTAL PROPERTY	<u>44,074,953</u>	<u>4,595,547</u>	<u>39,479,406</u>
Chi Chi's - Milwaukee, WI *	696,043	196,043	500,000	Arby's - Plymouth, MN	365,000	-	365,000
Chi-Chi's - Fargo, ND	1,026,447	26,447	1,000,000	Burger King - Burnsville, MN	327,633	77,633	250,000
Chi-Chi's - Hampton, VA	900,000	-	900,000	Chi Chi's - Minnetonka, MN *	720,005	220,005	500,000
Chi-Chi's - Madison, WI	1,153,679	-	1,153,679	Fuddruckers - Roseville, MN	1,300,005	300,005	1,000,000
Chi-Chi's - Sioux Falls, SD	1,490,114	502,764	987,350	Kentucky Fried Chicken - Bloo	500,000	-	500,000
Cold Storage Facility - Fullerton	2,344,541	437,000	1,907,541	Kent. Fried Chicken - Eden Pra	485,000	-	485,000
Colorado Country Style - Denv	1,117,320	17,000	1,100,320	Kent. Fried Chicken - Mpls., M	507,654	-	507,654
Cub Foods - Madison, WI	2,802,992	-	2,802,992	Kent. Fried Chicken - W. St. Pa	311,003	-	311,003
Cub Foods - Onalaska, WI *	1,952,433	-	1,952,433	Pearle Vision/Taste of Chicago	743,136	384,664	358,472
Fazoli's - Longwood, FL	370,405	-	370,405	Perkins - Albert Lee, MN	359,054	-	359,054
Grandys - Arlington, TX	620,000	-	620,000	Perkins - Burnsville, MN	350,000	-	350,000
Grandys - El Paso, TX	571,600	-	571,600	Perkins - Crystal, MN	454,500	-	454,500
Grandys - Midland, TX	525,005	-	525,005	Perkins - Stillwater, MN	654,000	-	654,000
Grandys - Tulsa, OK (Lewis)	570,047	-	570,047	Perkins - St. Paul, MN	575,740	-	575,740
Grandys - Tulsa, OK (Sheridan	542,060	-	542,060	Samurai - Golden Valley, MN	1,084,703	84,703	1,000,000
Grandy's - Albuquerque, NM	502,500	155,000	347,500	Subway - St. Paul, MN (White	377,617	199,748	177,869
Harrigan's - Albuquerque, NM *	394,570	-	394,570	Super 7 - Indianapolis, IN (52n	133,000	-	133,000
Harrigan's - Oklahoma City, OK	1,124,170	124,170	1,000,000	The Vineyard - Anoka, MN	651,000	-	651,000
Harrigan's - Okla. City, OK (Me	996,758	-	996,758	Wendy's - St. Paul, MN	360,020	-	360,020
Jack in the Box - Grass Valley,	794,308	-	794,308	Wendy's - Roseville, MN	272,320	-	272,320
Jag's - St. Louis, MO	343,443	129,443	214,000	Vacant - Minneapolis, MN (W.	389,573	289,573	100,000
Jiffy Lube - Clearwater, FL	153,842	-	153,842	Vacant - Minneapolis, MN (E.L	186,241	-	186,241
Jiffy Lube - Newport News, VA	158,600	-	158,600	Vacant - W. St. Paul, MN	250,010	110,010	140,000
Jiffy Lube - Virginia Beach, VA	167,600	-	167,600	MRT RENTAL PROPERTY	<u>11,357,214</u>	<u>1,666,341</u>	<u>9,690,873</u>
Myers Realty, Inc. - Reno, NV	937,200	234,000	703,200	GRAND TOTALS ALL			
Ocean Reef - Durham, NC	350,000	-	350,000	PROPERTY	<u>55,432,167</u>	<u>6,261,888</u>	<u>49,170,279</u>
Perkins - Cincinnati, OH	390,000	-	390,000				
Perkins - Columbus, OH	540,000	-	540,000				
Perkins - Fort Collins, CO	775,000	-	775,000				
Perkins - Grove City, OH	550,000	26,000	524,000				
Perkins - North Fort Meyers, F	848,174	-	848,174				

\* - MTRFA ownership interest in property is 50%.

**STATISTICAL SECTION**  
**INVESTMENT EXPENSES**

	1996	1995
Investment Expenses - Securities		
Money Manager and Custodian Fees		
Brinson	165,919	96,478
Chancellor	198,713	150,120
Index Fund	55,839	50,650
Investment Advisers, Inc.	313,882	270,231
Loomis, Sayles & Company	80,263	0
Lord Abbett	142,906	167,029
Mitchell Hutchins	179,541	100,920
Nicholas-Applegate	567,421	413,617
Northern Trust	79,601	0
Patterson	35,932	194,136
Pacific Century	0	28,305
PanAgora EAFE Index	86,666	79,834
Smith Affiliated	33,239	138,607
Wellington Management	176,419	0
Custodian Fees	115,017	67,440
Total Money Manager and Custodian Fees	<u>2,231,358</u>	<u>1,757,367</u>
Salaries	74,215	58,618
Payroll Taxes	5,440	4,035
Employee Benefits	8,027	6,094
Postage and Mailing	225	263
Telephone and Electricity	1,702	1,775
Office Supplies	2,365	2,403
Office Rent	9,042	9,135
Insurance	21,163	20,450
Depreciation	2,971	3,483
Travel	5,972	16,506
Business Expense	1,499	3,151
Audit	4,081	3,151
Consulting	5,100	5,700
Miscellaneous	240	766
Total Investment Expenses - Securities	<u>2,373,400</u>	<u>1,892,897</u>
Investment Expenses - Real Estate		
Salaries	80,329	54,439
Payroll Taxes	5,875	3,975
Employee Benefits	8,669	5,848
Postage & Mailing	767	203
Telephone and Electricity	2,337	2,190
Office Supplies	2,555	2,232
Office Rent	9,765	8,486
Insurance	30,585	45,631
Data Processing	0	325
Depreciation	3,209	3,236
Travel	2,748	1,533
Business Expense	1,619	2,815
Legal Fees	56,371	83,727
Audit	4,407	3,151
Consulting	3,434	2,159
Property Taxes	98,830	54,139
Utilities on MTRFA Properties	5,516	10,059
Repairs and Maintenance	16,332	18,116
Valuations & Appraisals	8,250	7,750
Miscellaneous	3,567	2,718
Total Investment Expenses - Real Estate	<u>345,165</u>	<u>312,732</u>
Total Investment Expenses	<u>2,718,565</u>	<u>2,205,629</u>

**STATISTICAL SECTION**  
**ADMINISTRATIVE EXPENSES**

	1996	1995
Salaries	\$216,674	\$212,477
Payroll Taxes	15,885	14,538
Employee Benefits	23,438	24,297
Postage & Mailing	39,032	33,626
Telephone & Electricity	6,844	6,757
Printing & Binding	20,304	20,172
Office Supplies	6,887	8,495
Office Rent	26,402	32,296
Insurance	26,715	27,221
Data Processing	42,090	41,890
Depreciation	8,675	12,315
Travel	4,673	5,958
Mileage and Parking	1,881	2,187
Business Expense	8,327	11,715
Legal Fees	38,329	44,872
Actuarial	39,974	50,274
Audit	11,916	9,453
Consulting	0	0
Miscellaneous	(646)	352
<b>Total Administrative Expenses</b>	<b>\$ 537,400</b>	<b>\$ 558,895</b>

**Components of Total Revenue and Expenses 1996**

