



1999

**Minneapolis
Teachers'
Retirement
Fund
Association**

MTRFA

**Ninetieth Annual Report
of the Board of Trustees**

**For the Year Ended
June 30, 1999**

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Minneapolis Teachers' Retirement Fund Association

1998-1999 Annual Report

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INTRODUCTORY SECTION**Letter of Transmittal**

December 20, 1999

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

On behalf of the Board of Trustees of the Minneapolis Teachers' Retirement Fund Association (MTRFA), we are pleased to submit the Ninetieth Annual Report for the fiscal year ended June 30, 1999. This Annual Report has been prepared in accordance with Minnesota Statute 356.20.

The 1999 fiscal year was a milestone year for the MTRFA as net assets grew to over \$1 billion. Fiscal 1999 also marked another year of investment performance above the assumed rate of return which combined with the additional funding provided by the State of Minnesota, the Minneapolis Public Schools and the City of Minneapolis increased the MTRFA funding ratio from 63.91% to 67.38%.

MTRFA Membership

At June 30, 1999 the MTRFA had 10,871 members. The membership consisted of 5,382 active members, 2,344 separated members and 3,145 benefit recipients. Active members make up 50% of the total membership. Of the active members, 83% are members of the coordinated plan.

Revenues

MTRFA revenues consist of employer and employee contributions and investment earnings on fund assets. Fiscal year 1999 employer and employee contributions totaled \$40,486,025 and \$14,924,647, respectively.

The employer contribution included required contributions based on a percentage of payroll (\$20,225,748) paid by the employers of MTRFA members and additional contributions required by Minnesota State Statute which are paid by the State of Minnesota, the Minneapolis Public Schools and the City of Minneapolis.

The contributions required by Minnesota State Statute include; the 1993 funding legislation (State of Minnesota, \$2,484,915; Minneapolis Public Schools, \$1,250,000; and City of Minneapolis, \$1,234,915), 1996 legislation which provides excess police and fire relief amortization aid from the State of Minnesota (\$1,689,860) and amounts levied by the Minneapolis Public Schools (\$325,000) and the City of Minneapolis (\$321,587), and the 1997 Pension Uniformity and Funding Bill which provided funding from the State of Minnesota (\$12,954,000).

Investment income (net of investment expenses) totaled \$114,468,588 in fiscal 1999. This income resulted from interest, dividend and rental income, and from the net appreciation of investment assets.

Expenses

MTRFA expenses for the fiscal year ended June 30, 1999 totaled \$76,969,768. Benefit payments to retirees, disabilitants, survivors and refund payments to separated members made up more than 99% (\$76,437,830) of the total expenses. The remaining expenses consisted of administrative expenses (\$531,938).

The MTRFA continues to work hard on controlling investment and administrative expenses by renegotiating various contracts and through operating efficiencies. Administrative expenses increased only \$5,182 which is an increase of less than 1.0% from the year ended June 30, 1998. Administrative expenses are 4.3% lower than they were five years earlier in fiscal year 1994.

INTRODUCTORY SECTION**Investments**

The MTRFA investment portfolio is dominated by high-quality and diversified assets that emphasize a long-term investment approach. Net assets totaled over \$1 billion at June 30, 1999, an increase of \$93 million from June 30, 1998. For the year ended June 30, 1999, the MTRFA time weighted rate of return was 13.05%.

The five year investment return for the period ended June 30, 1999 was 16.18% which resulted in a surplus investment earnings increase of 7.67% payable to eligible annuity recipients on January 1, 2000. This increase combined with the guaranteed 2.00% increase (2.02% in 1999 including administrative expense adjustment) brought the total compounded increase to 9.85%. This is the largest increase payable to retirees since January 1, 1988.

The MTRFA made some changes to the investment portfolio in fiscal year 1999. These included the hiring of the Clifton Group and Advanced Investment Management (AIM) as enhanced index managers and Alliance Capital as a large cap growth manager. 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.

The liquidation of the MTRFA real estate portfolio continued in fiscal 1999. Fifteen properties with a book value of \$8,634,498 were sold during the year with a net gain from these sales of \$528,066. This left only twenty-three properties with a book value of \$19,355.163 remaining to be sold. The complete liquidation of the real estate portfolio will be completed during the next few years.

Funding

The accrued liability funding ratio of the MTRFA at July 1, 1999, was 67.38% which was an increase from 63.91% at July 1, 1998. This funding level represents the highest percentage funded since 1952. The increase was the result of the good investment performance and the additional funding received from the State of Minnesota, the Minneapolis Public Schools, and the City of Minneapolis.

The MTRFA actuary report showed a contribution deficiency of 0.09% at July 1, 1999 compared to a deficiency of 0.41% at July 1, 1998. The contribution sufficiency (deficiency) indicates whether the projected revenues for the coming year are sufficient to cover the cost of benefits earned by members in the coming year and also provide sufficient dollars to cover the current year contribution required to fully fund the MTRFA by the year 2020. The contribution deficiency is expressed as a percentage of the projected annual active teacher payroll (\$242,288,000) for the 2000 fiscal year.

The contribution deficiency of 0.09% is relatively small (the contribution deficiency was 13.00% in 1991) and it is expected that investment earnings in excess of the assumed rate of return (8.50%) will cover this small deficiency.

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, 1999. On behalf of the Board of Trustees, we wish to express our gratitude to the staff, advisors, and others who help ensure the successful operation of the MTRFA.

Respectfully Submitted,


Ann M. Downing
President


Karen U. Kilberg
Executive Director

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

JUDITH H. DUTCHER
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the Minneapolis Teachers' Retirement Fund Association as of and for the years ended June 30, 1999 and 1998, as listed in the table of contents. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the Association as of June 30, 1999 and 1998, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

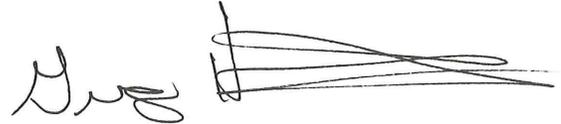
The required supplementary information referred to in the table of contents is not a required part of the basic financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the information in the schedules, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. In addition, we do not provide assurance that the Minneapolis Teachers'

FINANCIAL SECTION

Retirement Fund Association is or will become year 2000 compliant, that the Association's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Association does business are or will become year 2000 compliant.



JUDITH H. DUTCHER
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 5, 1999

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

EXHIBIT 1

COMPARATIVE STATEMENT OF PLAN NET ASSETS
JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Assets		
Cash and cash equivalents	\$ 88,493,441	\$ 58,101,578
Receivables		
Employer and employee contributions	\$ 1,684,954	\$ 1,605,458
Direct contribution aid		
State of Minnesota	1,246,696	2,842,013
Special School District No. 1	825,000	750,000
City of Minneapolis	820,639	743,767
Sales of securities	1,441,642	879,600
Variation margin receivable	1,621,925	
Dividends and interest	4,833,298	4,166,572
Rent	130,080	57,952
Total receivables	\$ 12,604,234	\$ 11,045,362
Investments, at fair value		
Government and corporate bonds	\$ 344,322,455	\$ 206,402,836
Common and preferred stock		
Individual holdings	248,617,862	185,721,013
Commingled investment funds		
Equity index fund	211,160,130	340,891,812
International equity fund	48,478,718	44,953,451
Bond index fund	35,155,128	34,091,926
Real estate	19,355,166	27,989,664
Other investments	2,559,927	1,027,004
Options contracts	2,609,181	-
Total investments, at fair value	\$ 912,258,567	\$ 841,077,706
Invested securities lending collateral	\$ 39,867,001	\$ 51,048,160
Furniture and fixtures (at cost, less accumulated depreciation of \$161,325 and \$152,017 in 1999 and 1998, respectively)	\$ 68,557	\$ 28,801
Total Assets	\$ 1,053,291,800	\$ 961,301,607
Liabilities		
Accounts payable	\$ 769,708	\$ 794,110
Security purchases payable	10,542,497	2,012,820
Deferred premiums on options contracts	1,807,324	
Rents received in advance	55,194	105,933
Securities lending collateral	39,867,001	51,048,160
Deposits on rental property	8,650	8,650
Total Liabilities	\$ 53,050,374	\$ 53,969,673
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress is Presented on Page 21)	\$ 1,000,241,426	\$ 907,331,934

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

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

EXHIBIT 2

COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
Additions		
Contributions		
Employer	\$ 20,225,748	\$ 18,884,227
Members	14,924,647	13,852,469
Other sources		
State of Minnesota	17,128,775	22,026,586
Special School District No. 1	1,575,000	1,375,000
City of Minneapolis	1,556,502	1,354,486
Total contributions	\$ 55,410,672	\$ 57,492,768
Investment income		
From investing activity		
Net appreciation (depreciation) in fair value of investments	\$ 85,721,629	\$ 94,505,674
Interest and dividends	28,278,301	23,981,441
Rental income	2,497,238	4,446,085
Net gain on sale of rental property	528,066	1,284,898
Total investing activity income	\$ 117,025,234	\$ 124,218,098
Less: investing activity expense	(2,774,627)	(2,972,587)
Net income from investing activity	\$ 114,250,607	\$ 121,245,511
From securities lending activity		
Securities lending income	\$ 1,979,807	\$ 2,623,990
Less: securities lending expense		
Borrower rebates	\$ (1,644,522)	\$ (2,218,099)
Management fees	(117,304)	(141,999)
Total securities lending expense	\$ (1,761,826)	\$ (2,360,098)
Net income from securities lending activity	\$ 217,981	\$ 263,892
Total net investment income	\$ 114,468,588	\$ 121,509,403
Total Additions	\$ 169,879,260	\$ 179,002,171

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

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA*EXHIBIT 2*
*(Continued)*COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Deductions		
Benefits to participants		
Retirement, beneficiary, and disability annuities	\$ 75,813,483	\$ 66,780,989
Death benefits	100,415	233,293
Withdrawals and refunds	<u>523,932</u>	<u>405,091</u>
Total benefits, withdrawals, and refunds	\$ 76,437,830	\$ 67,419,373
Administrative expenses	<u>531,938</u>	<u>526,756</u>
Total Deductions	\$ 76,969,768	\$ 67,946,129
Net Increase (Decrease)	\$ 92,909,492	\$ 111,056,042
Net Assets Held in Trust for Pension Benefits		
Beginning of Year (Note 1)	<u>907,331,934</u>	<u>796,275,892</u>
End of Year	<u>\$ 1,000,241,426</u>	<u>\$ 907,331,934</u>

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

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999

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 1909 Minn. Laws ch. 343, 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, employees formerly employed by Special School District No. 1, charter schools, and the employees of the Association. 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, 1999 and 1998.

Basis of Presentation

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

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 Special School District No. 1 are recognized by the Association when the related tax from levies becomes due to the City of Minneapolis and Special School District No. 1. (The State of Minnesota is required to match some of these tax levies.)

Investment Income

Interest income is recorded when earned on an accrual basis. Dividend income is recorded on the ex-dividend date. Rental income from investments in real estate is recorded when earned.

Investments

Investments are reported at fair value. Short-term investments and real estate are reported at cost, which approximates fair value. Securities traded on an exchange are valued at the last reported sales price at current exchange rates. Market values of investments in venture capital funds are determined by reference to audited financial information of the funds adjusted for subsequent distributions from the funds. Investments that do not have an established market are reported at estimated fair value.

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies

Investments (Continued)

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

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

Accounting for Derivatives

The Minneapolis Teachers' Retirement Fund Association invests in various derivative instruments, including futures contracts and options, with the investment objective of exceeding the total return of the S&P 500 index by using arbitrage strategies. In addition, the Association invests in forward currency exchange contracts.

Futures Contracts

Upon entering into a futures contract, each party is required to deposit with the broker an amount, referred to as an initial margin, equal to a percentage of the purchase price indicated by the futures contract. In lieu of a cash initial margin, the Association holds certain investments in its account for the broker as collateral. Subsequent deposits, referred to as variation margins, are received or paid each day by each party as unrealized gains and losses. When a contract is closed, each party records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Futures contracts involve, to varying degrees, credit and market risks. The Association enters into contracts only on exchanges or boards of trade where the exchange or board of trade acts as the counterparty to the transaction. Losses in value may arise from changes in the value of the underlying instruments or if there is an illiquid secondary market for the contracts.

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

1. Summary of Significant Accounting Policies

Accounting for Derivatives (Continued)

Options

The Association's investment in options gives it the right, but not obligation, to buy (call) or sell (put) such options at a fixed price (exercise or strike price) during a specified period. The Association pays a nonrefundable fee (the premium) to the seller (the writer). Option contracts are valued daily. Unrealized gains or losses are recorded based upon the last sales price on the principal exchange on which the option is traded. A realized gain or loss is recognized upon expiration or closing of the contract. When an option is exercised, the proceeds on sales for a written call option, the purchase cost of the security for a written put option, or the cost of the security for a purchased put or call option is adjusted by the amount of the premium received or paid.

The risk in buying an option is that the premium is paid whether or not the option is exercised. The risk in writing a call option is the lost opportunity for profit if the market price of the security increases and the option is exercised. The risk in writing a put option is that a loss may be incurred if the market price of the security decreases and the option is exercised. Risks may also arise from an illiquid secondary market or from the inability of counterparties to meet the terms of the contract.

Forward Currency Exchange Contracts

A forward currency exchange contract is an agreement between two parties to pay or receive specific amounts of a currency at a future date in exchange for another currency at an agreed-upon exchange rate. Forward currency exchange contracts are valued at an estimate of the exchange rate on the settlement date. These amounts fluctuate daily, and the fluctuation is captured in the market value as an unrealized gain/loss. On the settlement date, the difference between the contract exchange rate and the actual exchange rate on that day is recorded as a realized gain/loss. Risks may arise from an illiquid secondary market or from the inability of counterparties to meet the terms of the contract.

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies (Continued)

Benefits and Refunds

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

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

At June 30, 1999 and 1998, the Association's membership consisted of:

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

2. Description of Plans

Membership (Continued)

	<u>1999</u>	<u>1998</u>
Retirees and beneficiaries currently receiving benefits	3,145	3,024
Terminated employees entitled to but not yet receiving benefits	715	711
Terminated, non-vested	1,628	1,443
Current active plan members (including members on leave)	<u>5,382</u>	<u>5,068</u>
Total Membership	<u><u>10,870</u></u>	<u><u>10,246</u></u>

Pension Benefits

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

Disability Benefits

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

Other Benefits

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

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

3. Deposits and Investments

Deposits

Minn. Stat. § 356A.06 authorizes the Association to deposit its cash in financial institutions designated by the Board of Trustees. All cash deposits of the Association at June 30, 1999 and 1998, were insured or protected by surety bond. The Association's deposits and cash on hand consist of the following at June 30, 1999 and 1998:

1999	Carrying Value	Bank Balance
Cash on hand	\$ 150	\$ -
Non-interest bearing checking account	46,108	28,729
Total Deposits and Cash on Hand	\$ 46,258	\$ 28,279
1998	Carrying Value	Bank Balance
Cash on hand	\$ 150	\$ -
Non-interest bearing checking account	75,779	283,525
Total Deposits and Cash on Hand	\$ 75,929	\$ 283,525

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

FINANCIAL SECTION
 MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 MINNEAPOLIS, MINNESOTA

3. Deposits and Investments

Investments (Continued)

(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 Association's investments at June 30, 1999 and 1998, and the level of custodial credit risk for these investments:

<u>1999</u>	<u>Credit Risk Category</u>	<u>Carrying and Fair Value</u>
Government and corporate bonds	1	\$ 315,836,371
Individual stock holdings	1	238,048,048
Options contracts	1	<u>2,609,181</u>
Total		\$ 556,493,600
 Add		
Investments held by broker-dealers under securities loans		
Government and corporate bonds		28,486,084
Individual stock holdings		10,569,814
Commingled investment funds		
Equity index fund		211,160,130
International equity index fund		48,478,718
Bond index fund		35,155,128
Real estate		19,355,166
Other investments		2,559,927
Short-term investment fund		88,447,183
Invested securities lending collateral		39,867,001
Total deposits and cash on hand		<u>46,258</u>
Total Cash and Investments		<u>\$ 1,040,619,009</u>

FINANCIAL SECTION
 MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
 MINNEAPOLIS, MINNESOTA

3. Deposits and Investments

Investments (Continued)

<u>1998</u>	<u>Credit Risk Category</u>	<u>Carrying and Fair Value</u>
Government and corporate bonds	1	\$ 163,676,190
Individual stock holdings	1	<u>178,575,317</u>
Total		\$ 342,251,507
Add		
Investments held by broker-dealers under securities loans		
Government and corporate bonds		42,726,646
Individual stock holdings		7,145,696
Commingled investment funds		
Equity index fund		340,891,812
International equity index fund		44,953,451
Bond index fund		34,091,926
Real estate		27,989,664
Other investments		1,027,004
Short-term investment fund		58,025,649
Invested securities lending collateral		51,048,160
Total deposits and cash on hand		<u>75,929</u>
Total Cash and Investments		<u>\$ 950,227,444</u>

On the Statement of Plan Net Assets, cash and investments are:

	<u>1999</u>	<u>1998</u>
Cash and cash equivalents	\$ 88,493,441	\$ 58,101,578
Total investments	912,258,567	841,077,706
Invested securities lending collateral	<u>39,867,001</u>	<u>51,048,160</u>
Total Cash and Investments	<u>\$ 1,040,619,009</u>	<u>\$ 950,227,444</u>

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

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

4. Securities Lending

The Association participates in a securities lending program. On June 30, 1999 and 1998, 6.6 and 12.7 percent, respectively, of its individual security holdings were loaned out.

Minn. Stat. § 356A.06, subd. 7, permits the Association to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral with simultaneous agreement to return the collateral for the same securities in the future. Loans may be made only to pre-approved borrowers. The Association's securities custodian is the agent in lending the Association's domestic securities for collateral of 102 percent and international securities for cash collateral of 105 percent of the market value of loaned securities. Loaned investments are marked to market daily. If the collateral provided by the borrower falls below 100 percent of the market value of the loaned investments, the borrower is required to provide additional collateral to bring the collateral to 102 percent of the current market value. Collateral may be provided in securities or cash.

All of the collateral at June 30, 1999 and 1998, was provided in cash. The Association has no credit risk exposure to borrowers because the amounts the Association owes borrowers exceed amounts borrowers owe the Association. The contract with the trust company requires the trust company to indemnify the Association if borrowers fail to return the securities (and, if the collateral is inadequate, to replace the securities lent) or fail to pay the system for income distributions by the securities' issuers while the securities are on loan.

All securities loans may be terminated on demand by either the Association or the borrower. The average term of loans is two months. Cash collateral is invested in a short-term investment pool with a weighted average maturity of 53 days and 31 days for June 30, 1999 and 1998, respectively.

5. Contributions and Reserves

Funding

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

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

5. Contributions and Reserves

Funding (Continued)

Minn. Stat. § 354A.12 sets the rate for employee and employer contributions that, expressed as a percentage of annual covered payroll, are sufficient to fully fund the pension plan by the year 2020. The requirement to reach full funding by the year 2020 is set in Minn. Stat. § 356.215, subd. 4g. As part of the annual actuarial valuation, the actuary determines the sufficiency or deficiency of the statutory contribution rates toward meeting the required full funding deadline. The actuary compares the actual contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability by the required date for full funding, and (c) an allowance for administrative expenses.

Required Contributions

For the fiscal year ended June 30, 1999 and 1998, the contribution rates required by statute are as follows:

	<u>Percentage of Members' Salaries</u>	
	<u>Basic Plan</u>	<u>Coordinated Plan</u>
Employee contribution	8.50%	5.50%
Employer contribution	12.14%	8.14%

Other Contributions

Minn. Stat. § 354A.12, subd. 3b, authorizes Special School District No. 1 and the City of Minneapolis to each levy for the benefit of the Association. 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, up to \$1,250,000 per year each, the total contributions of the School District and the City. This direct contribution aid will be allowed to continue until the Association 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

5. Contributions and Reserves

Other Contributions (Continued)

	<u>1999</u>	<u>1998</u>
State of Minnesota	\$ 2,484,915	\$ 2,481,595
Special School District No. 1	1,250,000	1,250,000
City of Minneapolis	1,234,915	1,231,595

Minn. Stat. § 423A.02, subd. 3, requires the state to annually provide certain aid to the Association until it is fully funded provided that the School District and the City make additional annual contributions. The state amortization aid contribution was \$1,689,860 and \$1,590,991 for fiscal years 1999 and 1998, respectively. In fiscal year 1999, the School District and the City made additional contributions of \$325,000 and \$321,587, respectively.

Minn. Stat. § 354A.12 requires the state to provide the Association with additional funding. This aid was \$12,954,000 and \$17,954,000 in fiscal years 1999 and 1998, respectively, and will be \$12,954,000 annually until the Association reaches the same funded status as the TRA.

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.

Reserves

The Association maintains the following funds as required by its Articles of Incorporation and state statute:

Retirement Deposit Fund

All amounts received for deposit 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 members' credit in the Retirement Deposit Fund are transferred to the Annuity Reserve Fund when members begin receiving annuity payments.

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

5. Contributions and Reserves

Reserves (Continued)

Annuity Reserve Fund

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

Balance and Funded Status

	<u>Retirement Deposit Fund</u>	<u>Annuity Reserve Fund</u>
Balance - June 30, 1999	<u>\$ 271,111,821</u>	<u>\$ 722,433,592</u>
Balance - June 30, 1998	<u>\$ 289,851,957</u>	<u>\$ 613,171,014</u>

Neither reserve is fully funded in either year.

In addition, at June 30, 1999 and 1998, respectively, \$6,696,013 and \$4,308,963 of the total net assets is considered reserved as it represents the amount of state amortization aid which, pursuant to Minn. Stat. § 423A.02, subd. 3, must be separately accounted for and may not be used in determining benefit increases. This reserve is considered to be fully funded in both years.

6. Risk Management

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

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

Schedule 1

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1994	\$ 514,138	\$ 920,470	\$ 406,332	55.86%	\$ 155,671	261.02%
1995	554,960	983,249	428,289	56.44	163,824	261.43
1996	612,852	1,055,063	442,211	58.09	171,060	258.51
1997	673,209	1,173,412	500,203	57.37	185,229	270.05
1998	809,978	1,267,424	457,446	63.91	199,376	229.44
1999	939,459	1,394,357	454,898	67.38	230,189	197.62

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

Schedule 2

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

Fiscal Year	Annual Required Contributions	Employer Percentage Contributed	State Contributions	State Percentage Contributed	City Contributions	City Percentage Contributed
1994	\$ 28,703	50.63%	\$ 1,224	4.26%	\$ 599	2.09%
1995	30,535	57.38	2,461	8.06	1,212	3.97
1996	31,779	57.67	3,545	11.16	1,211	3.81
1997	34,888	55.08	3,573	10.24	1,232	3.53
1998	42,432	47.75	22,027	51.91	1,354	3.19
1999	44,464	49.03	17,129	38.52	1,557	3.50

Note:

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

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

NOTES TO SCHEDULE 1 AND SCHEDULE 2
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999

Actuarial Methods and Assumptions

The actuarial accrued liability is determined as part of an annual actuarial valuation on July 1. Significant methods are as follows:

- The most recent actuarial valuation date is July 1, 1999.
- Actuarial cost is determined using the Entry Age Normal Actuarial Cost Method.
- The amortization method assumes a level percentage of payroll each year is used to pay the unfunded actuarial accrued liability.
- The amortization period is closed.
- The remaining amortization period at July 1, 1999, is 21 years.
- Actuarial value of assets is determined using cost plus one-third of unrealized gains or losses.

Significant actuarial assumptions are as follows:

- Investment rate of return is 8.5 percent. However, the annual 2 percent increase in benefits is accounted for by using a 6.5 percent post-retirement interest rate.
- Payroll increase is 5 percent. Salary increase varies by age and ranges from 5 to 7.5 percent.
- Post-retirement benefit increase is 2 percent.
- Mortality assumptions:
 - Pre-Retirement
 - Male: 1983 Group Annuity Mortality Table male rates set back six years
 - Female: 1983 Group Annuity Mortality Table female rates set back four years
 - Post-Retirement
 - Male: 1983 Group Annuity Mortality Table male rates set back four years
 - Female: 1983 Group Annuity Mortality Table female rates set back two years

FINANCIAL SECTION
MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

Actuarial Methods and Assumptions (Continued)

- Post-Disability

Male: 1977 Railroad Retirement Board Mortality for Disabled Annuitants

Female: 1977 Railroad Retirement Board Mortality for Disabled Annuitants

Significant Plan Provision and Actuarial Methods and Assumption Changes

1994

- Interest charged on repayment of refunds increased from 6 to 8.5 percent.

1996

- Members began making additional contributions equal to the Association's administrative expenses in excess of the Minnesota Teachers' Retirement Association administrative expenses.

1997

- Benefit formula for Coordinated Plan increased by .20 percent (effective July 1, 1997).
- Coordinated member contribution rate increased from 4.5 to 5.5 percent (effective July 1, 1997).
- Normal retirement age for post-July 1, 1989, members capped at age 66.
- Salary increase assumption changed to age-based system ranging from 5 to 7.5 percent individual increases and 5 percent for total payroll growth.

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

YEAR 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Minneapolis Teachers' Retirement Fund Association's operations as early as fiscal year 1999 and beyond. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be called 00. Computer programs need to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, the year 2000 issue could affect electronic equipment--such as environmental systems, elevators, and vehicles--containing computer chips with date recognition features.

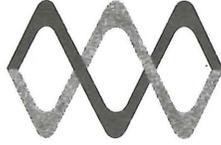
The stages of work necessary to implement a year 2000 compliant system include:

- Awareness Stage--establishing a budget and project plan dealing with the year 2000 issue.
- Assessment Stage--identifying the systems and components for which year 2000 compliance work is needed.
- Remediation Stage--making changes to the systems and equipment.
- Validation/Testing Stage--validating and testing changes.

Prior to issuance of this report, the Association had substantially completed the remediation stage of making changes to its computer systems and other electronic equipment critical to conducting operations. Validation/testing is planned to be completed by the end of 1999. The Association is also working with its vendors and service organizations to ensure that they are year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and later. The Board of Trustees cannot ensure that the Minneapolis Teachers' Retirement Fund Association is or will be year 2000 ready, that the Association's remediation efforts will be successful in whole or in part, or that parties with whom the Association does business will be year 2000 ready.

(Unaudited)

ACTUARIAL SECTION**MILLIMAN & ROBERTSON, INC.**

Actuaries & Consultants

Internationally WOODROW MILLIMAN

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Telephone: 612/897-5300

Fax: 612/897-5301

November 5, 1999

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

**Re: *Minneapolis Teachers' Retirement Fund
July 1, 1999 Actuarial Valuation Report***

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, 1999.

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 as adopted by the Commission on Pensions and Retirement.

Respectfully submitted,

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

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

Enclosure

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

	July 1, 1998 Valuation	July 1, 1999 Valuation
A. CONTRIBUTIONS % OF PAYROLL (Table 11)		
1. Statutory Contributions - Chapter 422A	25.39%	23.79%
2. Required Contributions - Chapter 356	25.80%	23.88%
3. Sufficiency / (Deficiency)	(0.41%)	(0.09%)
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 809,978	\$ 939,459
b. Current Benefit Obligations (Table 8)	1,217,128	1,342,714
c. Funding Ratio	66.55%	69.97%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 809,978	\$ 939,459
b. Actuarial Accrued Liability (Table 9)	1,267,424	1,394,357
c. Funding Ratio	63.91%	67.38%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 1,380,010	\$ 1,542,537
b. Current and Expected Future Benefit Obligations	1,467,320	1,632,995
c. Funding Ratio	94.05%	94.46%
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	4,996	5,308
b. Projected Annual Earnings	\$ 210,326	\$ 242,288
c. Average Annual Earnings (Actual dollars)	\$ 42,099	\$ 45,646
d. Average Age	43.4	43.1
e. Average Service	9.5	9.0
f. Additional Members on Leave of Absence *	72	74
2. Others		
a. Service Retirements (Table 4)	2,745	2,881
b. Disability Retirements (Table 5)	19	21
c. Survivors (Table 6)	260	243
d. Deferred Retirements (Table 7)	711	715
e. Terminated Other Non-Vested (Table 7)	1,443	1,628
f. Total	5,178	5,488

* Valued as deferred retirements, liability included with actives.

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

TABLE 1

July 1, 1999

	Market Value	Cost Value
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$ 128,360	\$ 128,360
2. Investments		
a. Fixed Income	379,478	392,027
b. Equity	510,866	407,142
c. Real Estate	19,640	19,640
3. Equity in Minnesota Post-Retirement Investment Fund	-	-
4. Other Assets	14,948	14,948
	\$ 1,053,292	\$ 962,117
B. TOTAL ASSETS		
	\$ 1,053,292	\$ 962,117
C. AMOUNTS CURRENTLY PAYABLE		
	\$ 53,050	\$ 53,050
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$ 271,112	\$ 271,112
2. Employer Reserves	729,130	637,955
3. MPRIF Reserves	-	-
4. Non-MPRIF Reserves	-	-
5. Total Assets Available for Benefits	\$ 1,000,242	\$ 909,067
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS		
	\$ 1,053,292	\$ 962,117
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Cost Value of Assets Available for Benefits (D.5)		\$ 909,067
2. Market Value of Assets Available for Benefits (D.5)	\$ 1,000,242	
3. Cost Value of Assets Available for Benefits (D.5)	909,067	
4. Market over Cost (F.2 - F.3)	\$ 91,175	
5. 1/3 of Market over Cost (F.4 / 3)		30,392
6. Actuarial Value of Assets (F.1 + F.5)		\$ 939,459

ACTUARIAL SECTION
 Minneapolis Teachers' Retirement Fund
Change In Assets Available for Benefits
 (dollars in thousands)

TABLE 2

June 30, 1999

	Market Value	Cost Value
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 907,332	\$ 761,301
B. OPERATING REVENUES		
1. Member Contributions	\$ 14,935	\$ 14,935
2. Employer Contributions	20,215	20,215
3. Supplemental Contributions *	20,261	20,261
4. Investment Income	32,755	32,755
5. MPRIF Income	-	-
6. Net Realized Gain / (Loss)	141,106	141,106
7. Other	-	-
8. Net Change in Unrealized Gain / (Loss)	(54,856)	-
9. Total Operating Revenue	\$ 174,416	\$ 229,272
C. OPERATING EXPENSES		
1. Service Retirements	\$ 70,071	\$ 70,071
2. Disability Benefits	694	694
3. Survivor Benefits	5,048	5,048
4. Refunds	624	624
5. Administrative Expenses	532	532
6. Investment Expenses	4,537	4,537
7. Total Operating Expenses	\$ 81,506	\$ 81,506
D. CHANGE IN ACCOUNTING METHOD	\$ -	\$ -
E. ASSETS AVAILABLE AT END OF PERIOD	\$ 1,000,242	\$ 909,067

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

ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund
*Reconciliation of Members*TABLE 7
TOTAL PLAN

	Actives	Terminated		
		Leave of Absence	Deferred Retirement	Other Non-Vested
A. ON JUNE 30, 1998	4,996	72	711	1,443
B. ADDITIONS	816	10	78	283
C. DELETIONS				
1 Service Retirement	(169)	(7)	(36)	(18)
2 Disability	(9)		(1)	
3 Death – Survivor	(2)			
4 Death – Other				
5 Terminated – Deferred	(69)			
6 Terminated – Refund	(41)	(1)	(15)	(37)
7 Terminated - Other Non-Vested	(279)			
8 Returned as Active	65		(22)	(43)
D. DATA ADJUSTMENTS				1
1 Vested	3,162			
2 Non-Vested	2,146			
E. TOTAL ON JUNE 30, 1999	5,308	74	715	1,629

	Recipients		
	Retirement Annuitants	Disabled	Survivors
A. ON JUNE 30, 1998	2,745	19	260
B. ADDITIONS	246	3	16
C. DELETIONS			
1 Service Retirement		(1)	
2 Death	(110)		(14)
3 Annuity Expired			(19)
4 Returned as Active			
D. DATA ADJUSTMENTS			
E. TOTAL ON JUNE 30, 1999	2,881	21	243

ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund

Actuarial Balance Sheet

(dollars in thousands)

TABLE 8

July 1, 1999

A. CURRENT ASSETS (Table 1; Line F.6)				\$	939,459
B. EXPECTED FUTURE ASSETS					
1. Present Value of Expected Future Statutory Supplemental Contributions				\$	364,440
2. Present Value of Future Normal Costs					238,638
3. Total Expected Future Assets					<u>603,078</u>
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS				\$	<u>1,542,537</u>
D. CURRENT BENEFIT OBLIGATIONS					
		Non-Vested	Vested		Total
1. Benefit Recipients					
a. Retirement Annuities			\$ 825,928	\$	825,928
b. Disability Benefits			6,776		6,776
c. Surviving Spouse and Child Benefits			38,621		38,621
2. Deferred Retirements					
			18,261		18,261
3. Former Members Without Vested Rights					
			28		28
4. Active Members					
a. Retirement Annuities *	\$	2,011	413,241		415,252
b. Disability Benefits		20,155	-		20,155
c. Surviving Spouse and Child Benefits		4,546	-		4,546
d. Deferred Retirements		216	10,462		10,678
e. Refund Liability Due to Death or Withdrawal		-	2,469		2,469
5. Total Current Benefit Obligations	\$	26,928	\$ 1,315,786	\$	<u>1,342,714</u>
E. EXPECTED FUTURE BENEFIT OBLIGATIONS				\$	<u>290,281</u>
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS				\$	<u>1,632,995</u>
G. CURRENT UNFUNDED ACTUARIAL LIABILITY (D.5 - A)				\$	403,255
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F - C)				\$	90,458

* Includes members on leave of absence.

ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund

Determination of Unfunded Actuarial Accrued Liability (UAAL) and Supplemental Contribution Rate*(dollars in thousands)*

TABLE 9

July 1, 1999

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)			
1. Active Members			
a. Retirement Benefits	\$ 669,995	\$ 190,871	\$ 479,124
b. Disability Benefits	39,026	19,897	19,129
c. Surviving Spouse and Child Benefits	9,279	4,725	4,554
d. Deferred Retirements	19,060	16,427	2,633
e. Refund Liability Due to Death or Withdrawal	6,021	6,718	(697)
f. Total	<u>\$ 743,381</u>	<u>\$ 238,638</u>	<u>\$ 504,743</u>
2. Deferred Retirements	\$ 18,261		\$ 18,261
3. Former Members Without Vested Rights	28		28
4. Annuitants in MPRIF	-		-
5. Annuitants Not in MPRIF	871,325		871,325
6. Total	<u>\$ 1,632,995</u>	<u>\$ 238,638</u>	<u>\$ 1,394,357</u>
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)			
1. Actuarial Accrued Liability (A.6)			\$ 1,394,357
2. Current Assets (Table 1; Line F.6)			<u>939,459</u>
3. Unfunded Actuarial Accrued Liability (B.1 - B.2)			<u>\$ 454,898</u>
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE			
1. Present Value of Future Payrolls Through the Amortization Date of June 30, 2020			3,569,043
2. Supplemental Contribution Rate (B.3 / C.1)			<u>12.75%</u>

ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund

Changes in Unfunded Actuarial Accrued Liability (UAAL)

(dollars in thousands)

TABLE 10

June 30, 1999

A. UAAL AT BEGINNING OF YEAR	\$ 457,446
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING	
1. Normal Cost and Expenses	\$ 24,129
2. Contributions	(55,411)
3. Interest	38,579
4. Total	<u>\$ 7,297</u>
C. EXPECTED UAAL AT END OF YEAR (A + B.4)	\$ 464,743
D. INCREASE / (DECREASE) DUE TO ACTUARIAL LOSSES / (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED	
1. Age and Service Retirements (a)	\$ -
2. Disability Retirements (a)	-
3. Death-in-Service Benefits (a)	-
4. Withdrawal (b)	-
5. Salary Increases	14,753
6. Contribution Income (b)	-
7. Investment Income (c)	(22,485)
8. Mortality of Annuitants	1,809
9. Other Items	(3,922)
10. Total	<u>\$ (9,845)</u>
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.5)	\$ 454,898
F. CHANGE IN UAAL DUE TO PLAN AMENDMENTS	-
G. CHANGE IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS	<u>-</u>
H. UAAL AT END OF YEAR (E + F + G)	<u><u>\$ 454,898</u></u>

(a) Included in Item D.8.

(b) Included in Item D.9.

(c) Includes a gross investment gain of \$83,107 offset by \$60,622 used to provide next year's cost of living adjustment to annuitants.

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

TABLE 11

July 1, 1999

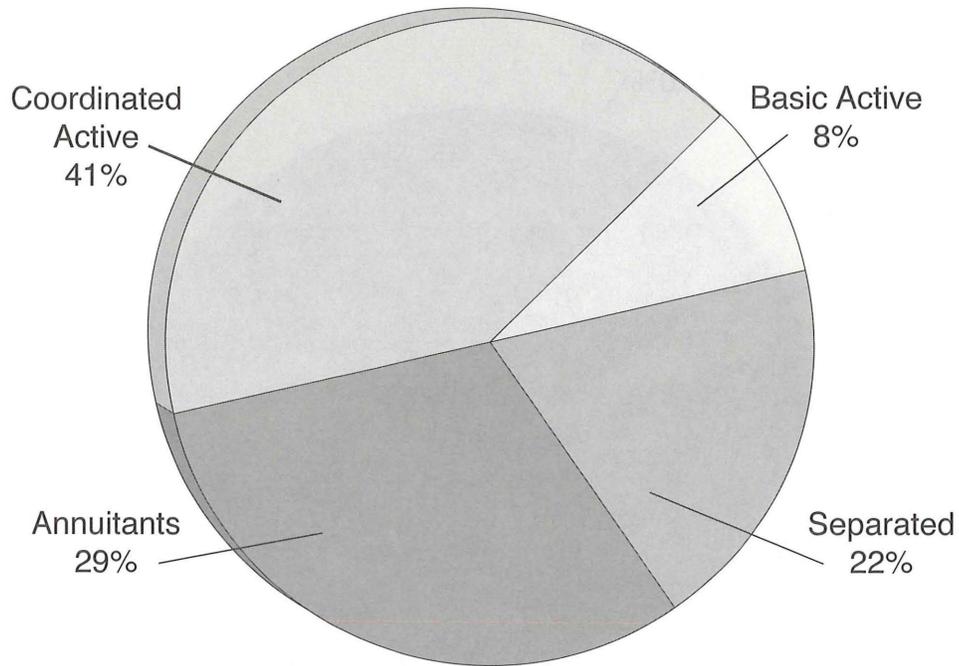
	Percent of Payroll	Dollar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A		
1. Employee Contributions	6.21%	\$ 15,035
2. Employer Contributions	9.08%	22,001
3. Supplemental Contribution *		
a. 1993 Legislation	2.06%	5,000
b. 1996 Legislation	1.09%	2,640
c. 1997 Legislation	5.35%	12,954
4. Administrative Expense Assessment	0.00%	-
5. Total	<u>23.79%</u>	<u>\$ 57,630</u>
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	8.74%	\$ 21,164
b. Disability Benefits	0.88%	2,132
c. Surviving Spouse and Child Benefits	0.19%	470
d. Deferred Retirements	0.79%	1,908
e. Refund Liability Due to Death or Withdrawal	0.30%	737
f. Total	<u>10.90%</u>	<u>\$ 26,411</u>
2. Supplemental Contribution Amortization	12.75%	30,881
3. Allowance for Administrative Expenses	0.23%	559
5. Total	<u>23.88%</u>	<u>\$ 57,851</u>
C. CONTRIBUTION SUFFICIENCY / (DEFICIENCY) (A.3 - B.5)	(0.09%)	(221)
Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:		\$ 242,288

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

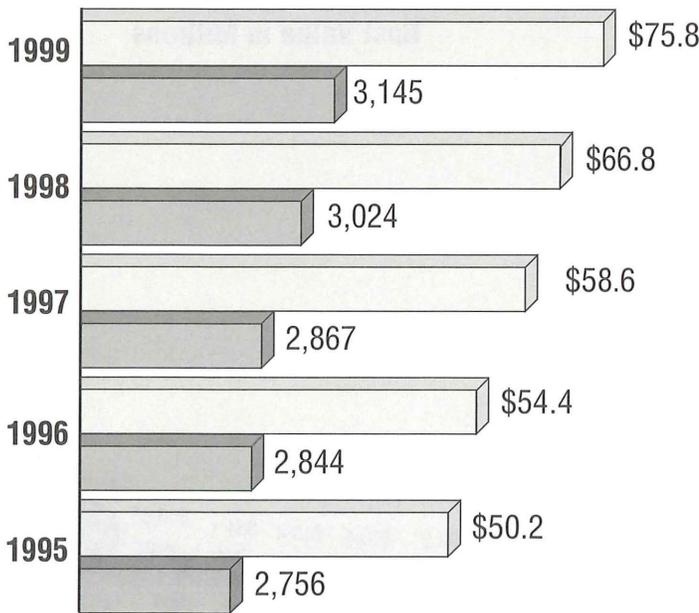
STATISTICAL SECTION

Current Membership

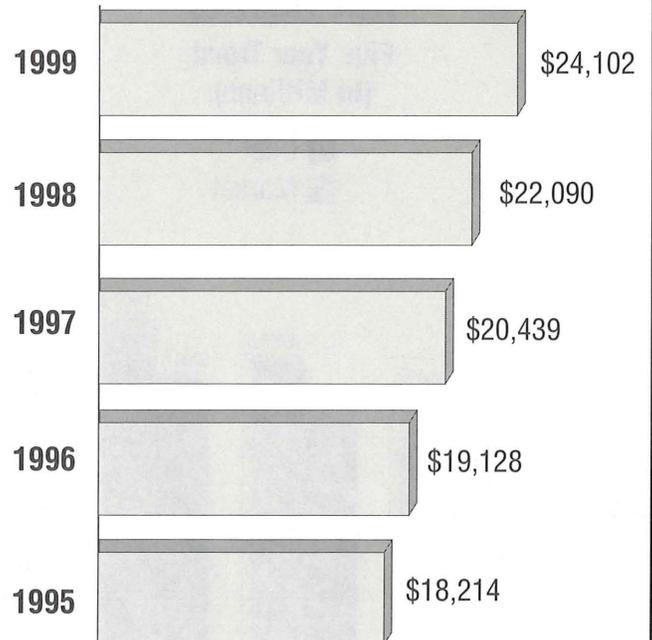
June 30, 1999



Total Annuity Payroll and Benefit Recipients
Five Year Trend



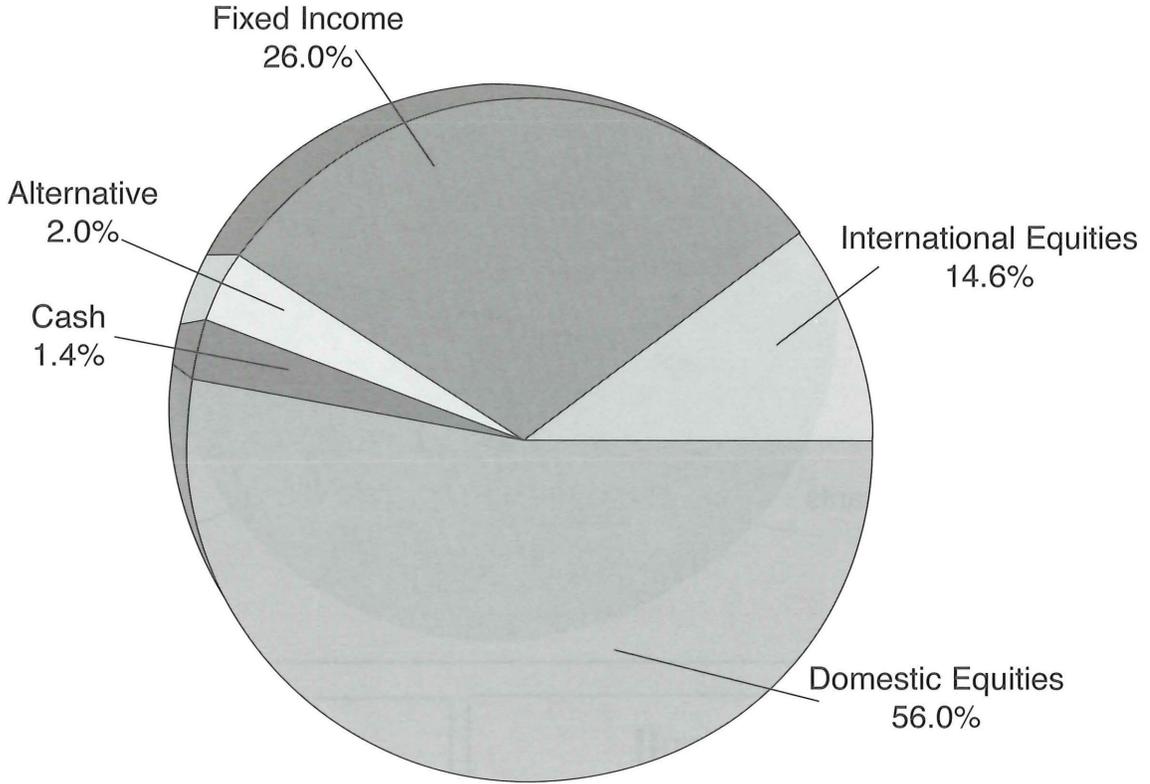
Average Annual Benefit
(For Fiscal Year Ended June 30)



STATISTICAL SECTION

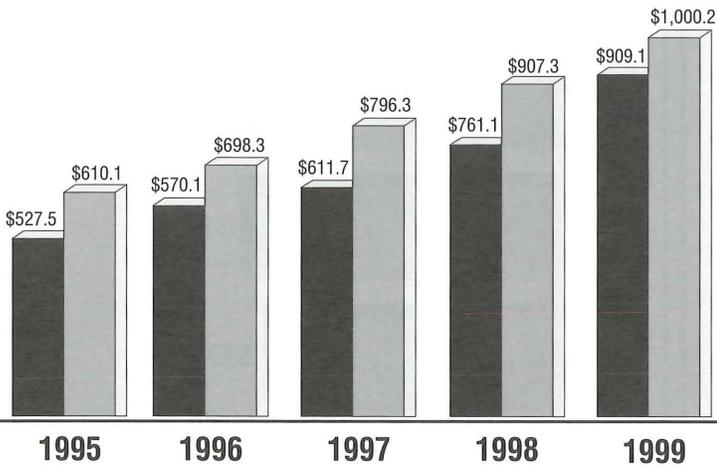
Asset Distribution

June 30, 1999

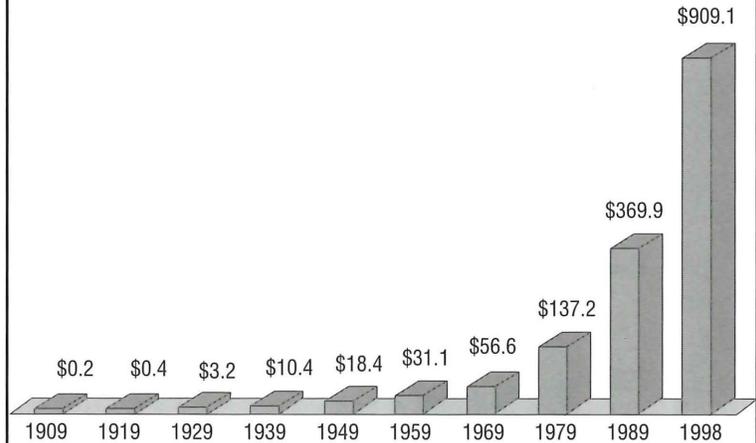


Net Assets
Five Year Trend
(In Millions)

■ Cost
■ Market



Net Asset Growth
Cost Value in Millions



STATISTICAL SECTION
Investment Managers
Assets Under Management and Performance

Asset Category/Account Name	Assets Under Management (Market Value in Thousands)	Investment Performance (Year Ended June 30, 1999)
Equity Managers		
Mellon Capital--S&P 500 Index Fund	\$211,174	23.26%
Brinson Partners--Large-Cap Value Companies	58,421	9.88
Nicholas Applegate--Small Cap Growth Companies	60,033	26.79
Alliance Capital--Large Cap Growth	58,749	na ¹
Advanced Investment Management--S&P 500 Enhanced	111,967	na ²
The Clifton Group--S&P 500 Enhanced	55,800	na ³
International Managers		
Templeton	\$45,714	1.68%
Capital Guardian	51,531	17.42
Mellon Capital International Index	48,466	7.81
Fixed Income Managers		
Loomis, Sayles & Co.--Core Fixed Income	\$76,079	3.30%
Northern Trust --Core Fixed Income	76,120	2.85
Mellon Capital--Lehman Bond Aggregate	35,148	3.10
Loomis, Sayles & Co.--High Yield	70,549	(0.16)
Real Estate		
In-house	\$17,048	10.32%
Miscellaneous		
Venture Capital	\$2,326	(3.86)%
Short Term Investments	13,840	5.15
Total Fund	\$992,965*	13.05%

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

	<u>Inception Date</u>	<u>Deposits</u>
¹ Alliance Capital	April/May 1999	\$55,000
² Advanced Investment	April 1999	\$110,000
³ The Clifton Group	April 1999	\$55,000

STATISTICAL SECTION

Cash Investments

<u>Issue</u>	<u>Par</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>	<u>Issue</u>	<u>Par</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>
STIF		\$ 88,447,183	\$ 88,447,183	Cleynet Commns	4,200,000	1,728,125	1,910,387
Deposits and Cash on Hand		46,258	46,258	Cleynet Commns	1,050,000	416,333	398,325
Total Cash Investment		\$ 88,493,441	\$ 88,493,441	Coastal Corp 6.5%	1,400,000	1,367,576	1,338,694

Government and Corporate Bonds

<u>Issue</u>	<u>Par</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>	<u>Issue</u>	<u>Par</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>
Aames Mtg 6.23%	2,014,801	2,017,320	2,014,982	Columbia/HCA 7.05%	500,000	438,405	376,895
Advanta Cr 6.05%	3,900,000	3,896,953	3,913,611	Columbia/HCA 7.69%	250,000	206,570	208,828
Advanta Mtg 7.05%	1,849,103	1,856,760	1,856,980	Columbia/HCA 7.75%	250,000	204,280	203,588
AES Corp Sr	2,000,000	1,940,800	1,788,600	Commercial Mtg 6.64%	735,000	742,168	709,767
Air & Wtr Tech 8.0%	450,000	357,750	391,500	Cray Resh 6.125%	400,000	306,000	276,000
American President	200,000	115,000	100,914	Crescent Real Estate	2,000,000	1,991,280	1,860,280
APP Financial	500,000	392,500	374,375	CWMBS Inc	1,931,257	1,923,411	1,877,008
Apple Computer	1,100,000	999,515	1,006,500	Cypress Semiconductor	250,000	220,625	241,875
Argentina Notes	150,000	103,283	128,063	Cypress Semiconductor	500,000	443,363	483,750
Asian Dev Bank 6.375%	2,280,000	2,436,180	2,338,778	Data General 6.0%	300,000	257,125	260,250
Associated Corp 5.75%	2,000,000	2,019,720	1,946,180	Diageo Cap 6.62%	2,295,000	2,292,682	2,298,947
Associates Corp Notes	3,500,000	3,490,375	3,495,065	DLJ Coml Mtg 6.41%	1,495,000	1,510,417	1,433,795
Axa	235,125	266,079	402,563	Dr Structured 8.37%	1,325,000	1,175,938	1,300,620
BA Mtg Sec	571,016	572,845	571,833	Dura Pharmaceutical 3.5	700,000	553,688	518,000
Banc One Auto 6.29%	1,286,893	1,286,807	1,292,028	Einstein/Noah Bagel 7.2	850,000	601,250	484,500
Bangko Sentral 8.60%	125,000	98,468	101,563	Empresas ICA 5.0%	600,000	454,500	408,000
Bangkok Bank 9.025%	1,700,000	1,335,275	1,326,000	Enersis 6.9%	275,000	2,669,838	2,488,145
Bangkok Bk 3.25%	1,595,000	748,450	829,400	Equitable Cos 7.3%	1,550,000	1,600,535	1,590,207
Battle Mountain 6.0%	50,000	396,250	350,000	Exide Corp 2.9%	1,900,000	1,113,875	1,163,750
Bell Sports 4.25%	39,000	32,102	31,541	Federal Home Ln 6.06%	1,498,456	1,498,456	1,477,933
Bethlehem Stl	20,000	778,750	722,500	Federal Home Ln 7.09%	2,500,000	2,485,156	2,501,550
Borden Inc 7.875%	500,000	484,615	402,595	Federal Natl Mtg 5.25%	1,075,000	1,008,253	981,948
Boston Chicken 4.5%	1,450,000	669,530	61,625	Federal Natl Mtg 5.62%	1,075,000	1,063,637	1,041,740
Boston Chicken Zero	50,000	93,438	1,875	Federal Natl Mtg 5.75%	1,500,000	1,500,675	1,463,430
Brazil (Republic of)	1,150,000	876,996	748,219	Federal Natl Mtg 5.83%	2,100,000	2,086,875	2,062,599
Brazil Federative	2,475,000	2,337,484	1,856,250	Federal Natl Mtg 7.7%	1,500,000	1,533,795	1,502,805
Broadbank Tech 5.0%	1,000,000	730,000	362,500	FHLMC Group 6.0%	2,023,261	2,016,306	1,960,035
Browning-Ferris	1,000,000	840,980	809,100	FHLMC Group 6.0%	1,500,000	1,508,438	1,508,438
Call-Net	1,700,000	1,002,371	935,000	FHLMC Group 7.5%	2,266,112	2,320,818	2,295,844
Calpine Corp	750,000	748,973	708,750	FHLMC Group 7.5%	1,406,407	1,451,016	1,432,777
Canadian Bond 6.5%	2,600,000	1,964,858	1,846,300	FHLMC Group 7.5%	755,996	778,204	762,347
Centocor Inc	15,000	142,500	168,483	FHLMC Group 8.0%	2,828,561	2,802,927	2,667,672
Century Comm	2,000,000	1,050,000	1,400,000	FHLMC Group 8.5%	711,697	742,389	748,143
Century Comm	425,000	396,844	391,531	FHLMC Multi	470,000	373,650	367,634
Chase Credit 6.0%	2,200,000	2,220,453	2,177,314	FHLMC Multi 6.25%	1,450,000	1,443,203	1,430,063
Chase Credit 6.3%	5,000,000	5,060,156	5,033,950	FHLMC Multi 6.75%	255,000	259,622	263,925
Chase Man Grantor 6.6%	1,032,065	1,041,741	1,038,880	FHLMC Multi 7.25%	129,351	131,534	129,219
Chase Manhattan 5.20%	1,239,553	1,239,069	1,235,289	FHLMC Multi 8.0%	210,358	218,641	210,160
Chase Manhattan 5.7%	6,000,000	6,017,344	5,997,186	First Union 6.56%	1,565,000	1,588,429	1,528,864
Chase Manhattan 6.14%	485,739	487,105	485,918	FNMA GTD Remic	1,500,000	1,433,906	1,462,770
Chase Manhattan 7.04%	5,000,000	5,153,125	5,088,300	FNMA GTD Remic	370,241	368,968	369,244
Chesapeake Energy 7.0%	12,000	355,703	312,000	FNMA GTD Remic	5,000,000	5,010,938	5,049,113
Chesapeake Energy 7.9%	475,000	446,906	399,000	FNMA Pool 6.0%	5,217,460	5,145,312	5,049,510
Chesapeake Energy 8.5%	1,000,000	943,813	830,000	FNMA Pool 6.0%	3,715,355	3,664,269	3,500,534
Chesapeake Energy 9.6%	400,000	402,000	368,000	FNMA Pool 6.0%	3,697,229	3,652,746	3,483,455
Cirrus Logic 6.0%	2,275,000	1,771,255	1,552,688	FNMA Pool 6.5%	3,835,000	3,760,098	3,709,135
Citibank 6.83%	2,000,000	2,001,170	2,008,120	FNMA Pool 7.5%	1,781,444	1,830,712	1,803,142
Citibank Cr	4,000,000	4,000,000	3,990,760	FNMA Pool 8.0%	354,852	365,719	358,918
Citicorp 6.8%	1,473,148	1,473,148	1,429,970	Ford Corp 5.81%	5,000,000	5,025,000	5,006,050
				Ford Motor 9.50%	2,000,000	2,276,260	2,053,400
				Fox Family Worldwide	3,375,000	2,106,344	2,143,125
				GE Cap Mtg 6.5%	1,670,062	1,676,064	1,655,270
				GE Cap Mtg 6.75%	787,026	787,764	782,241

STATISTICAL SECTION

<u>Issue</u>	<u>Par</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>	<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>
General Motors	1,500,000	1,500,675	1,495,065	Oakwood Mtg 6.45%	1,708,506	1,714,846	1,713,578
Geneva Stl Co 9.50%	250,000	132,500	51,250	Olympic Auto. 7.875%	286,432	294,398	289,025
Glycomed 7.5%	525,000	443,250	423,938	Penn Traffic Co 9.625%	2,250,000	835,313	90,000
GNMA 6.0%	2,240,243	2,180,037	2,093,216	Perez Compnc 8.125%	1,500,000	1,273,125	1,275,000
GNMA 6.5%	3,786,580	3,780,219	3,650,490	Petroleos Mexi 8.625%	2,600,000	2,335,929	1,956,500
GNMA 7.5%	1,559,575	1,615,866	1,591,733	Philip Morris 7.75%	1,750,000	1,684,533	1,756,650
GNMA 8.0%	610,279	637,360	630,107	Philippine Long Dist	12,500	516,663	650,000
GNMA GTD Remic	1223922.47	1230042.09	1,226,493	Philippine Long D. 8.35	450,000	349,125	364,919
Green Tree Finl 5.98%	1,000,000	1,003,906	1,001,440	Phillips Van Heus.7.75%	500,000	463,000	425,000
Green Tree Finl 6.39%	1,000,000	1,006,250	1,003,120	Phillips Van Heus.9.50%	700,000	702,625	700,000
Green Tree Finl 6.67%	1,000,000	1,000,000	1,000,000	Phycor Inc 4.5%	500,000	343,750	376,250
Green Tree Finl 6.8%	927,891	936,589	933,105	Pindo Deli 10.25%	500,000	505,938	365,000
Healthsouth 3.25%	250,000	204,750	211,250	Pindo Deli 10.75%	650,000	520,500	451,750
Hexcel Corp 7.0%	350,000	298,750	318,500	Pindo Deli 10.875%	500,000	463,750	300,000
HMT Tech 5.75%	100,000	61,000	36,500	Pindo Deli 11.75%	500,000	505,625	331,250
Hvide Cap 6.5%	9,000	399,938	49,500	PNC Mtg	1,128,122	1,166,856	1,163,996
Hvide Marine 8.375%	2,450,000	2,135,250	1,102,500	PNC Mtg 7.25%	1,353,736	1,363,043	1,351,042
Hyperion Telecom	500,000	346,250	412,500	Pogo Producing 5.5%	350,000	262,375	281,750
IMC Exp 7.41%	946,624	946,588	880,361	Premier Auto 6.55%	2,555,000	2,581,748	2,564,581
IMC Home Equity	1,375,000	1,380,156	1,377,503	Pride Intl	2,000,000	595,625	615,000
Inlt Semi-Tech	2,250,000	867,500	348,750	Provident Equip 5.78%	1,000,000	1,002,031	1,000,550
Integrat Device 5.50%	400,000	311,063	319,000	PYCSA Panama 10.28%	247,376	241,629	192,953
Intergrated Health 9.25%	400,000	270,500	287,000	Quezon Pwr 8.86%	1,300,000	1,119,000	1,055,028
Intergrated Health 9.5%	200,000	117,500	145,000	R&B Falcon 6.5%	180,000	154,350	152,550
Intermedia Commn 8.6%	1,600,000	1,600,000	1,472,000	RCN Corp	1,000,000	560,938	667,500
Intevac Inc 6.5%	500,000	404,000	310,625	RCN Corp	400,000	219,000	250,000
Kent Electrs 4.5%	1,375,000	1,142,219	1,122,344	RCN Corp	2,400,000	1,402,111	1,482,000
Key Energy 5.0%	1,150,000	871,937	718,750	Read-Rite Corp 6.5%	1,175,000	804,875	493,500
Lam Res 5.0%	1,000,000	833,469	915,000	Residential Asset	349,020	348,665	349,431
Lehman Bros 7.25%	2,650,000	2,649,868	2,663,701	Residential Fdg 6.5%	723,297	727,140	714,596
Lloyds Bank	1,230,000	1,041,195	1,053,188	Residential Fdg 6.75%	621,350	620,962	615,197
Lumbermans Mut 9.15%	1,540,000	1,804,357	1,669,637	Rogers Comm 2.0%	700,000	434,000	538,125
Lumbermens Mut 8.45%	360,000	393,764	347,792	Rogers Comm 8.75%	3,875,000	2,701,770	2,643,839
Main Pl Fdg	5,000,000	5,000,000	5,000,000	S3 Inc 5.75%	950,000	717,775	799,188
Mascotech Inc 4.5%	425,000	348,000	345,844	Samsung Display	160,000	142,400	167,568
Maxtor Corp 5.75%	150,000	122,625	112,500	Samsung Elec	725,000	563,063	759,438
McCaw Intl Ltd	500,000	296,875	317,500	Sanwa Intl Fin Bermuda	15,000,000	117,343	129,578
Medical Care 6.75%	600,000	536,563	513,000	Shoneys	1,500,000	625,250	346,875
Mellon Auto 5.46%	4,697,678	4,697,229	4,666,015	SIAM Coml Bk 7.5%	1,000,000	770,250	810,000
Merrill Lynch-Strides	15,400	160,818	161,700	Siam Commercial 3.25%	400,000	190,940	196,000
Mexico United 8.625%	700,000	698,950	651,000	Silicon Graphics 5.25%	350,000	305,750	309,750
Microcell Telecomm	2,525,000	1,081,687	1,045,655	SLM Student Ln	1,950,000	1,931,781	1,928,673
Money Store 6.0%	1,000,000	1,002,813	997,813	Sprint Cap 6.87%	2,000,000	1,993,600	1,813,240
Money Store 6.49%	500,000	505,000	501,172	Ssangyong Oil 3%	485,000	275,538	344,350
Money Store 7.55%	1,000,000	1,012,813	1,019,725	Tele-Comm 9.25%	1,000,000	1,071,570	1,067,450
Morgage Cap 6.663%	1,940,000	1,959,400	1,910,745	Telecorp	1,250,000	712,250	690,625
Morgan JP	5,000,000	4,983,750	4,985,000	Teligent Inc	2,000,000	1,048,750	1,180,000
Morgan Stanley	2,490,000	2,525,669	2,433,104	Telxon Corp 5.75%	250,000	169,688	177,813
Multicanal SA 10.50%	500,000	491,650	377,500	Tenaga National 7.5%	500,000	157,500	388,690
NABI Sub 6.5%	790,000	659,250	516,463	Tenet Healthcare 6.0%	375,000	338,438	287,813
National Power 9.625%	250,000	234,710	218,320	Tenet Healthcare 8.0%	800,000	820,000	776,000
National Westminster	2,500,000	2,121,875	2,044,875	Tennessee Valley 6.25%	1,250,000	1,239,425	1,192,963
NationsBank 6.45%	10,907,000	10,907,203	10,877,544	Textron Finl	5,000,000	4,989,400	4,983,700
Nextel Intl	1,000,000	500,000	520,000	TFM SA De 11.75%	1,500,000	846,459	896,250
Nextlink Comm	1,750,000	1,085,530	1,050,000	Thai Fmrs Bk 8.25%	250,000	176,250	195,000
Northern Ill Gas 8.875%	1,500,000	1,610,625	1,585,800	Time Warner 10.15%	1,000,000	1,361,300	1,229,780
Nuevo Energy 8.875%	500,000	500,000	480,000	Time Warner 8.11%	2,000,000	2,222,150	2,096,320

STATISTICAL SECTION

<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>	<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>
Fairfax Finl	700	222,416	187,712	Nomura	49,000	416,513	573,969
Fiat SPA	80,840	229,974	255,972	Norsk	15,000	682,594	565,298
Fiat SPA	81,900	131,415	131,353	Nortel Networks	4,500	222,402	387,373
Firstgroup	65,600	434,347	358,288	Novartis AG	297	527,755	433,535
Fletcher Challenge	19,000	28,159	27,664	NTT Mobile Comm	11	111,533	149,128
Foreningssparbanken	9,450	164,047	133,618	NTT Mobile Comm	44	438,164	589,237
Fosters Brewing	108,900	282,563	306,526	Nycomed Amersham	91,152	326,169	647,715
Gilat Satellite Network	18,800	939,914	987,000	Orange Ord	20,700	276,506	303,444
GKN Ord	3,400	55,046	58,041	Panamerican Beverage	19,000	407,536	452,438
Guangdong Kelon	60,000	39,785	69,987	Paribas	1,400	157,226	156,958
Heineken	8,300	306,342	312,463	Partnerre Hldgs	9,600	273,911	358,800
Heineken Cl A	10,400	345,469	532,574	Pechiney	8,000	353,065	343,910
Hih Ins	252,500	503,655	312,131	Penin& Orient Steam	28,000	326,276	420,386
Hirose Electronics	5,300	323,320	550,285	Perez Companc	67,800	340,416	389,903
Hoechst AG	826	46,043	45,072	Peugeot	2,100	297,621	331,389
Hong Kong Electric	150,100	486,337	483,657	Reckitt & Colman	14,200	208,255	148,062
Hong Kong Telecomm	207,600	433,360	539,162	Renaissance Energy	23,000	465,835	309,165
Hoya Corp	13,000	373,233	733,984	Reuters Group	41,667	384,617	548,080
HSBC Hldgs	8,400	175,202	306,395	Rhone Poulenc	13,000	339,851	594,117
Hutchison	82,000	558,991	742,466	Rohm	4,000	409,827	626,602
Iberdrola	36,600	362,217	557,556	Royal & Sun Alliance	26,260	220,934	235,522
ING Groep	10,458	328,427	566,285	Royal Bank of Scotlan	12,073	149,652	245,868
Invensys	223,450	1,160,367	1,057,520	Royal Bk	3,200	140,536	141,208
Jusco	10,000	194,392	181,863	Safeway	69,800	461,848	279,732
Koninklijke	9,348	208,343	438,689	Sakura Bank	57,000	426,509	216,277
Koninklijke Nedlloyd	15,500	346,072	383,681	Samsung Electrs	416	13,304	22,277
Koninklijke Philips	8,464	545,533	835,002	Samsung Electrs	5,104	149,291	273,319
Kurita Water Ind	32,000	468,175	574,027	Sandvik	14,800	325,765	327,846
Kvaerner	12,460	379,646	256,131	Sankyo	13,000	278,776	327,767
Lagardere	5,000	215,894	186,168	Sasol	37,000	251,005	263,979
Lend Lease	35,700	490,131	489,524	Scor	5,200	314,923	257,974
Lex Services	15,700	87,117	144,399	Seb	2,500	366,846	186,941
Mannesmann	12,000	706,362	1,794,636	Sevillana	12,450	104,945	144,332
Marks & Spencer	86,400	525,736	499,810	SGS Societe Gen	145	259,478	150,119
Mayne Nickless	91,700	397,448	313,397	Shell Trans & Trdg	34,000	233,825	254,966
Medeva	119,700	443,501	196,224	Siemens AG	31	634,263	717,483
Merck KGAA NPV	12,000	59,634	58,295	Singapore	11,000	175,060	187,427
Merita	26,500	150,771	150,600	Singapore	63,200	401,770	601,551
Metallgesellschaft	826	176,135	166,623	Singport Tech	259,000	274,405	293,696
Mitsui Fudosan Co	34,000	367,800	275,440	Skandia Forsakring	25,400	124,515	475,863
Mitsui Marine	54,000	284,011	265,603	Skyepharma	473,800	636,940	369,679
Munchener Ruckversic	826	114,708	154,200	Sony Corp	17,400	1,347,769	1,877,077
Munchener Ruckversic	826	275,769	155,649	Sony Music	5,100	218,773	434,240
Munchener Ruckversic	31	-	991	Sotra Enso	23,578	213,136	255,591
Murata Manufacturing	9,000	279,574	592,213	Standard Chartered	24,200	275,928	395,185
Mycal Corp	26,000	227,653	163,346	Stmicroelectronics	6,600	226,424	439,748
National Power	52,200	334,536	380,135	Stora Enso	12,707	113,099	136,250
NEC Corp	36,000	429,941	447,880	Storehouse	118,500	519,350	254,962
Nestle SA	126	200,759	226,947	Suez Lyonnaise	1,500	187,712	270,587
New Holland	18,500	535,647	316,813	Sumitomo Bank	16,000	182,335	198,529
Newcourt Credit Group	2,500	118,969	32,502	Suncor Energy	7,000	236,632	286,796
News Corp	66,439	347,193	566,122	Sung Hung	27,000	174,073	246,211
Nichiei Co	4,400	413,096	385,550	Suzuki Motor	34,000	339,632	541,043
Nikon	21,000	307,401	343,722	Swisscom	1,328	406,303	499,569
Nintendo	4,000	394,152	562,453	Synthelabo	2,400	331,082	500,023
Nippon Tel	84	706,497	979,086	Taiyo Yuden	23,000	240,386	377,598
Nissan	97,000	396,594	463,470	Takeda Chemical	7,000	192,893	324,626
Nokia	9,400	253,604	824,089	TDK	5,000	388,020	457,551

STATISTICAL SECTION

<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>	<u>Issue</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 1999</u>
Telecom	57,000	267,426	340,392	BankBoston Corp	4,000	217,174	204,500
Telecom Italia	156,800	871,631	850,666	Baxter Intl	8,100	438,418	491,063
Telecom Italia	89,055	290,309	925,861	Big Flower Hldgs	17,000	565,743	541,875
Telefonica SA	20,342	540,851	980,010	Bindley Westn	21,467	441,608	495,075
Telefonos De Mexico	9,100	305,988	735,394	Bindview Dev Corp	15,400	323,400	365,750
Teleglobe Inc	8,000	319,941	236,524	Biomatrix Inc	18,100	444,547	390,281
Television Broadcast	64,500	167,367	302,606	Bristol Meyers	22,400	1,466,847	1,577,800
Tesco Ord	1,624	4,708	4,179	Broken Hill	14,800	302,558	351,500
Thai Farmers Bnk	99,700	102,332	308,225	Burlington North Santa	37,000	898,383	1,147,000
THK	15,000	260,655	347,194	S&P 500 Index Call	60	1,020,150	1,062,000
Thomson Corp	24,180	691,610	730,489	S&P 500 Index Call	100	1,495,250	1,472,500
Thyssen Krupp	16,000	299,110	350,676	Cigna Corp	9,000	274,679	801,000
TI Group	41,600	315,909	278,681	CMS Energy	6,800	167,712	284,750
TNT Post	9,348	139,364	223,201	CTS Corp	7,100	472,883	497,000
Tokyo Electron	19,400	708,021	1,316,640	Canadaigua Brands	7,700	261,940	403,769
Tomkins Ord	47,000	214,276	203,730	Cemex	26,739	214,573	263,192
Toyo Trust & Banking	36,000	251,711	105,944	Centrais Electricas	34,100	456,840	322,347
Turkiye IS Bankasi	167,640	225,464	297,561	Champion Enterprises	6,500	138,564	121,063
UniDanmark	4,600	216,751	305,944	Champion Intl	2,300	108,236	110,113
United Utilities	4,400	64,610	53,473	Chase Manhattan	6,400	397,536	553,600
UPM-Kymmene	18,000	442,511	516,113	Chesapeake Energy	63,100	330,825	185,356
Valeo	3,044	220,026	251,167	Chirex	10,300	323,266	330,888
Valmet Corp	28,700	486,913	325,613	Circuit City	6,800	233,758	632,400
Veba AG	9,000	792,935	808,246	Cisco System	30,300	1,604,361	1,952,456
Vickers Ord	42,667	141,172	108,951	Citigroup	29,150	1,350,697	1,384,625
Volkswagen AG	9,000	343,187	580,812	Clear Channel Comm	1,500	98,419	103,406
Volvo	20,400	492,325	592,513	Commscope Inc	5,766	96,390	177,305
Weir Group	85,200	341,871	357,229	Companhia Vale Do Ri	13,700	309,826	272,068
Westpac Banking	50,400	348,905	326,506	Compania De Tel	9,000	172,270	222,750
WMC Ltd	182,626	762,710	783,505	Compaq Computer	2,100	48,963	49,744
Woodside Petroleum	54,000	337,802	365,177	Computer Sciences	3,200	196,077	221,400
XL Cap Ltd	5,000	374,307	282,500	Compuware Corp	6,700	188,536	213,144
Yamato Kogyo	66,000	519,487	480,665	Comverse Technology	12,200	330,547	921,100
Zurich Allied	1,200	352,461	682,143	Consolidated Stores	9,400	309,819	253,800
International Index	245,479	44,248,992	48,478,718	Continental Airls	8,900	338,196	334,863
Domestic Equities:				Corning Inc	14,500	540,430	1,016,813
Flextronics Intl	10,500	362,136	582,750	Costco Cos	14,600	1,173,806	1,168,913
AT&T Corp	53,000	1,650,350	1,947,750	Covance Inc	5,775	109,075	138,239
Abovenet Comm	9,400	61,100	379,525	Creative Computers	18,000	285,319	144,000
Advanced Paradigm	16,100	486,652	982,100	Dayton Hudson	21,200	1,406,533	1,378,000
Advanced Micro Devic	15,800	420,937	285,388	De Beers Cons	17,100	507,380	408,263
Aetna Inc	11,000	862,949	983,813	Dell Computer	84,800	3,230,121	3,137,600
Allergan Inc	3,500	93,829	388,500	Delphi Automotive	13,400	251,158	247,900
Alpha Inds	20,400	371,868	971,550	Dial Corp	3,800	44,880	141,313
Alza Corp	14,500	419,762	737,688	Dominion Res	1,900	83,971	82,294
America Online	4,500	602,152	495,000	Dycom	26,150	369,239	1,464,400
American Intl Group	2,900	335,000	340,025	EMC	17,600	898,323	968,000
American Std Cos	7,600	254,729	364,800	Eastman Chem	4,100	232,123	212,175
American Tower Corp	17,200	389,658	412,800	Echostar Comm	1,400	47,313	214,813
American Xtal Technol	24,300	421,904	578,644	Electronic Data	18,400	814,030	1,041,900
AnnTaylor Stores	15,400	381,062	693,000	Electronics for Imaging	11,000	289,106	565,125
Antec Corp	15,700	472,245	503,381	Embotelladora Andina	25,200	392,975	384,300
Aon Corp	18,750	307,647	773,438	Emmis Comm	7,800	343,766	385,125
Armstrong World	2,000	113,109	115,625	Entercom Comm	38,200	859,500	1,633,050
Asia Pulp & Paper	2,500	22,550	24,063	Entergy Corp	19,400	499,183	606,250
Associates First Cap	33,500	1,494,269	1,478,188	Ericsson LM	300	8,233	9,881
Aware Inc Mass	18,400	302,762	848,700	Ethan Allan Interiors	16,350	575,053	617,213
Bank of America	14,900	1,071,952	1,092,356	FDX Corp	22,600	530,641	1,226,050

STATISTICAL SECTION

Issue	Shares	Market Value at		Issue	Shares	Market Value at	
		Book Value	June 30, 1999			Book Value	June 30, 1999
Freddie Mac	7,200	425,657	417,600	MCI Worldcom	22,600	1,879,761	1,945,013
Federal Mogul Corp	3,700	188,718	192,400	Macromedia Inc	16,300	394,032	574,575
Federal Natl Mtg	15,100	1,019,321	1,030,575	Martin Marietta Matls	2,208	22,490	130,272
First Amern Corp	1,900	54,492	78,969	Masco Corp	23,100	462,850	667,013
First Data Corp	14,840	513,358	726,233	Mattel Inc	10,700	279,962	279,538
First SEC Corp	3,675	55,580	100,144	McKesson HBOC	10,900	571,468	350,844
First Union Corp	6,100	330,516	287,463	Mediaone Group	20,300	1,497,981	1,509,813
First Wash Bancorp	30,360	661,307	609,098	Medicius Pharmaceutic	10,750	293,287	272,781
Fleet Finl Group	9,300	383,387	412,688	Medimmune Inc	18,600	597,326	1,260,150
Fleetwood Enterprises	4,400	143,700	116,325	Mens Wearhouse	23,900	458,984	609,450
Food Lion	21,200	173,064	251,750	Merrill Lynch & Co	21,800	1,796,104	1,733,100
Fort James	13,000	425,129	492,375	Merrill Lynch & Co Tg	16,400	350,442	359,775
GATX Corp	990	34,244	34,256	Merrill Lynch & Co Pu	30	62,588	62,588
Gap Inc	40,200	1,740,773	2,025,075	Micrel	3,300	145,907	244,200
General Instr Corp	18,700	381,867	794,750	Microsoft	10,200	823,488	919,913
Geon Co	1,500	30,707	48,375	Mico Whse	8,400	380,184	150,150
Genzyme Corp	3,000	55,759	145,500	Microchip	4,000	159,055	189,500
Genzyme Corp Surgica	537	919	2,366	Micron Tech	4,100	166,987	166,050
Getty Images	16,800	489,120	317,100	Midwest Express	8,350	231,029	283,900
Goldman Sachs	3,400	224,665	245,650	Minimed	11,300	345,252	869,394
Golf Trails America	35,700	807,776	872,419	Morgan Stanley	25,560	2,462,756	2,623,095
Grainger	2,200	115,742	118,388	Nabisco Hldgs	2,600	93,387	111,800
Greenpoint Finl	9,800	350,456	321,563	National Svcs	3,600	132,796	129,600
Hambrecht & Quist	16,400	558,813	604,750	Netbank	10,800	652,986	410,400
Hibernia Corp	8,800	127,084	138,050	Network Appliance	6,200	109,320	346,425
Hollywood Entmt	8,500	246,320	166,281	New Era	2,600	180,889	114,238
Home Depot	43,270	2,611,837	2,788,211	New York Times	4,100	144,297	150,931
Household Intl	12,000	439,937	568,500	Newbridge	19,600	479,316	563,500
ICG Communications	19,000	524,536	406,125	Newcourt	1,600	27,909	20,700
Idec Pharmaceuticals	11,500	598,559	886,219	Newell Rubbermaid	7,600	344,132	352,450
IMC Global	13,400	357,011	232,825	Nextel	10,300	174,369	516,931
Illinois Tool Works	2,200	162,201	179,850	Nokia Corp	45,300	2,755,145	4,147,781
Infocure Corp	11,000	453,070	582,313	Norfolk Southn	13,500	442,561	406,688
Infospace Com	7,800	238,474	366,600	Nortel Networks	10,800	565,705	937,575
Insight Enterprise	7,575	176,970	187,481	Nova Corp	17,500	474,087	437,500
Intel Corp	29,900	1,743,620	1,779,050	Novellus	3,200	226,824	218,400
IBM Corp	5,500	623,263	710,875	Optical Coating	10,400	728,000	869,700
ISPAT Intl	15,400	312,224	170,363	O'Reilly Automotive	11,800	575,368	594,425
Johnson Ctls	3,500	164,187	242,594	Peco Energy	8,000	184,427	335,000
Jones Pharma	23,900	749,981	941,063	PMC Sierra	5,800	174,865	341,838
Kimberly Clark	9,800	484,505	558,600	PNC Bk	6,000	342,930	345,750
Kohls Corp	12,100	839,701	930,188	Pacific Sunwear Cal	14,400	311,154	351,000
Korea Telecom	6,300	173,628	252,000	Paine Webber-Index	30,400	778,743	805,600
Kroger Co	47,400	1,325,458	1,324,238	Paine Webber-Put	80	9,615	5,000
Kulicke & Soffa	24,900	661,402	667,631	Paine Webber-Put	185	11,670	6,938
LaFarge Corp	4,000	148,579	141,750	Paine Webber-Put	25	3,825	156
Lason Inc	4,500	244,733	223,313	Pegasus Commun	8,800	387,563	347,050
Lear Corp	8,900	351,301	442,775	Pentair Inc	3,900	84,352	178,425
Legato Sys	15,400	662,165	889,350	Peregrine Sys	14,000	265,562	359,625
Lilly Eli	4,000	370,814	286,500	Pfizer Inc	14,200	1,673,303	1,547,800
Linens & Things	9,100	345,607	398,125	Philip Morris Cos	17,300	599,553	695,244
Lockheed Martin	23,398	820,621	871,576	Philippine Long Dist	3,800	102,790	114,713
Lowes Cos	31,900	1,785,868	1,808,331	Powerwave Tech	26,700	714,225	861,075
Lucent Technologies	9,500	534,376	640,656	Praxair Inc	6,400	303,517	313,200
Lycos	7,300	577,712	670,688	Pride Intl	52,800	555,972	557,700
Lyondell Chemical	10,700	315,653	220,688	Profit Recovery Group	17,900	613,961	846,894
MBNA Corp	56,100	1,456,942	1,718,063	Proxim Inc	15,900	498,027	922,200
MCN Energy	2,300	41,556	47,725	Rambus Inc	9,700	777,381	894,219

STATISTICAL SECTION

Issue	Shares	Market Value at		Issue	Shares	Market Value at	
		Book Value	June 30, 1999			Book Value	June 30, 1999
Raytheon Co	15,000	815,822	1,057,500	Time Warner	12,200	841,617	886,025
Regions Finl Corp	1,900	56,703	73,031	Trans World	22,850	501,372	257,063
Reuters Group	86	5,090	6,971	Transportation	46,000	621,818	609,500
Reynolds & Reynolds	19,800	343,942	461,588	Triumph Group	300	9,798	7,650
Rostelecom Long Dist	14,300	201,474	140,319	Tut Sys	12,100	598,385	592,144
SDL	11,400	372,946	582,113	Tyco	24,500	1,974,534	2,321,375
SFX Entmt	7,500	309,966	480,000	Tyson Foods	13,800	235,902	310,500
SLI Inc	42,100	690,438	1,136,700	U.S. Bancorp	9,521	177,088	317,763
Safeway Inc	24,300	1,165,632	1,202,850	USG Corp	3,500	170,191	196,000
St. Jude	10,500	329,766	374,063	US Lec Corp	35,800	857,754	1,255,500
Salomon Inc	22,100	543,190	543,190	UBID Inc	12,688	736,451	406,012
Schering Plough Corp	50,900	2,550,703	2,672,250	Ultramar Diamond	7,656	215,574	166,997
Schwab Charles	1,600	185,704	174,400	Unibanco	13,000	395,310	312,813
Sears	2,000	89,872	89,125	United Healthcare	6,900	360,626	432,113
Security First	8,600	572,175	388,075	United Technologies	23,700	1,498,492	1,706,400
Select Appointments	18,000	428,531	432,000	Unocal Corp	2,000	63,750	79,250
Sequent Computer	15,200	187,995	269,800	US Internetworking	10,200	406,170	428,400
Service Corp	22,629	707,529	435,608	Vencor Inc	7,800	83,363	1,170
Shopko Stores	12,900	488,298	470,850	Ventas Inc	5,200	153,110	27,950
Simpson Mfg	14,400	657,781	684,000	Verity Inc	39,000	578,000	2,113,313
Solectron Corp	500	30,950	33,344	Verio Inc	15,300	601,550	1,063,350
Sonic Auto	40,900	445,015	562,375	Viad Corp	7,300	97,166	225,844
Sony Corp	200	18,711	22,075	Viatel Inc	12,100	565,582	679,113
Southdown Inc	4,276	258,337	274,733	WMS Inds	36,000	478,614	612,000
Southwest Secs	9,100	394,856	651,219	Wal Mart	9,400	437,577	453,550
Starbucks	7,400	264,062	277,963	Warner Lambert	26,100	1,712,724	1,804,163
Starmedia	26,400	396,000	1,692,900	Wells Fargo	13,000	480,330	555,750
Stmicroelectronics	2,600	94,656	180,213	Western Gas	40,500	572,251	648,000
Stone Energy	10,900	326,619	461,888	Westvaco Corp	1,800	52,600	52,200
Sykes Enterprises	13,400	375,200	447,225	Xircom Com	18,100	366,364	544,131
Taiwan Semiconductor	26,350	519,123	895,900	Xerox Corp	30,600	923,460	1,807,313
Talisman Energy	13,000	370,033	345,313	York Intl	4,600	223,878	196,938
Telecom Argentina	7,000	228,725	187,250	EB Mellon Capital Inde	156,445	152,631,093	211,160,310
Telecomunicacoes	8,000	750	500	Total Common Stock		400,035,298	503,893,004
Telecomunicacoes	8,000	623,077	720,000	Total Stock		407,141,769	510,865,889
Telefonos De Mexico	9,700	652,709	783,881				
Telesp Participacoes	15,200	261,458	347,700	Venture Capital Funds			
Terex Corp	33,800	495,790	1,028,788				
Teva Pharmaceutical	8,800	369,576	431,200	Fund	Book Value	Market Value	
Timberland	3,900	247,244	265,444	RWI Group II	2,275,000	2,275,000	

Real Estate Investments

Description and Location	Original Cost	Description and Location	Original Cost
MTRFA Properties		MTRFA Properties	
Arbys - Dallas, TX	420,290	Perkins - Cincinnati, OH	390,000
Arby's - Lodi, CA	555,797	Vacant - Milwaukee, WI *	396,043
Bank of Los Angeles - Beverly Hills, CA	5,646,024	MTRFA RENTAL PROPERTY	15,021,163
Chi-Chi's - Hampton, VA	900,000	MRT Properties	
Chi-Chi's - Madison, WI	1,153,679	Chi Chi's - Minnetonka, MN *	720,005
Cub Foods - Onalaska, WI *	1,952,433	Fuddruckers - Roseville, MN	1,300,005
Grandys - Arlington, TX	620,000	Kent. Fried Chicken - Eden Prairie, MN	485,000
Grandys - Midland, TX	525,005	Pearle Vision/Taste of Chicago - Mpls.	742,633
Grandys - Tulsa, OK (Lewis)	570,047	Perkins- St. Paul, MN	575,740
Grandys - Tulsa, OK (Sheridan)	542,060	Subway- St. Paul, MN	377,620
Grandy's - Albuquerque, NM	502,500	Super 7 - Indianapolis, IN	133,000
Jag's - St. Louis, MO	343,443	MRT RENTAL PROPERTY	4,334,003
Jiffy Lube - Clearwater, FL	153,842		
Ocean Reef - Durham, NC	350,000	GRAND TOTALS ALL PROPERTY	19,355,166

* - MTRFA ownership interest in property is 50%.

STATISTICAL SECTION
INVESTMENT EXPENSES

Investment Expenses - Securities	1999	1998
Money Manager and Custodian Fees		
Alliance Capital	\$ 46,438	\$ 0
Brinson	217,487	265,473
Capital Guardian	292,912	105,880
Chancellor	0	138,108
PanAgora Index Fund	39,268	68,053
Investment Advisers, Inc	0	295,520
Loomis, Sayles-Core	240,035	143,845
Loomis, Sayles-High Yield	256,920	269,484
Lord Abbett	0	(12,000)
Mellon Capital--Bond Index	28,023	19,799
Mellon Capital--Equity Index	64,081	24,225
Mellon Capital--International Index	39,923	13,368
Nicholas Applegate	587,738	608,080
Northern Trust	152,354	142,477
PanAgora EAFE Index	0	45,465
Templeton	263,966	239,519
The Clifton Group	4,500	0
Wellington Mgmt	0	86,553
Custodial Fees	119,853	89,739
Total Money Manager and Custodian Fees	<u>2,353,498</u>	<u>2,543,588</u>
Salaries	82,886	80,451
Payroll Taxes	5,778	5,649
Employee Benefits	9,506	9,384
Postage and Mailing	120	302
Telephone and Electricity	2,416	2,323
Office Supplies	2,482	2,007
Office Rent	12,213	9,716
Insurance	22,286	22,840
Depreciation	3,229	2,177
Travel	9,717	14,436
Business Expense	1,623	653
Legal	3,724	1,155
Audit	3,160	3,224
Consulting	5,100	7,500
Miscellaneous	16,980	4,499
Total Investment Expenses - Securities	<u>\$ 2,534,718</u>	<u>\$ 2,709,904</u>
Investment Expenses- Real Estate		
Salaries	82,298	94,389
Payroll Taxes	5,750	6,652
Employee Benefits	9,461	11,051
Postage & Mailing	1,069	1,159
Telephone and Electricity	2,405	2,735
Office Supplies	2,470	2,363
Office Rent	12,154	11,442
Insurance	27,348	22,150
Depreciation	3,213	2,564
Travel	893	202
Business Expense	1,615	769
Legal Fees	38,591	51,426
Audit	3,145	3,797
Consulting	170	-
Property Taxes	43,561	40,664
Utilities on MTRFA Properties	(241)	4,575
Repairs and Maintenance	(924)	1,659
Valuations & Appraisals	625	3,175
Miscellaneous	6,306	1,911
Total Investment Expenses - Real Estate	<u>\$ 239,909</u>	<u>\$ 262,683</u>
Total Investment Expenses	<u>\$ 2,774,627</u>	<u>\$ 2,972,587</u>

**STATISTICAL SECTION
ADMINISTRATIVE EXPENSES**

Administrative Expenses	1999	1998
Salaries	\$230,832	\$232,823
Payroll Taxes	16,117	16,372
Employee Benefits	26,518	27,198
Postage & Mailing	39,846	29,836
Telephone & Electricity	6,740	6,732
Printing & Binding	18,223	16,537
Office Supplies	6,923	5,817
Office Rent	34,067	28,160
Insurance	27,060	26,738
Data Processing	43,968	45,529
Depreciation	9,007	6,310
Travel	9,480	14,112
Mileage and Parking	2,099	1,700
Business Expense	8,648	4,814
Legal Fees	11,665	13,463
Actuarial	31,732	41,118
Audit	8,815	9,344
Miscellaneous	198	153
Total Administrative Expenses	<u>\$ 531,938</u>	<u>\$ 526,756</u>