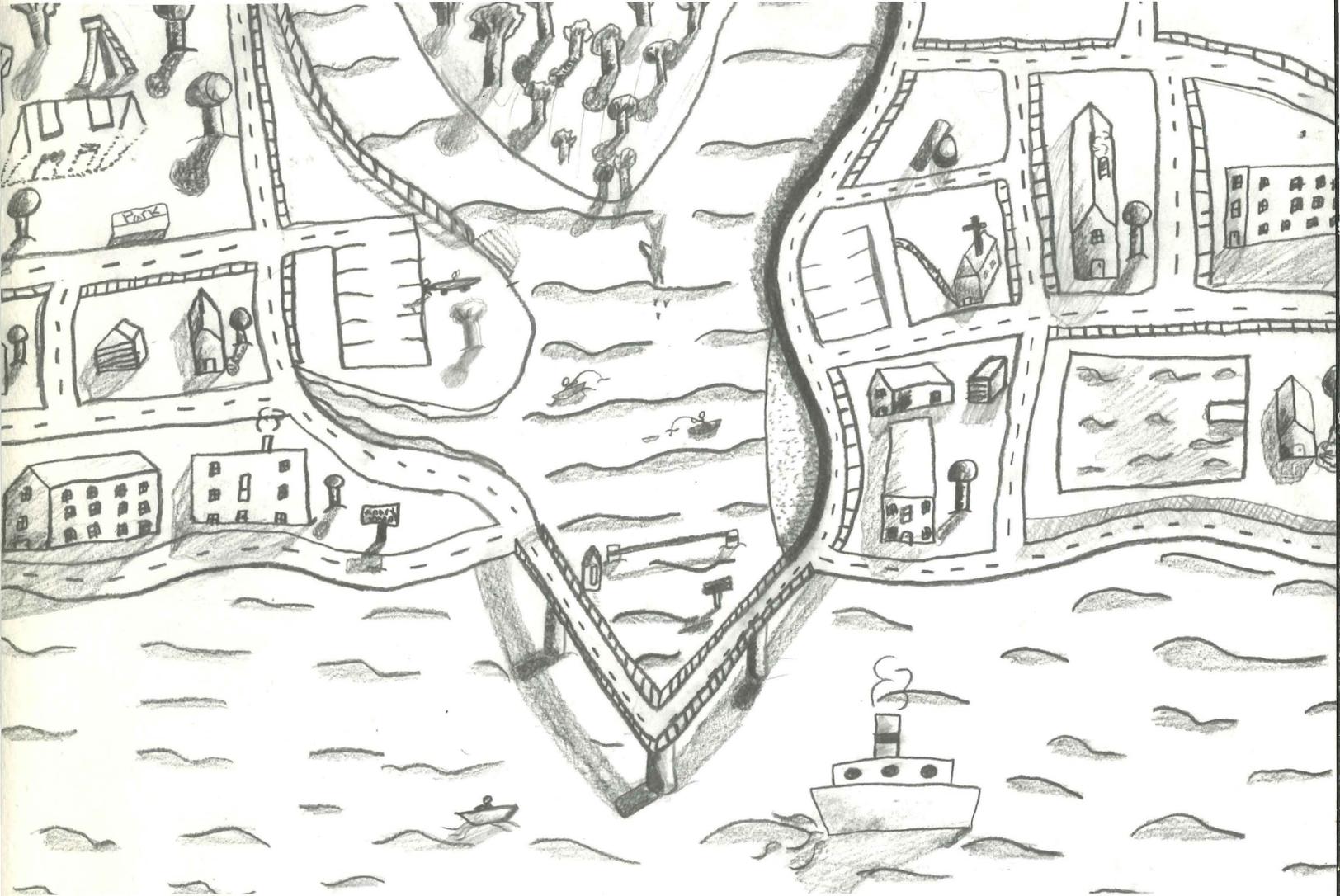




# MTRFA

## Minneapolis Teachers' Retirement Fund Association



Artwork by Pao Xiong, Eighth Grader at Sheridan School

### Ninety-Second Annual Report of the Board of Trustees

For the Year Ended June 30, 2001

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# Minneapolis Teachers' Retirement Fund Association

## 2000-2001 Annual Report

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**INTRODUCTORY SECTION****Letter of Transmittal**

December 27, 2001

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 Ninety-Second Annual Report for the fiscal year ended June 30, 2001. This Annual Report has been prepared in accordance with Minnesota Statute 356.20.

**Legislation**

The 2001 legislative session turned out to be uneventful for the MTRFA and the rest of the Minnesota public pension community with the exception of legislation that mandated that the executive directors of the three First Class City Teacher Pension Funds and the Minnesota Teachers Retirement Association provide the legislature with a restructuring plan for the four pension funds by February 15, 2002.

Legislation on the Federal level was more productive. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) included provisions that, beginning January 1, 2002, will allow MTRFA members to purchase service credit by using funds from 401(k), 457, 403(b), and IRA plans. These provisions should provide MTRFA members with more flexibility and more portability of their pension.

**MTRFA Membership**

At June 30, 2001 the MTRFA had 12,373 members. The membership consisted of 5,877 active members, 3,052 separated members and 3,444 benefit recipients. Active members make up 47% of the total membership. Of the active members, 89% are members of the coordinated plan. Over 80% of the coordinated members were hired after June 30, 1989 which means they are not eligible for the rule of 90 and their normal retirement age is 66.

**Revenues**

MTRFA revenues consist of employer and employee contributions and investment earnings on fund assets. Fiscal year 2001 employer and employee contributions totaled \$42,904,926 and \$16,321,023, respectively.

The employer contribution included required contributions based on a percentage of payroll (\$22,029,140) paid by the employers of MTRFA members and additional contributions required by Minnesota State Statute which were 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, \$2,472,194; Minneapolis Public Schools, \$1,250,000; and City of Minneapolis, \$1,222,204), 1996 legislation which provides excess police and fire relief amortization aid from the State of Minnesota (\$1,740,029) and amounts levied by the Minneapolis Public Schools (\$625,000) and the City of Minneapolis (\$612,359), and the 1997 Pension Uniformity and Funding Bill which provided funding from the State of Minnesota (\$12,954,000).

The MTRFA had a loss on investments of \$126,253,285 in fiscal 2001. This loss resulted from net depreciation of investment assets netted with interest, dividend and rental income, loss on sale of real estate and investment expenses.

**Expenses**

MTRFA expenses for the fiscal year ended June 30, 2001 totaled \$100,090,286. Benefit payments to retirees, disabilitants, survivors and refund payments to separated members made up 99.33% (\$99,418,773) of the total expenses. The remaining expenses consisted of administrative expenses (\$671,513).

**INTRODUCTORY SECTION**

The MTRFA continues to work hard on controlling investment and administrative expenses by renegotiating various contracts and through operating efficiencies. Administrative expenses totaled \$671,513 in fiscal 2001.

**Investments**

The MTRFA investment portfolio is dominated by high-quality and diversified assets that emphasize a long-term investment approach. Working in conjunction with the Investment Advisory Committee, the MTRFA made no investment management changes to the portfolio during fiscal 2001.

During fiscal 2001 the MTRFA continued liquidation of its real estate portfolio. At June 30, 2001 there were nine properties remaining with a book value of approximately \$4 million or 0.46% of net assets.

The decline in the investment markets during 2001 did dramatically impact the MTRFA investment portfolio. Net assets declined from over \$1 billion in fiscal year 2000 to \$932,398,241 as of June 30, 2001. For the year ended June 30, 2001, the MTRFA time weighted rate of return was -11.43%.

The five year investment return for the period ended June 30, 2001 was 8.81% which resulted in a surplus investment increase of 0.30% payable to eligible annuity recipients on January 1, 2002. This increase combined with the guaranteed 2.00% increase brought the total compounded increase to 2.31%.

During the last five years (including the 2002 increase of 2.31%) retirees' annuities have been increased by 41.2%.

**Funding**

The accrued liability funding ratio of the MTRFA at July 1, 2001, was 65.95% which was a decrease from 66.54% at July 1, 2000.

The MTRFA actuary report showed a contribution deficiency of 2.73% at July 1, 2001 compared to a deficiency of 2.00% at July 1, 2000. 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 (\$267,977,000 for the 2002 fiscal year).

The contribution deficiency of 2.73% is relatively small (the contribution deficiency was 13.00% in 1991) but the increase in the deficiency will be monitored and appropriate legislative action proposed should the deficiency continue to trend upward.

**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, 2001. 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, 2001 and 2000, 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 auditing standards generally accepted in the United States of America. 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, 2001 and 2000, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. 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

FINANCIAL SECTION

Standards Board. We have applied certain limited procedures to the information in the schedules, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



JUDITH H. DUTCHER  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 20, 2001

## FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA

EXHIBIT 1

COMPARATIVE STATEMENT OF PLAN NET ASSETS  
JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
<b>Cash and cash equivalents</b>	<b>\$ 64,961,853</b>	<b>\$ 59,229,154</b>
<b>Receivables</b>		
Employer and employee contributions	\$ 2,471,745	\$ 2,428,101
Direct contribution aid		
State of Minnesota	2,986,603	1,249,698
Special School District No. 1	975,000	900,000
City of Minneapolis	969,655	899,565
Sales of securities	8,731,567	5,946,671
Variation margin receivable	1,090,671	947,488
Dividends and interest	5,256,475	5,026,241
<b>Total receivables</b>	<b>\$ 22,481,716</b>	<b>\$ 17,397,764</b>
<b>Investments, at fair value</b>		
Government and corporate bonds	\$ 337,130,897	\$ 381,049,983
Common and preferred stock		
Individual holdings	250,790,370	330,284,407
Commingled investment funds		
Equity index fund	181,037,312	205,140,495
International equity fund	37,485,645	56,973,885
Bond index fund	40,944,148	36,750,733
Real estate	4,336,301	11,128,112
Other investments	5,927,810	6,462,203
Options contracts	3,708,075	1,795,341
<b>Total investments, at fair value</b>	<b>\$ 861,360,558</b>	<b>\$ 1,029,585,159</b>
<b>Invested securities lending collateral</b>	<b>\$ 58,468,575</b>	<b>\$ 44,153,741</b>
<b>Furniture and fixtures (at cost, less accumulated depreciation of \$199,078 and \$176,330 in 2001 and 2000, respectively)</b>	<b>\$ 74,809</b>	<b>\$ 58,703</b>
<b>Total Assets</b>	<b>\$ 1,007,347,511</b>	<b>\$ 1,150,424,521</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,292,871	\$ 1,312,544
Security purchases payable	14,488,572	4,387,899
Deferred premiums on options contracts	684,999	874,721
Rents received in advance	4,553	40,053
Securities lending collateral	58,468,575	44,153,741
Deposits on rental property	9,700	139,700
<b>Total Liabilities</b>	<b>\$ 74,949,270</b>	<b>\$ 50,908,658</b>
<b>Net Assets Held in Trust for Pension Benefits (a Schedule of Funding Progress is presented on page 20)</b>	<b>\$ 932,398,241</b>	<b>\$ 1,099,515,863</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*

**COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b>Additions</b>		
<b>Contributions</b>		
Employer	\$ 22,029,140	\$ 21,938,162
Members	16,321,023	16,168,629
Other sources		
State of Minnesota	17,166,223	17,183,077
Special School District No. 1	1,875,000	1,725,000
City of Minneapolis	1,834,563	1,710,482
<b>Total contributions</b>	<b>\$ 59,225,949</b>	<b>\$ 58,725,350</b>
<b>Investment income (loss)</b>		
<b>From investing activity</b>		
Net appreciation (depreciation) in fair value of investments	\$ (160,618,143)	\$ 95,015,004
Interest and dividends	38,030,523	36,467,240
Rental income	1,017,266	943,837
Net gain (loss) on sale of rental property	(1,487,413)	(499,437)
<b>Total investing activity income (loss)</b>	<b>\$ (123,057,767)</b>	<b>\$ 131,926,644</b>
Less: investing activity expense	(3,494,215)	(4,082,679)
<b>Net income (loss) from investing activity</b>	<b>\$ (126,551,982)</b>	<b>\$ 127,843,965</b>
<b>From securities lending activity</b>		
Securities lending income	\$ 3,263,742	\$ 2,215,287
Less: securities lending expense		
Borrower rebates	\$ (2,804,225)	\$ (1,877,442)
Management fees	(160,820)	(118,238)
<b>Total securities lending expense</b>	<b>\$ (2,965,045)</b>	<b>\$ (1,995,680)</b>
<b>Net income from securities lending activity</b>	<b>\$ 298,697</b>	<b>\$ 219,607</b>
<b>Net investment income (loss)</b>	<b>\$ (126,253,285)</b>	<b>\$ 128,063,572</b>
<b>Total Additions</b>	<b>\$ (67,027,336)</b>	<b>\$ 186,788,922</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  
(Continued)****COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b>Deductions</b>		
<b>Benefits to participants</b>		
Retirement, beneficiary, and disability annuities	\$ 98,902,522	\$ 86,440,181
Death benefits	65,765	6,010
<b>Withdrawals and refunds</b>	<u>450,486</u>	<u>480,966</u>
<b>Total benefits, withdrawals, and refunds</b>	<b>\$ 99,418,773</b>	<b>\$ 86,927,157</b>
<b>Administrative expenses</b>	<u>671,513</u>	<u>587,328</u>
<b>Total Deductions</b>	<b>\$ 100,090,286</b>	<b>\$ 87,514,485</b>
<b>Net Increase (Decrease)</b>	<b>\$ (167,117,622)</b>	<b>\$ 99,274,437</b>
<b>Net Assets Held in Trust for Pension Benefits</b>		
<b>Beginning of Year</b>	<u>1,099,515,863</u>	<u>1,000,241,426</u>
<b>End of Year</b>	<b><u>\$ 932,398,241</u></b>	<b><u>\$ 1,099,515,863</u></b>

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, 2001****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, 2001 and 2000.

**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 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 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.

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

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

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.

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

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

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.

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.

**FINANCIAL SECTION****MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA**2. Description of PlansGeneral

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, 2001 and 2000, the Association's membership consisted of:

	<u>2001</u>	<u>2000</u>
Retirees and beneficiaries currently receiving benefits	3,444	3,307
Terminated employees entitled to but not yet receiving benefits	802	756
Terminated, non-vested	2,250	1,814
Current active plan members (including members on leave)	<u>5,877</u>	<u>5,844</u>
Total Membership	<u><u>12,373</u></u>	<u><u>11,721</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.

**FINANCIAL SECTION****MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA**2. Description of Plans (Continued)Disability Benefits

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

Other Benefits

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

3. Deposits and InvestmentsDeposits

Minn. Stat. § 356A.06 authorizes the Association to deposit its cash in financial institutions designated by the Board of Trustees. Minnesota statutes require that all Association deposits be covered by insurance, surety bond, or collateral.

At June 30, 2001 and 2000, bank deposits were \$975,978 and \$2,592,701, respectively. The carrying value of these deposits on the Association's books at June 30, 2001 and 2000, were \$866,955 and \$2,460,496, respectively.

Following is a summary of the June 30, 2001 and 2000, insurance and collateral as it relates to the Association's custodial credit risk for its deposits.

	<u>Bank Balance</u>	
	<u>2001</u>	<u>2000</u>
Covered Deposits		
Insured, or collateralized with securities held by the Association or its agent in the Association's name	\$ 975,978	\$ 2,592,701
Collateralized with securities held by the pledging financial institution's trust department or agent in the Association's name	-	-
Uncollateralized	-	-
Total	<u>\$ 975,978</u>	<u>\$ 2,592,701</u>

**FINANCIAL SECTION****MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA**3. Deposits and Investments (Continued)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 Association's investments at June 30, 2001 and 2000, and the level of custodial credit risk for these investments:

<u>2001</u>	<u>Credit Risk Category</u>	<u>Carrying and Fair Value</u>
Government and corporate bonds	1	\$ 297,854,170
Individual stock holdings	1	233,621,615
Options contracts	1	<u>3,708,075</u>
Total		\$ 535,183,860

**FINANCIAL SECTION**

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

3. Deposits and Investments

Investments (Continued)

<u>2001</u>	<u>Credit Risk Category</u>	<u>Carrying and Fair Value</u>
Add		
Investments held by broker-dealers under securities loans		
Government and corporate bonds		39,276,727
Individual stock holdings		17,168,755
Commingled investment funds		
Equity index fund		181,037,312
International equity index fund		37,485,645
Bond index fund		40,944,148
Real estate		4,336,301
Other investments		5,927,810
Short-term investment fund		64,094,748
Invested securities lending collateral		58,468,575
Total deposits and cash on hand		<u>867,105</u>
 Total Cash and Investments		 <u>\$ 984,790,986</u>

<u>2000</u>	<u>Credit Risk Category</u>	<u>Carrying and Fair Value</u>
Government and corporate bonds	1	\$ 347,887,336
Individual stock holdings	1	320,175,675
Options contracts	1	<u>1,795,341</u>
 Total		 \$ 669,858,352

**FINANCIAL SECTION**

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

3. Deposits and Investments

Investments (Continued)

<u>2000</u>	<u>Credit Risk Category</u>	<u>Carrying and Fair Value</u>
Add		
Investments held by broker-dealers under securities loans		
Government and corporate bonds		33,162,647
Individual stock holdings		10,108,732
Commingled investment funds		
Equity index fund		205,140,495
International equity index fund		56,973,885
Bond index fund		36,750,733
Real estate		11,128,112
Other investments		6,462,203
Short-term investment fund		56,768,508
Invested securities lending collateral		44,153,741
Total deposits and cash on hand		<u>2,460,646</u>
 Total Cash and Investments		 <u><u>\$ 1,132,968,054</u></u>

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

	<u>2001</u>	<u>2000</u>
Cash and cash equivalents	\$ 64,961,853	\$ 59,229,154
Total investments	861,360,558	1,029,585,159
Invested securities lending collateral	<u>58,468,575</u>	<u>44,153,741</u>
 Total Cash and Investments	 <u><u>\$ 984,790,986</u></u>	 <u><u>\$ 1,132,968,054</u></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, 2001 and 2000, 9.5 and 6.1 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, 2001 and 2000, 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 82 days. Cash collateral is invested in a short-term investment pool with a weighted average maturity of 34 days and 47 days for June 30, 2001 and 2000, 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.

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

**FINANCIAL SECTION**

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

5. Contributions and Reserves

Funding (Continued)

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, 2001 and 2000, 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:

	<u>2001</u>	<u>2000</u>
State of Minnesota	\$ 2,472,194	\$ 2,489,048
Special School District No. 1	1,250,000	1,250,000
City of Minneapolis	1,222,204	1,239,048

**FINANCIAL SECTION****MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA**5. Contributions and ReservesOther Contributions (Continued)

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 \$1,740,029 for each of the fiscal years 2001 and 2000. In fiscal year 2001, the School District and the City made additional contributions of \$625,000 and \$612,359, respectively.

Minn. Stat. § 354A.12 requires the state to provide the Association with additional funding. This aid was \$12,954,000 in fiscal years 2001 and 2000, 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.

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, adjusted so total of reserves does not exceed the "Net Assets Held in Trust for Pension Benefits."

**FINANCIAL SECTION****MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA**5. Contributions and ReservesReserves (Continued)Balance and Funded Status

	<u>Retirement Deposit Fund</u>	<u>Annuity Reserve Fund</u>
Balance - June 30, 2001	\$ <u>231,582,616</u>	\$ <u>687,962,207</u>
Balance - June 30, 2000	\$ <u>237,283,083</u>	\$ <u>850,972,357</u>

Neither reserve was fully funded in either year.

In addition, at June 30, 2001 and 2000, respectively, \$12,853,418 and \$11,260,423 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)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b) (%)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c) (%)</b>
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
2000	1,027,633	1,544,358	516,725	66.54	242,072	213.46
2001	1,061,983	1,610,364	548,381	65.95	254,100	215.81

(Unaudited)

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

*Schedule 2*

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

<b>Fiscal Year</b>	<b>Annual Required Contributions</b>	<b>Employer Percentage Contributed (%)</b>	<b>State Contributions</b>	<b>State Percentage Contributed (%)</b>	<b>City Contributions</b>	<b>City Percentage Contributed (%)</b>
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
2000	41,638	56.83	17,183	41.27	1,710	4.11
2001	55,716	42.90	17,166	30.81	1,835	3.29

**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.

(Unaudited)

**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, 2001  
(Unaudited)**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, 2001.
- 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, 2001, is 19 years.
- Actuarial value of assets is determined using market value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the unrecognized asset return determined at the close of each of the four preceding fiscal years. Unrecognized asset return is the difference between actual net return on market value of assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 actuarial valuation of the fiscal year). Transition rules apply between July 1, 2000, and July 1, 2003, when the method is fully in effect.

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

**FINANCIAL SECTION****MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION  
MINNEAPOLIS, MINNESOTA**Actuarial Methods and Assumptions (Continued)

- 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

- 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 Changes1996

- 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.

2000

- Asset valuation method changed to employ a more effective asset smoothing technique which is market-value based and which eliminates artificial bias related to manager style (effective July 1, 2000).

2001

- The annual lump sum benefits payable to pre-1974 retirees will be paid as monthly installments (effective January 1, 2002).

ACTUARIAL SECTION

A MILLIMAN GLOBAL FIRM



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December 17, 2001

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

**Re: *Minneapolis Teachers' Retirement Fund  
July 1, 2001 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, 2001.

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.

We, Thomas K. Custis and Lance M. Burma, are actuaries for Milliman USA. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

**ACTUARIAL SECTION**

**Minneapolis Teachers' Retirement Fund**

**Report Highlights**

*(dollars in thousands)*

	July 1, 2000 Valuation	July 1, 2001 Valuation
<b>A. CONTRIBUTIONS % OF PAYROLL (Table 11)</b>		
1. Statutory Contributions - Chapter 422A	23.25%	22.72%
2. Required Contributions - Chapter 356	25.25%	25.45%
3. Sufficiency / (Deficiency)	(2.00%)	(2.73%)
<b>B. FUNDING RATIOS</b>		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 1,027,633	\$ 1,061,983
b. Current Benefit Obligations (Table 8)	1,489,180	1,556,387
c. Funding Ratio	69.01%	68.23%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 1,027,633	\$ 1,061,983
b. Actuarial Accrued Liability (Table 9)	1,544,358	1,610,364
c. Funding Ratio	66.54%	65.95%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 1,635,867	\$ 1,677,911
b. Current and Expected Future Benefit Obligations	1,791,915	1,859,209
c. Funding Ratio	91.29%	90.25%
<b>C. PLAN PARTICIPANTS</b>		
1. Active Members		
a. Number (Table 3)	5,777	5,813
b. Projected Annual Earnings	\$ 255,488	\$ 267,977
c. Average Annual Earnings (Actual dollars)	\$ 44,225	\$ 46,100
d. Average Age	42.6	42.6
e. Average Service	8.4	8.3
f. Additional Members on Leave of Absence *	67	64
2. Others		
a. Service Retirements (Table 4)	3,033	3,161
b. Disability Retirements (Table 5)	20	20
c. Survivors (Table 6)	254	263
d. Deferred Retirements (Table 7)	756	802
e. Terminated Other Non-Vested (Table 7)	1,815	2,250
f. Total	5,878	6,496

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

ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund  
**Accounting Balance Sheet**

(dollars in thousands)

TABLE 1

July 1, 2001

	Market Value	Cost Value
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$ 123,430	\$ 123,430
2. Investments		
a. Fixed Income	378,075	393,133
b. Equity	473,022	446,639
c. Real Estate	4,336	4,336
3. Equity in Minnesota Post-Retirement Investment Fund	-	-
4. Other Assets	28,484	30,302
B. TOTAL ASSETS	\$ 1,007,347	\$ 997,840
C. AMOUNTS CURRENTLY PAYABLE	\$ 74,949	\$ 74,949
D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$ 237,283	\$ 237,283
2. Employer Reserves	695,115	685,608
3. MPRIF Reserves	-	-
4. Non-MPRIF Reserves	-	-
5. Total Assets Available for Benefits	\$ 932,398	\$ 922,891
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	\$ 1,007,347	\$ 997,840
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Market Value of Assets Available for Benefits (D.5)	\$ 932,398	
2. Unrecognized Asset Returns		
a. June 30, 2001	\$ (217,974)	
b. June 30, 2000	44,266	
c. June 30, 1999	60,783	
3. UAR Adjustment: $.80 * 2(a) + .60 * 2(b) + .30 * 2(c)$		(129,585)
4. Actuarial Value of Assets (F.1 - F.3)		\$ 1,061,983

## ACTUARIAL SECTION

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

TABLE 2

June 30, 2001

	Market Value	Cost Value
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 1,099,516	\$ 972,933
B. OPERATING REVENUES		
1. Member Contributions	\$ 16,321	\$ 16,321
2. Employer Contributions	22,029	22,029
3. Supplemental Contributions *	20,875	20,875
4. Investment Income	42,312	42,312
5. MPRIF Income	-	-
6. Net Realized Gain / (Loss)	(45,029)	(45,029)
7. Other	-	-
8. Net Change in Unrealized Gain / (Loss)	(117,076)	-
9. Total Operating Revenue	<u>\$ (60,568)</u>	<u>\$ 56,508</u>
C. OPERATING EXPENSES		
1. Service Retirements	\$ 91,896	\$ 91,896
2. Disability Benefits	839	839
3. Survivor Benefits	6,168	6,168
4. Refunds	516	516
5. Administrative Expenses	672	672
6. Investment Expenses	6,459	6,459
7. Total Operating Expenses	<u>\$ 106,550</u>	<u>\$ 106,550</u>
D. CHANGE IN ACCOUNTING METHOD	\$ -	\$ -
E. ASSETS AVAILABLE AT END OF PERIOD	<u>\$ 932,398</u>	<u>\$ 922,891</u>
F. DETERMINATION OF CURRENT YEAR UNRECOGNIZED ASSET RETURN		
1. Average Balance		
(a) Assets Available at Beginning of Period	1,099,516	
(b) Assets Available at End of Period	932,398	
(c) Average Balance $\{[(a) + (b) - \text{Net Investment Income}] / 2\}$	\$ 1,079,083	
{Net Investment Income: B.4+B.5+B.6+B.7+B.8-C.6}		
2. Expected Return: $.085 * F.1$	91,722	
3. Actual Return	(126,252)	
4. Current Year UAR: $F.3 - F.2$	(217,974)	

\* 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

	Actives	Terminated		
		Leave of Absence	Deferred Retirement	Other Non-Vested
A. ON JUNE 30, 2000	5,777	67	756	1,815
B. ADDITIONS	857	7	109	514
C. DELETIONS				
1. Service Retirement	(149)	(8)	(50)	(8)
2. Disability	0	(1)	(1)	0
3. Death - Survivor	0	0	0	0
4. Death - Other	(2)	(1)	(1)	0
5. Terminated - Deferred	(109)	0	0	0
6. Terminated - Refund	(80)	0	(11)	(36)
7. Terminated - Other Non-Vested	(521)	0	0	0
8. Returned as active	49	0	(19)	(30)
D. DATA ADJUSTMENTS	(9)	0	19	(5)
1. Vested	3,802	64	802	2,250
2. Non-Vested	2,011	0	0	0
E. TOTAL ON JUNE 30, 2001	5,813	64	802	2,250

	Recipients			
	Retirement Annuitants	Disabled	Survivors	Other Beneficiary
A. ON JUNE 30, 2000	3,010	20	254	23
B. ADDITIONS	218	2	14	0
C. DELETIONS				
1. Service Retirement	0	(3)	0	0
2. Death	(87)	0	(7)	0
3. Annuity Expired	0	0	(14)	0
4. Returned as Active	0	0	0	0
D. DATA ADJUSTMENTS	(4)	1	16	1
E. TOTAL ON JUNE 30, 2001	3,137	20	263	24

## ACTUARIAL SECTION

## Minneapolis Teachers' Retirement Fund

**Actuarial Balance Sheet***(dollars in thousands)*

July 1, 2001

TABLE 8

A. CURRENT ASSETS (Table 1; Line F.6)				\$ 1,061,983
B. EXPECTED FUTURE ASSETS				
1. Present Value of Expected Future Statutory Supplemental Contributions				\$ 367,083
2. Present Value of Future Normal Costs				248,845
3. Total Expected Future Assets				<u>615,928</u>
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS				<u>\$ 1,677,911</u>
D. CURRENT BENEFIT OBLIGATIONS				
		Non-Vested	Vested	Total
1. Benefit Recipients				
a. Retirement Annuities			\$ 1,018,897	\$ 1,018,897
b. Disability Benefits			6,952	6,952
c. Surviving Spouse and Child Benefits			59,818	59,818
2. Deferred Retirements			31,038	31,038
3. Former Members Without Vested Rights			1,900	1,900
4. Active Members				
a. Retirement Annuities *	\$	2,529	397,167	399,696
b. Disability Benefits		18,218	-	18,218
c. Surviving Spouse and Child Benefits		4,839	-	4,839
d. Deferred Retirements		308	11,749	12,057
e. Refund Liability Due to Death or Withdrawal		-	2,972	2,972
5. Total Current Benefit Obligations	\$	25,894	\$ 1,530,493	\$ 1,556,387
E. EXPECTED FUTURE BENEFIT OBLIGATIONS				<u>\$ 302,822</u>
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS				<u>\$ 1,859,209</u>
G. CURRENT UNFUNDED ACTUARIAL LIABILITY (D.5 - A)				\$ 494,404
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F - C)				\$ 181,298

\* 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)

July 1, 2001

TABLE 9

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
<b>A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)</b>			
1. Active Members			
a. Retirement Benefits	\$ 667,726	\$ 200,528	\$ 467,198
b. Disability Benefits	33,370	16,257	17,113
c. Surviving Spouse and Child Benefits	9,698	4,805	4,893
d. Deferred Retirements	22,495	19,623	2,872
e. Refund Liability Due to Death or Withdrawal	7,315	7,632	(317)
f. Total	<u>\$ 740,604</u>	<u>\$ 248,845</u>	<u>\$ 491,759</u>
2. Deferred Retirements	\$ 31,038		\$ 31,038
3. Former Members Without Vested Rights	1,900		1,900
4. Annuitants in MPRIF	-		-
5. Annuitants Not in MPRIF	1,085,667		1,085,667
6. Total	<u>\$ 1,859,209</u>	<u>\$ 248,845</u>	<u>\$ 1,610,364</u>
<b>B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)</b>			
1. Actuarial Accrued Liability (A.6)			\$ 1,610,364
2. Current Assets (Table 1; Line F.6)			1,061,983
3. Unfunded Actuarial Accrued Liability (B.1 - B.2)			<u>\$ 548,381</u>
<b>C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE</b>			
1. Present Value of Future Payrolls Through the Amortization Date of June 30, 2020			3,671,680
2. Supplemental Contribution Rate (B.3 / C.1)			<u>14.94%</u>

## ACTUARIAL SECTION

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

(dollars in thousands)

June 30, 2001

TABLE 10

A. UAAL AT BEGINNING OF YEAR	\$	516,725
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING		
1. Normal Cost and Expenses	\$	28,101
2. Contributions		(59,225)
3. Interest		43,793
4. Total	<u>\$</u>	<u>12,669</u>
C. EXPECTED UAAL AT END OF YEAR (A + B.4)	\$	529,394
D. INCREASE / (DECREASE) DUE TO ACTUARIAL LOSSES / (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED		
1. Age and Service Retirements (b)	\$	-
2. Disability Retirements (b)		-
3. Death-in-Service Benefits (a)		-
4. Withdrawal (b)		-
5. Salary Increases		(12,689)
6. Contribution Income (b)		-
7. Investment Income (c)		13,655
8. Mortality of Annuitants		848
9. Other Items		17,173
10. Total	<u>\$</u>	<u>18,987</u>
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.5)	\$	548,381
F. CHANGE IN UAAL DUE TO PLAN AMENDMENTS		-
G. CHANGE IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS		<u>-</u>
H. UAAL AT END OF YEAR (E + F + G)	<u>\$</u>	<u>548,381</u>

(a) Included in Item D.8.

(b) Included in Item D.9.

(c) Includes a gross investment loss of \$10,396 increased by \$3,259 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)*

July 1, 2001

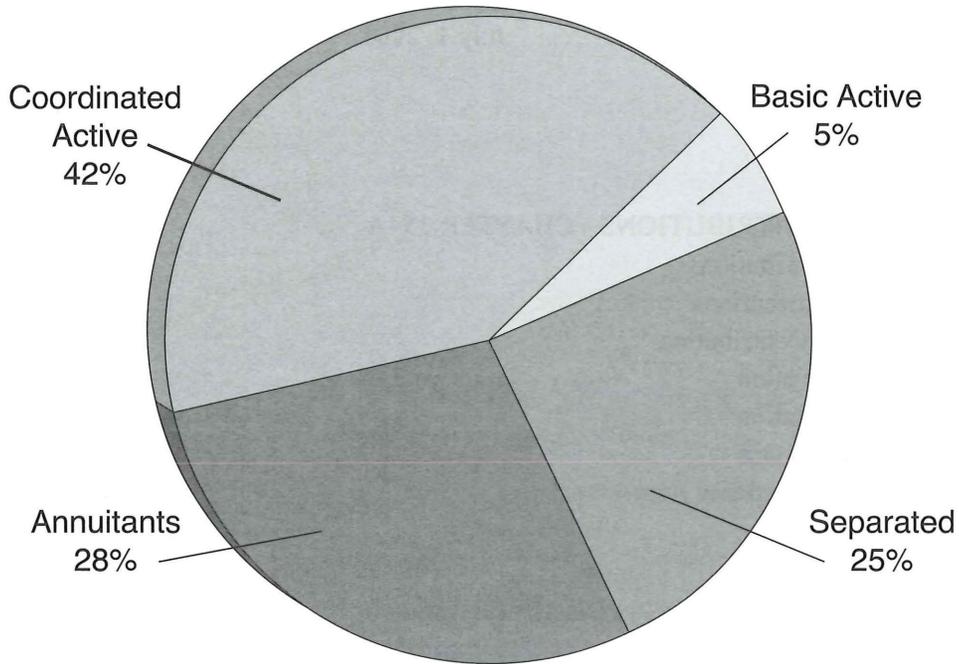
TABLE 11

	Percent of Payroll	Dollar Amount
<b>A. STATUTORY CONTRIBUTIONS - CHAPTER 354A</b>		
1. Employee Contributions	5.99%	\$ 16,058
2. Employer Contributions	8.80%	23,573
3. Supplemental Contribution *		
a. 1993 Legislation	1.87%	5,000
b. 1996 Legislation	1.23%	3,290
c. 1997 Legislation	4.83%	12,954
4. Administrative Expense Assessment	0.00%	-
5. Total	22.72%	\$ 60,875
<b>B. REQUIRED CONTRIBUTIONS - CHAPTER 356</b>		
1. Normal Cost		
a. Retirement Benefits	8.31%	\$ 22,277
b. Disability Benefits	0.69%	1,850
c. Surviving Spouse and Child Benefits	0.18%	484
d. Deferred Retirements	0.79%	2,126
e. Refund Liability Due to Death or Withdrawal	0.28%	756
f. Total	10.25%	\$ 27,493
2. Supplemental Contribution Amortization	14.94%	40,036
3. Allowance for Administrative Expenses	0.26%	706
4. Total	25.45%	\$ 68,235
<b>C. CONTRIBUTION SUFFICIENCY / (DEFICIENCY) (A.3 - B.5)</b>	<b>(2.73%)</b>	<b>(7,360)</b>
Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:		\$ 267,977

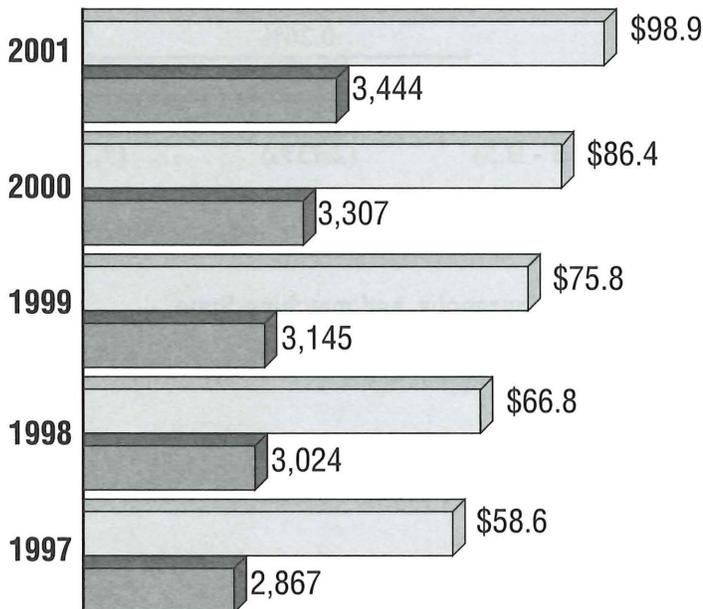
\* Includes contributions from School District #1, the City of Minneapolis, and matching State contributions.

**Current Membership**

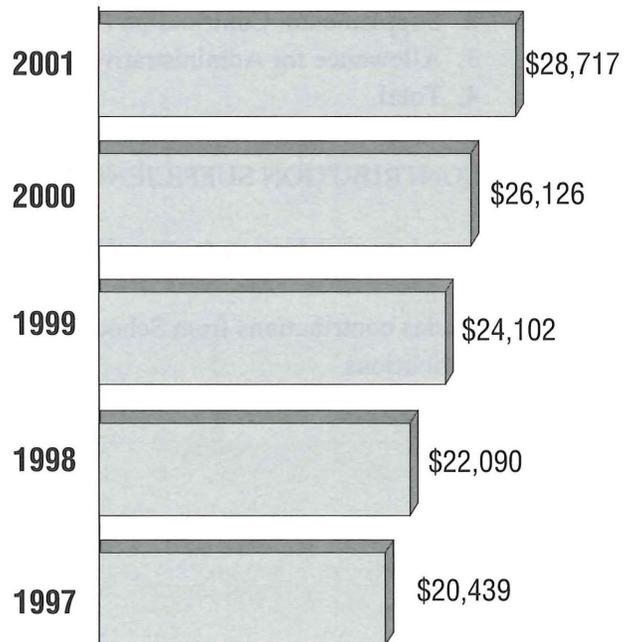
June 30, 2001



**Total Annuity Payroll and Benefit Recipients**  
Five Year Trend  
(Dollars in Millions)



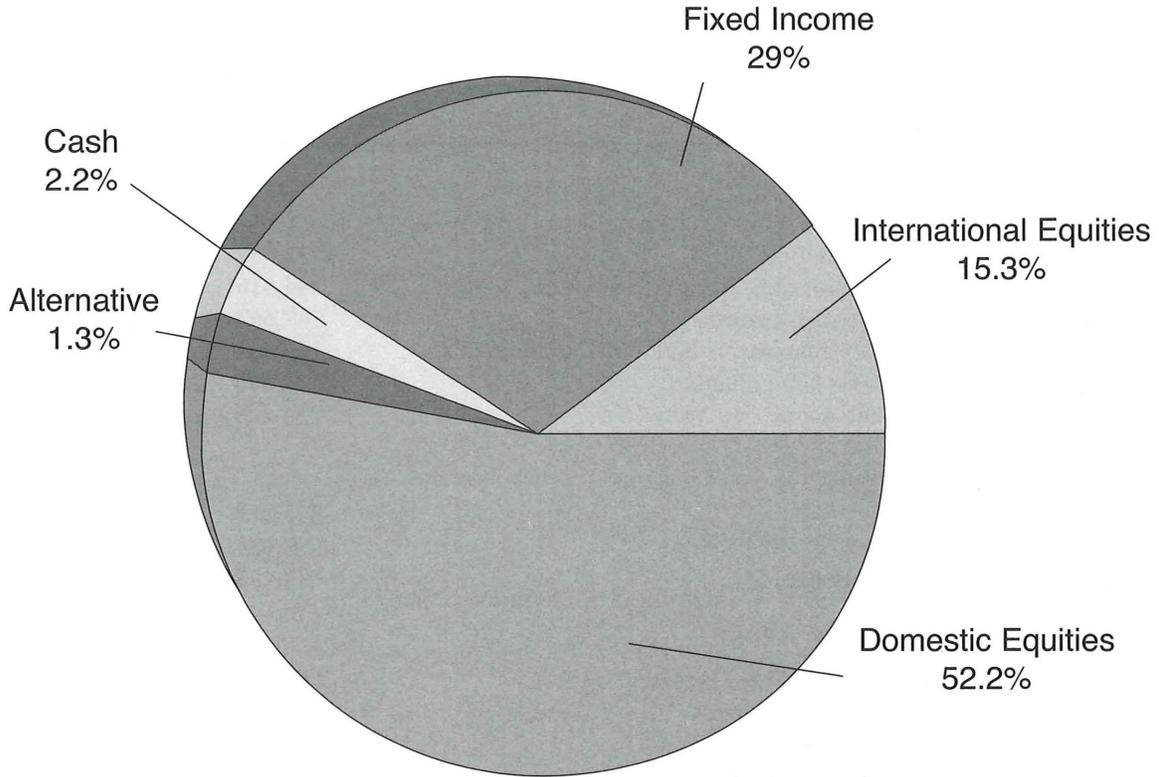
**Average Annual Benefit**  
(For Fiscal Year Ended June 30)



STATISTICAL SECTION

**Asset Distribution**

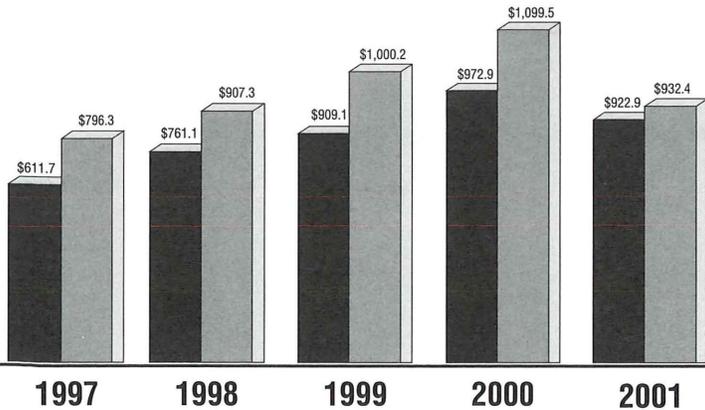
June 30, 2001



**Net Assets**

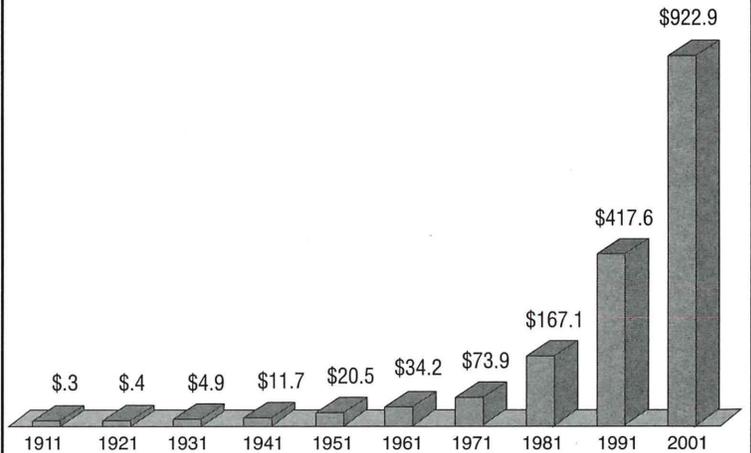
Five Year Trend  
(In Millions)

■ 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, 2001)
<b>Equity Managers</b>		
Mellon Capital--S&P 500 Index Fund	\$181,038	(14.73)%
Nicholas Applegate--Small Cap Growth Companies	44,516	(37.98)
Alliance Capital--Large Cap Growth	47,662	(31.89)
Advanced Investment Management--S&P 500 Enhanced	106,562	(12.14)
The Clifton Group--S&P 500 Enhanced	52,890	(13.43)
GE Asset Management--Large Cap Value	51,220	( 4.84)
<b>International Managers</b>		
Templeton	\$51,676	( 9.00)%
Capital Guardian	52,132	(27.64)
Mellon Capital International Index	37,486	(23.70)
<b>Fixed Income Managers</b>		
Loomis, Sayles & Co.--Core Fixed Income	\$84,995	10.09%
Northern Trust --Core Fixed Income	84,605	10.94
Mellon Capital--Lehman Bond Aggregate	40,938	11.41
Loomis, Sayles & Co.--High Yield	58,424	(5.52)
<b>Real Estate</b>		
In-house	\$3,731	11.12%
<b>Miscellaneous</b>		
Venture Capital	\$8,197	(23.32)%
Short Term Investments	20,539	8.36
<b>Total Fund</b>	<b>\$926,471*</b>	<b>(11.43)%</b>

\*Includes accrued investment income, receivables from sales of securities and payables for purchase of securities, but not non-investment receivables and payables.

STATISTICAL SECTION

Cash Investments

Issue	Book	Market	Issue	Par/	Book	Market
	Value	Value at June 30, 2001		Shares	Value	Value at June 30, 2001
STIF	64,923,516	64,923,516	Century Communication	425,000	396,844	340,000
Deposits and Cash on Hand	38,337	38,337	Century Communication	2,000,000	1,050,000	1,630,000
<b>Total Cash Investment</b>	<b>64,961,853</b>	<b>64,961,853</b>	Charter Commns Cap	1,450,000	849,563	986,000

Government and Corporate Bonds

Issue	Par/	Book	Market	Issue	Par/	Book	Market
	Shares	Value	Value at June 30, 2001		Shares	Value	Value at June 30, 2001
Aames Mtg	1,000,000	1,000,000	1,035,240	Chevy Chase Auto Rec	181,796	181,171	183,112
ABN Amro Mtg Corp	1,195,000	1,152,988	1,206,723	Chevy Chase Auto Rec	373,782	372,433	377,273
Adnanta	895,000	919,053	922,677	Cit RV owner	223,506	223,611	227,211
AES Corp	2,000,000	1,940,800	1,774,520	Citibank Cr Card	500,000	524,922	520,494
Affymetrix Inc	500,000	308,628	320,000	Citibank Cr Card	5,000,000	5,003,125	4,998,440
Affymetrix Inc	600,000	397,100	384,000	Citigroup Inc	315,000	314,203	326,053
Alamosa	100,000	40,000	46,000	Citigroup Inc Global	340,000	356,998	352,937
Alcan Inc	330,000	327,495	325,288	Citr Group Inc	2,000,000	1,994,800	2,069,720
Alcoa Inc	215,000	214,776	213,512	CMC Secs Corp	302,833	300,561	303,493
American Gen Fin Mtn	500,000	499,830	500,310	Coastal Corp	1,400,000	1,367,576	1,387,288
American President Co	100,000	70,500	76,151	Colt Telecom	100,000	75,901	53,759
American President Co	300,000	169,500	194,133	Colt Telecom Group	700,000	469,493	373,351
Amkor Technology Inc	325,000	248,938	263,656	Colt Telecom Group	725,000	503,851	389,753
Amresco Residential	483,378	476,882	481,026	Columbia/HCA	500,000	438,405	425,000
Anadarko Fin Co	225,000	222,955	228,733	Columbia/HCA	500,000	404,905	435,000
Analog Devices Inc	250,000	221,875	228,438	Columbia/HCA	550,000	452,453	497,233
Apple Computer	600,000	545,190	585,000	Comcast Cable Comm	125,000	124,608	125,256
Asian Dev Bk	840,000	897,540	865,326	Comdisco inc	370,000	369,175	281,200
Asset Backed Secs	2,000,000	2,000,000	2,077,580	Commit to Pur FNMA	3,422,770	3,422,770	3,409,768
Asset Secs Coml Mtg	987,384	1,003,429	1,008,445	ConAgra Inc	175,000	180,203	180,052
Assoc Corp	1,250,000	1,146,388	1,229,813	ConAgra Inc	1,200,000	1,262,664	1,289,208
Associates Auto Rec	2,040,000	2,039,900	2,099,058	Conoco Inc	270,000	263,417	259,462
At Home Corp	425,000	271,766	140,781	Conseco Fin Sec	2,000,000	1,999,547	2,065,560
AT&T Wireless Svcs	750,000	766,920	751,515	Conseco Fin Sec	2,500,000	2,499,998	2,576,700
Atlantic Richfield	110,000	110,559	108,182	Conseco Inc	1,050,000	1,037,568	1,029,000
AXA	235,125	266,079	206,898	Consolidated Nat Gas	345,000	344,534	341,360
BA Mtg	223,365	224,081	223,908	Contimortgage	202,676	197,166	203,657
Baker Hughes Inc	235,000	232,204	225,412	Continental Airlines	225,000	225,000	220,199
Banc Amer Coml Mtg	2,847,993	2,847,993	2,929,389	Countrywide Home Lns	377,224	376,281	377,224
Banc One Corp	2,000,000	2,046,430	2,151,340	Cox Communications	210,000	209,318	205,050
Bangko Sentral	349,000	255,268	254,770	Cox Communications	240,000	245,424	251,395
Bangkok Bk	1,700,000	1,335,275	1,326,000	CPS Auto Receivables	446,592	443,661	448,610
Bank Amer Corp	495,000	528,525	525,848	Cray Resh Inc	375,000	286,875	99,844
Bankok Bk Pub Co	1,185,000	556,058	607,313	Credit Suisse Mtg	168,509	168,994	169,118
Bear Stearns	1,000,000	998,979	993,440	CS First Boston Mtg	15,703	15,644	15,720
Bethlehem Stl Corp	35,000	1,003,750	350,000	CWMBS Inc	1,579,972	1,593,303	1,591,869
Boeing Cap Corp	450,000	467,373	476,973	Cypress Semiconductor	200,000	143,500	168,960
Borden Inc	500,000	484,615	355,890	Cypress Semiconductor	500,000	442,321	458,750
Borden Inc	500,000	410,000	403,880	Deere & Co	90,000	85,495	86,842
Brazil	2,524,390	1,853,545	1,872,782	Delta Airlines Inc	205,000	205,000	210,092
Brazil Federative	1,475,000	1,393,046	1,070,747	Delta Fdg Home	669,948	671,099	673,559
Brazos Student Fin	960,022	960,022	958,169	Diaged Cap	635,000	634,359	656,038
British Telecom	240,000	246,657	253,200	Dillard's	100,000	80,450	93,308
British Telecom	495,000	510,294	537,134	Dillard's	500,000	370,000	381,875
Broadband Tech Inc	1,000,000	730,000	30,000	Distribution Finl	440,123	435,997	443,208
Burlington Inds	400,000	284,000	100,000	Ditech Home Owner	223,223	221,549	227,698
Busch Issuances	550,000	567,836	566,412	DLJ Coml Mtg Corp	1,495,000	1,510,417	1,493,042
C Bass	2,000,000	1,999,866	2,096,960	DLJ Coml Mtg Corp	1,938,981	1,938,981	1,991,255
Caliber System	225,000	236,732	233,408	Dominion Res Inc	340,000	345,237	356,024
Call Net Enterprises	500,000	200,000	115,000	Dow Chem Co	315,000	309,418	304,857
Call Net Enterprises	1,000,000	334,000	170,000	Dr Structured Fin	1,325,000	1,175,938	1,089,889
Call Net Enterprises	2,200,000	1,206,121	374,000	Duke Cap Corp	135,000	139,262	140,063
Calpine Corp	750,000	748,973	715,778	Duke Energy Field Svcs	215,000	214,751	225,296
Capital One Bk	290,000	288,894	291,177	Dynegy Hldgs Inc	110,000	109,736	107,141
				EB MCM Aggregate Bond	171,514	40,177,945	40,944,148

## STATISTICAL SECTION

Issue	Par/	Book	Market	Issue	Par/	Book	Market
	Shares	Value	Value at June 30, 2001		Shares	Value	Value at June 30, 2001
Edison Intl	3,000,000	3,000,000	2,857,500	GE Cap Mtg Svcs	323,307	320,377	323,268
El Paso Energy	425,000	432,316	420,924	GE Cap Mtg Svcs	555,708	534,695	554,836
Empresas ICA Sociedad	600,000	454,500	402,000	GE Cap Mtg Svcs	749,986	747,173	748,681
Enersis S A	1,750,000	1,698,988	1,698,113	General Elec Cap	435,000	469,752	468,360
Enron Corp	170,000	172,336	173,062	General Mls Inc	6,000,000	5,999,520	6,150,000
EOP Oper Ltd	135,000	141,192	141,610	General Mtrs	4,000,000	3,815,520	4,018,720
EOP Oper Ltd	205,000	204,721	220,203	General Mtrs Accep Corp	655,000	678,744	687,717
ERP Oper Ltd	80,000	79,818	79,442	Global Crossing Hldgs	450,000	446,925	355,500
Exelon Generation Co	135,000	134,837	134,135	Glycomed Inc	525,000	443,250	427,219
Exide Corp	250,000	238,750	213,750	GMAC Bds	1,500,000	1,500,675	1,479,135
Exodus Communs Inc	250,000	89,688	85,000	GMAC Coml Mtg	415,000	415,003	431,446
Federal Home Ln Mtg	3,000,000	2,645,698	2,579,675	GMAC Coml Mtg	1,391,744	1,319,112	1,411,242
Federal Modal Fing	1,500	45,188	6,563	GMAC Nt	2,000,000	2,084,240	2,103,720
Federal Mogul Corp	500,000	347,500	65,000	GNMA Pool #0313045	338,000	352,999	354,370
Federal Mogul Corp	500,000	408,985	75,000	GNMA Pool #0517850	330,227	338,070	338,585
Federal Natl Mtg Assn	1,000,000	1,002,656	1,004,620	GNMA Pool #0780859	1,031,357	1,068,583	1,068,414
Federal Natl Mtg Assn	3,000,000	3,079,806	3,060,480	GNMA Pool #0781024	1,182,885	1,213,012	1,213,558
Fedex Corp	110,000	109,874	112,148	GNMA Pool #0781073	1,550,682	1,557,951	1,589,930
FHLMC Group #14-1938	483,725	504,586	513,803	GNMA Pool #0781163	1,435,034	1,467,995	1,499,610
FHLMC Group #C1-8118	466,588	462,359	448,941	GNMA Pool #0781190	890,929	912,088	913,478
FHLMC Group #C4-8569	1,033,486	1,091,943	1,086,453	Goldman Sachs Group	5,000,000	4,999,100	5,292,950
FHLMC Group #G1-0735	912,830	941,784	940,589	Gov of Canada	2,600,000	1,964,858	1,763,467
FHLMC Multiclass CTF	701,921	700,605	708,940	Green Tree Finl	530,206	525,152	539,580
FHLMC Multiclass CTFs	171,829	171,614	172,097	Hartford Life Inc	315,000	312,669	317,117
FHLMC Multiclass MTG	552,374	555,136	555,484	Healthsouth	250,000	204,750	235,050
FHLMC Multiclass Mtg	895,589	888,102	904,016	Hexcel Corp	509,000	403,690	501,569
FHLMC Multiclass Mtg	1,450,000	1,443,203	1,453,161	Hilton Hotels Corp	180,000	178,794	179,654
First Alliance Mtg	860,885	862,768	871,052	Hilton Hotels Corp	600,000	460,063	539,100
First Chicago	410,000	408,688	409,549	HMH Ppty Inc	250,000	216,875	240,000
First Union-Lehman	1,040,000	1,055,570	1,047,769	Household Fin Corp	135,000	134,368	133,222
Firstplus Home Ln	1,000,000	1,018,438	1,012,031	Household Fin Corp	630,000	629,439	673,168
FMAC Ln Rec	1,998,601	1,998,132	2,011,092	Household Fin Corp	2,000,000	2,140,620	2,142,480
FNMA Gtd REMIC	5,911	5,891	5,899	Human Genome Science	250,000	169,489	203,438
FNMA Gtd REMIC	562,459	565,007	564,917	Human Genome Science	1,000,000	593,041	813,750
FNMA Pool #0190307	2,732,408	2,730,486	2,822,058	Hutchinson Technology	600,000	440,070	553,500
FNMA Pool #0253793	2,691,676	2,595,914	2,583,148	Hvide Marine	506,488	565,202	402,658
FNMA Pool #0303037	115,696	119,240	114,026	Hyperion Telecomm Inc	975,000	837,563	721,500
FNMA Pool #0323961	2,221,335	2,144,282	2,231,731	Hyundai Semiconductor	250,000	191,250	180,000
FNMA Pool #0535318	1,863,905	1,827,209	1,872,628	IKON Receivables	910,994	901,749	919,257
FNMA Pool #0535377	1,270,431	1,271,622	1,317,666	IMC Exp Cashflow	884,924	884,890	44,246
FNMA Pool #0535481	622,054	640,279	642,464	IMC Global Inc	400,000	266,408	265,628
FNMA Pool #0535627	1,977,078	1,941,243	1,986,331	IMC Global Inc	2,100,000	2,089,773	1,804,026
FNMA Pool #0535714	1,323,737	1,350,935	1,350,622	Ingersoll Rand Co	210,000	209,773	211,825
FNMA Pool #0535750	2,503,909	2,479,750	2,475,740	Intermedia Commns Inc	1,600,000	1,600,000	1,568,000
FNMA Pool #0535883	4,384,465	4,260,467	4,223,468	Intevac Inc	500,000	404,000	238,750
FNMA Pool #0535982	2,821,206	2,885,124	2,878,505	J P Morgan Chase & Co	315,000	315,167	315,658
FNMA Pool #0535988	6,184,738	6,257,791	6,211,766	Jazztel	250,000	152,354	79,104
FNMA Pool #0536143	824,513	824,899	851,565	Jazztel	625,000	568,699	201,063
FNMA Pool #0545003	1,578,137	1,627,946	1,629,915	K Mart Corp	925,000	919,307	899,988
FNMA Pool #0577555	1,000,000	996,406	985,000	K Mart Fing I	9,000	337,083	423,180
FNMA Pool #0585742	2,483,468	2,466,782	2,446,216	Key Energy Svcs Inc	1,150,000	871,937	1,045,063
Ford Cr Auto	750,000	756,914	755,625	Kinder Morgan Energy	185,000	184,454	182,153
Ford Cr Auto	1,500,000	1,511,484	1,512,450	Kroger Co	115,000	114,213	112,119
Ford Mtr Co	230,000	228,119	221,014	Kroger Co	240,000	238,466	234,883
Ford Mtr Cr Co	925,000	933,732	942,927	LB Coml Conduit	260,000	248,798	263,596
Ford Mtr Cr Co	2,600,000	2,530,476	2,657,356	LB UBS Coml Mtg	340,000	336,515	366,503
Ford Mtr Cr Co	4,000,000	3,883,840	4,095,560	Lehman Bros Hldgs Inc	2,650,000	2,664,469	2,642,580
France Telecom SA	305,000	305,171	318,966	Level 3 Comm Inc	500,000	320,625	115,000
France Telecom SA	475,000	474,633	483,897	Level 3 Commns Inc	250,000	211,460	97,500
GE Cap Mtg Inc	743,603	746,275	744,027	Level 3 Commns Inc	1,750,000	862,600	367,500
GE Cap Mtg Svcs	314,938	315,234	314,482	Level 3 Commns Inc	350,000	200,625	80,500

STATISTICAL SECTION

Issue	Market Value at			Issue	Market Value at		
	Par/Shares	Book Value	June 30, 2001		Par/Shares	Book Value	June 30, 2001
Lockheed Martin	325,000	343,214	330,753	Pindo Deli Fin Mauritius	650,000	520,500	91,000
Lucent Technologies	250,000	150,625	142,500	Pioneer Nat Res Co	525,000	395,278	443,625
Lumbermans Mut Cas Co	210,000	246,049	190,886	PNC Mtg Accep Corp	365,000	369,990	380,940
Mascotech Inc	425,000	348,000	344,250	PNC Mtg Sec Corp	855,818	885,202	710,329
Maxtor	650,000	487,625	455,000	PNC Mtg Secs	699,614	706,172	707,645
MBNA Master Cr Card	175,000	184,085	182,679	PNC Student Ln	306,250	304,479	306,691
McCaw Intl Ltd	750,000	444,375	247,500	Pogo Producing Co	350,000	262,375	311,150
MCI Communications	3,000,000	2,922,300	3,016,410	Port Authur Fin Corp	600,000	594,500	600,000
Medical Care Intl Inc	600,000	536,563	584,250	Potash Corp Sask Inc	145,000	144,050	148,609
Mellon Auto Grantor	1,643,769	1,643,612	1,660,930	Progress Energy Inc	245,000	244,662	247,707
Merrill Lynch & Co Inc	1,000	8,230	8,190	Progress Energy Inc	2,000,000	1,998,180	2,035,980
Merrill Lynch & Co Inc	5,000	37,950	38,600	Provident Cos	2,600,000	2,403,804	2,569,190
Merrill Lynch & Co Inc	20,200	182,182	191,900	Provident Equip Lease	342,926	340,311	343,540
Merrill Lynch & Co Inc	39,900	811,845	803,187	Pru Home Mtg Sec	533,876	534,105	533,390
Metropolitan	543,626	532,754	546,247	Prudential Home Mtg	236,951	236,766	236,420
Mexico United	700,000	698,950	726,600	Prudential Home Mtg	456,666	457,094	457,616
Microcell Telecommns	2,525,000	1,081,687	931,734	PSB Lending Home	376,748	376,365	382,908
Micon Technology Prom	1,000,000	786,250	850,000	PSEG Pwr LLC	305,000	302,255	328,589
Mirage Resorts Inc	80,000	78,882	78,917	Public Svc Elec Gas	5,000,000	5,000,000	5,130,350
Mirant Americas Inc	170,000	170,000	171,879	Quantum Corp	605,000	501,550	524,535
Mirant Americas Inc	325,000	322,956	338,114	Quebec Prov Cda Global	165,000	163,322	159,250
MMCA Auto Owner	750,000	753,281	755,153	Quezon Pwr Phillipines	1,300,000	1,119,000	949,598
Money Store Inc	55,037	55,587	55,192	Raytheon Co	1,750,000	1,824,900	1,834,228
Money Store Inc	471,639	476,172	474,382	RCN Corp	1,050,000	621,000	294,000
Money Store Inc	900,000	883,898	913,635	RCN Corp	1,000,000	560,938	300,000
Morgan Stanley DW & Co	18,300	349,179	406,260	RCN Corp	2,400,000	1,402,111	648,000
Morgan Stanley DW & Co	425,000	420,355	421,995	Redback Networks Inc	500,000	297,950	301,250
Morgan Stanley DW & Co	555,000	554,832	554,345	Repsol Intl Fin	110,000	109,907	115,449
Morgan Stanley DW & Co	338,150	2,385,992	926,531	Residential Accredi	500,000	503,750	501,875
Morgan Stanley DW & Co	1,490,000	1,511,344	1,503,604	Residential Accredi	1,500,000	1,466,953	1,526,265
Morgan Stanley DW & Co	4,000,000	4,124,000	4,130,920	Residential Asset Sec	285,000	284,996	284,877
Mortgage Cap Fdg	840,000	848,400	849,122	Residential Fdg Mtg	382,631	384,664	383,350
Motorola Inc	500,000	507,280	459,625	Residential Secs	2,000,000	1,989,375	2,023,940
Multicanal S A	500,000	491,650	240,000	Restructured Asset	2,000,000	1,998,840	2,000,800
NABI	790,000	659,250	704,088	Rhythms Netconnections	500,000	410,000	7,500
National Stl Corp	100,000	39,000	35,000	Rhythms Netconnections	1,000,000	931,250	87,500
Nationslink Fdg Corp	2,000,000	2,000,000	2,055,500	Richardson Electrs Ltd	250,000	187,500	215,000
Nexlink Commns	500,000	268,750	75,000	Rogers Comm Inc	2,100,000	1,526,718	1,326,509
Nextel Communs	350,000	267,750	224,000	Rogers Communications	700,000	434,000	536,081
Nextel Communs	1,750,000	1,603,750	1,386,875	Royal KPN	110,000	108,853	105,497
Nextel Intl Inc	2,050,000	1,155,000	574,000	Royal KPN	610,000	603,327	600,368
Nextlink Commns Inc	1,750,000	1,085,530	280,000	S3 Inc	950,000	717,775	644,813
Northern Ill Gas Co	1,500,000	1,610,625	1,574,445	Salomon Bros Mtg	430,549	428,228	436,521
Norwest Asset Secs	525,000	523,811	516,464	Salomon Smith Barney	135,000	134,687	135,684
NRG Energy Inc	120,000	119,681	121,660	Samsung Display Devces	160,000	142,400	198,100
Ntl Comm	475,000	319,726	219,451	Sanwa Intl Fin Bermuda	21,000,000	184,791	145,646
Ntl Commns	125,000	58,713	42,500	SBC Communications Inc	470,000	466,668	456,704
Ntl Del Inc	850,000	466,189	277,313	Siam Commefcial Bank	200,000	95,470	100,000
Onyx Accep Grantor	731,655	735,313	735,525	Silicon Graphics	250,000	218,393	76,325
Owens Corning Fiberglss	20,000	554,474	45,000	SLM Student Ln	1,950,000	1,931,781	1,927,758
Pacific Gas & Elec	250,000	162,500	181,250	Southern Calif Edison Co	350,000	276,500	252,000
Penney JC Inc	825,000	509,438	643,500	Sprint Cap Corp	945,000	957,386	951,492
Penney JC Inc	1,000,000	570,000	935,000	Sprint Cap Corp	3,000,000	2,848,820	2,521,140
Penzoil-Quaker St Co	500,000	340,960	362,570	Ssangyong Oil Refining	485,000	275,538	375,875
Philippine Long Distance	10,000	406,168	311,000	Standard Chartered Bk	115,000	114,057	116,783
Philippine Long Distance	750,000	472,500	525,000	Stora Enso Corp	110,000	109,429	111,421
Philippines Rep Global	250,000	188,750	226,250	Structured Asset	1,248,896	1,253,189	1,275,160
Phillips Pete Co	385,000	421,744	417,282	Student Ln Mktg Assn	2,000,000	1,975,625	1,985,464
Phillips Van Heusen Corp	500,000	463,000	405,000	Teco Energy Inc	320,000	319,146	324,570
Pindo Deli Fin Mauritius	500,000	505,625	60,000	Tele-Communications Inc	1,000,000	1,071,570	1,066,470
Pindo Deli Fin Mauritius	500,000	463,750	75,000	Telecorp PCS	1,250,000	712,250	768,750

## STATISTICAL SECTION

Issue	Par/	Book	Market	Issue	Par/	Book	Market
	Shares	Value	Value at June 30, 2001		Shares	Value	Value at June 30, 2001
Telefonica Europe	490,000	488,265	507,851	Xerox Corp	343,500	343,500	461,203
Telewest Finance	150,000	105,125	104,250	Zenith Elecrs Corp	598,664	598,664	53,139
Teligent Inc	2,000,000	1,048,750	10,000	<b>Total Bond Securities</b>		<b>393,132,863</b>	<b>378,075,045</b>
Telus Corp	360,000	358,222	364,360	<b>Common and Preferred Securities</b>			<b>Market Value</b>
Telxon Corp	350,000	237,688	335,125		<b>Par/</b>	<b>Book</b>	<b>Value at</b>
Tenet Healthcare Corp	625,000	550,938	541,438		<b>Shares</b>	<b>Value</b>	<b>June 30, 2001</b>
TFM SA	1,500,000	846,459	1,290,000	<b>Issue</b>			
Thai Fmrs Bk	250,000	176,250	192,500	<b>International Equities</b>			
Tiers Principal Protected	42,600	325,172	334,410	ABN Amro Hldgs	18,578	410,679	349,007
Time Warner Entmt Co	1,000,000	1,361,300	1,214,810	Accor	2,900	125,836	122,389
Time Warner Inc	690,000	758,969	747,443	Ace Ltd Cayman Is	18,571	678,951	725,940
Time Warner Inc	705,000	823,829	812,654	Advantest	4,800	345,199	411,418
Tjiwi Kimia Fin Mauritius	1,500,000	1,320,800	225,000	Aegon NV	29,655	996,017	834,772
TMS Home Eq Ln	407,506	402,444	407,375	Aiful Corp	2,200	240,436	198,445
Transocean Sedco Forex	355,000	353,349	355,430	Aixtron	4,400	292,383	126,204
Tribune Co	12,050	247,759	271,728	Akzo Nobel NV	18,578	640,140	739,082
Trinet Corp	100,000	65,192	74,997	Alcan Inc	2,500	76,070	105,100
TRW Inc	250,000	249,773	258,503	Allianz AG	500	187,072	145,933
Tryon Mtg Fdg Inc	20,094	20,260	20,031	Allied Irish Bks	20,000	222,971	223,502
TXU Eastn Fdg Co	190,000	185,117	187,327	Alstom SA	33,400	739,255	929,164
Tyco Intl	6,625,000	4,987,433	5,026,719	Amdocs Ltd Com	22,100	1,392,175	1,190,085
UFJ Holdings	11,000,000	95,186	94,371	Amersham PLC	124,052	519,887	910,203
UFS Finl Owner	1,000,000	1,006,875	1,009,380	ASML Holding	22,800	341,877	507,300
Union Finl Svcs	1,000,000	990,938	998,906	Assa Ablov	12,200	184,990	174,279
Union Oil Co	2,000,000	1,717,460	2,023,620	Assicurazioni Generali	11,200	361,131	336,608
Union Pac Corp	485,000	486,506	485,723	Astrazeneca	16,300	701,214	759,483
United Airls	376,844	378,489	394,371	Astrazeneca	23,802	902,060	1,099,859
United Technologies Corp	280,000	279,339	277,348	ATI Technologies Inc	8,400	54,970	78,487
US Air Inc Equip	1,000,000	1,045,000	964,240	Australian and New Zealand Bank	184,720	1,198,009	1,586,546
US Awys	435,000	435,000	454,801	Aventis	10,790	307,120	861,413
US Treasury Bonds	865,000	1,128,190	1,146,125	AXA	14,300	217,968	407,380
US Treasury Bonds	4,110,000	5,289,220	5,117,567	BAB Systems Ord	227,329	1,257,604	1,088,631
US Treasury Notes	1,600,000	1,588,613	1,578,000	Bambardier Inc	39,100	260,392	587,428
US Treasury Notes	1,850,000	1,896,235	1,866,188	Banca Nazionale Del Lavoro	119,470	350,823	374,230
US Unwired	1,150,000	629,125	564,938	Banco Popular Espanol	22,600	630,031	790,008
USAA Auto Ln	184,531	181,677	187,567	Bank of Nova Scotia Com	4,700	119,577	140,604
Vanderbilt Mtg	1,038,070	1,030,933	1,052,916	Bayer AG	17,100	718,531	671,002
Venezuela Rep Global	1,750,000	1,188,875	1,207,500	Bayerische Motoren Werke AG	10,140	264,693	335,655
Viacom Inc	355,000	373,968	375,746	BBVA Euro	20,000	299,887	258,721
Viacom Ind	145,000	154,751	151,951	BHP Billiton Ltd	31,668	163,955	167,180
Victory Markets	2,000,000	1,722,780	100,000	BHP VPV Bonus Dfd	33,730	172,965	182,520
Vitesse Semiconductor	500,000	428,923	400,000	Bic	6,000	309,054	218,423
Washington Mut Bk	345,000	344,365	342,699	Bouygues	16,900	844,247	571,157
Washington Mut Mtg	4,000,000	4,000,000	4,001,480	British Airways	67,400	429,407	326,082
Western Digital	250,000	48,438	71,562	Cable & Wireless	83,300	478,901	489,934
Western Digital	1,650,000	411,375	472,313	Cable & Wireless Optus	75,000	211,274	141,379
Western Gas Res Inc	4,500	139,225	219,150	Canadian National Railway	18,900	537,576	764,917
Williams Communications	3,500	118,563	51,188	Carter Holt Harvey Ltd	521,500	686,294	356,304
Williams Communs Grp	100,000	43,875	41,000	Centrica	33,600	126,895	107,363
Williams Communs Grp	555,000	555,000	222,000	Checkpoint Software Tech	3,800	219,171	192,166
Williams Communs Grp	600,000	573,750	246,000	Cheudenko Corp	8,000	105,255	120,334
WMX Tech Inc	1,205,000	1,204,337	1,226,220	Cheung Hong	136,900	1,278,286	1,491,878
WMX Technologies Inc	1,000,000	976,770	1,005,180	China Mobile	85,000	511,168	448,980
Woolworth Corp	625,000	444,375	490,625	Christian Dior	3,200	137,999	115,138
Worldcom Inc	365,945	365,945	360,128	Chubb	250,700	607,546	585,995
Worldcom Inc	900,000	979,875	931,599	Chugai Pharmaceutl	22,000	372,153	334,622
Worldcom Inc	1,115,000	1,098,069	1,096,892	Cie De St. Gobain	1,000	149,565	135,879
Xerox Capital	250,000	139,164	160,854	CLP Hldgs	178,200	708,920	747,079
Xerox Capital	635,625	635,625	876,560	Coca-Cola Hellenic Bottling	4,246	135,460	43,169
Xerox Corp	375,000	116,500	176,250	Commit To Pur Singapore Teleco	565,000	529,179	529,179

STATISTICAL SECTION

Issue	Market			Issue	Market		
	Par/ Shares	Book Value	Value at June 30, 2001		Par/ Shares	Book Value	Value at June 30, 2001
Compagnie Financiere Rich AG	268	394,222	685,841	KLM Koninklijke Luchtvaart Mij	5,400	134,565	95,090
Compass Group	12,000	112,661	96,029	Knightbridge Tankers Ltd Com	14,100	336,186	282,000
Creative Technology	2,000	71,284	16,795	Komatsu	147,000	816,154	674,182
Credit Suisse Group	1,446	287,590	237,715	Koninklijke Philips Electronic	33,545	810,660	889,179
Crh Ord	20,281	265,425	339,964	Kurita Water Industries	48,000	786,944	660,423
Daiwa Secs Group	17,000	178,937	177,878	Li & Fung	48,000	81,732	78,770
Danone	1,500	209,992	205,851	Lloyds Tsb Group	60,419	663,740	604,585
Datacraft Asia	12,000	68,347	48,960	LVMH Moet Hennessy	2,000	129,760	100,745
DBS Hldgs	19,912	118,118	146,444	Magna Intl Inc	5,500	232,054	337,879
Den Norske Stats Oljeselskap	28,000	210,478	206,943	Marks & Spencer	227,000	1,008,252	836,442
Deutsche Bk AG	10,200	662,922	730,893	Matsushita Communications	2,000	128,281	91,084
Deutsche Post AG	40,900	662,864	654,430	Mayne Nickless Ltd	145,000	460,755	475,201
Deutsche Telekom AG	6,200	138,492	141,301	MDS Inc	2,300	28,139	26,067
DiamlerChrysler AG	10,200	509,587	468,466	Merck KGAA	14,500	512,760	503,672
Dimension Data Hldg	41,900	346,432	159,106	Metro AG	11,300	450,520	422,078
E.on AG	17,140	891,056	898,794	MG Technologies AG	9,000	176,135	91,738
Eni	104,200	1,123,389	1,270,306	Michelin Cie GLE Des Establ	30,100	925,348	952,287
Enterprise Oil	1,100	6,897	9,158	Mitel Corp	6,300	148,982	64,511
Epcos AG	3,300	203,346	179,668	Mitsubishi Heavy Ind	43,000	170,550	196,175
Ericsson Telefonaktiebolaget	36,400	210,865	198,964	Mitsubishi Motor Corp	76,000	253,697	252,886
ESC Medical Sys Ltd	10,400	201,652	300,404	Mitsui Fudosan	34,000	367,800	366,389
Fairfax Finl Hldgs	700	222,416	105,120	Mitsui Marine & Fire	54,000	284,011	276,235
Foreningssparbanken Sek	13,150	219,608	152,213	Munchener Ruck Versicherungs	31	0	2,205
Fosters Group	9,941	25,649	27,680	Murata Manufacturing	5,000	155,319	332,344
Fuji Soft Abc Inc.	1,900	118,351	111,666	National Grid Grp	16,000	145,596	117,913
Fuji Television Network	18	134,471	103,480	NEC Corp	85,000	1,427,159	1,148,372
Fujitsu Support and Svc	1,200	172,969	41,758	Nestle	1,460	229,719	310,275
Fujitsu Ltd	40,000	1,185,328	420,141	News Corp	16,639	86,951	152,338
Furukawa Electric	10,000	283,497	79,779	Nichicon Corp	7,000	154,712	91,429
Gkn Ord	21,400	304,972	205,261	Nikko Securities	15,000	112,506	120,149
Glaxosmithkline	11,105	307,058	312,361	Nikon	31,000	577,605	294,291
Granada PLC	63,558	236,079	133,411	Nintendo Co	3,300	394,264	600,625
Hagemeyer	6,300	180,468	121,339	Nippon Express Co	98,000	644,052	442,383
Halifax Group	32,000	267,543	369,939	Nippon Tel & Tel Corp	113	1,108,250	588,919
Hanson Ord	87,252	564,317	642,393	Nissan Motor Co	34,000	140,972	234,718
Heineken Hldg 'A'	10,375	306,342	316,205	Nokia OY	27,000	663,353	611,914
Heineken NV	10,250	335,477	413,316	Nomura Securities Co	47,000	606,959	900,657
Hellenic Bottling	2,631	50,116	30,560	Nordea	83,847	341,773	481,496
Hirose Electronics	4,500	274,517	342,768	Norsk Hydro ASA	5,000	220,970	211,817
Hitachi Ltd	75,000	908,109	736,650	Novartis AG	16,680	711,504	603,635
Holcim	1,840	413,088	374,654	NTT Docomo Inc	59	745,875	1,026,539
Hong Kong Electric Hldgs	100	324	385	Old Mut Ord	92,100	176,029	211,133
Hong Kong Land Hldg	12,000	26,384	21,600	Olivetti Spa	90,000	274,700	159,245
Hoya Corp	1,500	108,658	95,013	Panamerican Beverage Inc	9,600	205,913	194,880
HSBC Hldgs	51,600	501,498	610,277	Pearson	17,100	310,911	281,859
Husky Energy Inc	67,800	807,897	724,642	Pechiney	8,000	353,065	406,368
Hutchison Whampoa	90,200	558,991	910,685	Peugeot SA	500	74,257	135,752
Iberdrola SA	57,800	658,972	741,342	Portugal Telecom Sgps	54,400	468,016	379,494
Imperial Chemical Industries	134,965	1,072,720	791,528	Portugal Telecom Sgps (stk div)	54,400	9,552	7,369
Industria De Disneo Textil	6,500	100,244	103,730	Powergen New Ord	25,294	224,370	255,773
Infineon Technologies	2,900	194,934	68,007	Promise Co	1,300	99,963	107,152
Ing Groep NV CVA	14,658	648,152	958,011	Prudential PLC	25,800	385,565	312,415
Innogy Holdings	52,200	119,060	160,043	Repsol YPF	45,290	906,963	747,679
International Power Ord	57,400	236,888	241,940	Reuters Group	28,767	266,455	373,426
Invensys	150,651	821,862	286,032	Roche Hldg AG	2,500	198,980	180,111
Irish Life & Permanent	1,900	20,352	22,198	Rohm Co	2,500	256,142	388,470
Jazztel PLC	625	0	5,291	Rolls Royce	206,300	647,947	680,379
Johnson Elec Hldgs	144,000	185,972	197,541	Sainsbury	97,400	542,151	607,178
Jusco Co	15,000	270,597	330,741	Samsung Electronics Co	12,210	1,120,994	935,896
KDDI Corp	17	60,611	79,330	Sankyo Co	13,000	278,776	234,525
Kimberly Clark De Mexico	276,900	748,023	816,912	Sanofi-Synthelabo	12,480	331,082	818,832

## STATISTICAL SECTION

Issue	Market			Issue	Market		
	Par/ Shares	Book Value	Value at June 30, 2001		Par/ Shares	Book Value	Value at June 30, 2001
Schneider Electric	1,000	53,916	55,283	Woolworths Ltd	20,200	101,602	112,900
Schweiz Ruckversicherungs	445	936,896	889,257	XL Cap Ltd Cl	5,500	410,286	451,550
SGS Holding SZF20	255	82,670	46,106	Xoma Ltd Com	42,300	600,837	721,368
Shell Trans & Trdg	131,700	1,069,765	1,094,667	Yamanouchi pharmaceutical Co	3,000	164,864	84,189
Shin-etsu Chemicals Co	4,000	169,411	146,889	Yasuda Fire & Marine Ins	8,000	46,776	49,711
Shionogi & Co	25,000	455,577	521,167	Zurich Financial Services	1,351	681,022	460,730
Siemens AG	5,450	247,794	334,513	<i>Domestic Equities</i>			
Singapore Airlines	13,000	118,814	89,901	Abercrombie & Fitch Co	11,400	274,672	507,528
Singapore Press Hldgs	15,000	240,803	164,654	Activision Inc	16,000	384,605	628,000
Singport Technologies Engineerin	259,000	274,405	366,751	Adelphia Business Solutions	1,934	1,289,786	483,595
Smiths Group	28,736	430,166	333,418	Advanced Fiber Communications I	25,200	625,290	529,200
Societe Europeenne Des Satel	1,990	281,239	271,242	AES Corp Com	856	36,715	36,851
Sony Corp	19,416	750,220	1,276,549	Affiliated Computer Svcs Inc	8,100	423,268	582,471
St. Microelectronics	8,600	124,874	298,511	Alamosa Hldgs Inc	39,100	945,347	637,330
Stagecoach Hldgs	358,100	644,515	396,358	Alcoa Inc	3,548	116,327	139,791
Stora Enso Oyj Ser	72,500	710,178	785,645	Alkermes Inc	7,700	237,901	270,270
Sumitomo Mitsui Banking Corp	18,000	224,478	148,653	Allstate Corp	15,291	579,521	672,651
Sumitomo Realty & Dev Co	8,000	36,073	47,595	America Movil	16,700	230,178	348,362
Suzuki Motor Co	18,000	179,805	239,577	American Eagle Outfitters	5,300	114,911	186,772
Svenska Handelsbanken	51,050	720,387	729,259	American Express Co	6,726	302,516	260,969
Swire Pacific	34,500	211,508	178,695	American International Group Inc	10,200	882,067	867,102
Swisscom AG	1,111	349,943	264,539	Amphenol Corp	2,300	84,242	92,115
Syngenta AG	2,580	103,831	135,638	AMR Corp	6,730	229,493	243,155
T.I.M. Spa	57,000	267,426	290,502	Anadarko Pete Corp	1,223	78,166	65,932
Taiyo Yuden Co	6,000	306,769	159,718	Analog Devices Inc	8,923	620,047	385,920
Tate & Lyle	26,000	169,337	102,385	Anchor Gaming	5,900	201,085	381,258
TDK Corp	2,000	155,208	93,169	Anheuser Busch Cos	5,502	176,139	226,682
Telecom Corp of New Zealand	118,900	506,979	269,035	AOL Time Warner Inc	27,700	1,197,206	1,468,100
Telecom Italia Spa Di Risp	45,000	243,261	214,867	Apache Corp	14,300	860,064	725,725
Telecom Italia Spa Ord	40,645	130,741	364,746	Applebees International Inc	9,300	239,578	297,600
Telefonica SA	14,577	209,969	179,683	Applied Mats Inc	4,275	373,056	209,903
Tesco Ord	50,741	148,777	183,044	Argosv Gaming Co	24,500	531,283	680,120
THK Co	15,000	260,655	282,032	Aspen Technology Inc	7,500	227,468	181,500
Thomson Corp	13,980	399,864	471,650	AT&T Corp AT&T Wireless	105,500	2,375,286	1,724,925
Tnt Post Groep	18,748	381,406	391,246	AT&T Corp Com Liberty Media	30,115	526,163	526,711
Tokyo Electron	12,100	441,601	732,481	Atlantic Coast Airls Hldgs	45,200	775,503	1,355,548
Tokyo Seimitsu	2,500	266,277	128,688	Automatic Data Processing Inc	4,769	210,600	237,019
Tommy Hilfiger Corp	24,000	319,792	341,600	Avery Dennison Corp	1,223	72,003	62,434
Toray Industries Inc.	56,000	220,705	223,605	Avocent Corp	7,100	222,657	161,525
Toshiba Corp	96,000	935,702	507,248	Avon Prod Inc	5,149	203,376	238,296
Total Fina Elf	3,766	186,155	527,344	Axcelis Technologies Inc	9,904	94,390	146,579
Transcanada Pipelines	26,400	332,207	326,173	Baker Hughes Inc.	16,452	631,654	551,142
Transocean Sedco Fr=orex Inc	19,422	950,153	801,158	Bank New York Inc	979	33,937	46,992
Turkive Is Bankasi	343,185	232,973	321,297	Bank of America Corp	7,337	339,597	440,440
Turkive Is Bankasi	51,968	5,529	35,338	Barra Inc	8,800	437,180	357,104
UFJ Hldgs	40	407,349	215,202	Barrick Gold Corp	13,453	224,998	203,813
Unilever	187,550	1,196,384	1,579,984	Baxter Intl Inc	5,196	176,858	262,398
United Overseas Bank	12,000	77,517	75,741	Bear Steams Co S&P 500	85,960	561,000	508,883
United Pan-Europe Communicatio	10,000	208,034	25,398	BHP Billiton Ltd	14,800	298,336	321,900
UPM-Kymmene OY	5,500	135,212	155,474	Blackrock Inc	4,097	91,784	140,486
Ushio Electric	7,000	190,606	96,031	Boeing CO	9,052	421,917	503,291
Valeo	14,150	610,511	571,297	Bowater Inc	3,299	174,938	147,597
Vivendi Universal	500	55,509	29,144	BP PLC Sponsored ADR	4,523	221,695	225,472
VNUNV Euro	3,300	167,042	111,751	Brooks Automation Inc	5,500	266,780	253,550
Vodafone Group	711,411	746,216	1,575,832	Burlington North Santa Fe Corp	12,230	303,491	370,569
Volkswagen AG	9,900	386,102	465,164	Burlington Res Inc	6,359	210,368	252,770
Volvo	22,400	521,146	335,422	Cal Dive Intl Inc	7,300	203,395	179,580
Westpac Banking Corp	24,678	171,545	181,287	Canadian Pac Ltd	14,067	307,620	545,096
Willis Group Holding Ltd	32,100	433,350	569,775	Capstone Turbine Corp	6,200	182,712	136,958
WMC Ltd	34,312	219,748	167,017	Cardinal Health Inc	12,471	362,199	860,499
Wolters Kluwers CVA	29,950	788,342	805,043	Caremark Rx Inc	42,100	686,401	692,545

STATISTICAL SECTION

Issue	Par/	Book	Market	Issue	Par/	Book	Market
	Shares	Value	Value at June 30, 2001		Shares	Value	Value at June 30, 2001
CDW Computer Ctrs Inc	6,600	258,354	262,086	Equifax Inc	8,926	189,089	327,406
CEC Entmt Inc	9,100	451,593	449,085	Ericsson LM Tel Co	1,200	8,233	6,504
Cell Therapeutics Inc	20,400	639,052	563,856	Ethan Allen Interiors Inc	14,700	560,789	477,750
Charter Communications Inc	5,200	114,544	121,420	Exelon Corp	7,033	409,692	450,956
Cheesecake Factory	7,950	204,109	224,985	Exxon Mobil Corp	22,013	1,743,243	1,922,836
Chevron Corp	2,690	204,229	243,445	Fannie Mae	33,793	2,528,424	2,877,474
Children's Pl Retail Stores Inc	17,500	505,775	469,000	Federated Dept Stores Inc	3,484	143,153	148,070
Chubb Corp	3,853	214,931	298,338	Fifth Third Bancorp	490	25,025	29,425
Cirrus Logic Inc	13,400	286,785	308,602	FileNet Corp	12,000	323,405	177,600
Cisco Sys Inc	73,200	3,067,568	1,332,240	First Data Corp	14,064	548,261	905,018
Citigroup Inc	59,368	2,301,165	3,137,005	Fleet Boston Finl Corp	10,396	419,714	410,122
Coca Cola Co	6,116	313,662	275,220	Fleming Cos Inc	20,400	527,738	728,280
Colgate Palmolive	2,397	133,630	141,399	Foundry Networks Inc	22,800	406,886	455,544
Comcast Corp	34,358	1,445,324	1,491,137	FPL Group Inc	4,405	267,422	265,225
Commit to Purch Mattell Flex	275	203,250	48,125	Franklin Res Inc	1,956	54,551	89,526
Companhia Vale Do Rio Doce Ad	15,100	343,058	350,320	Freddie Mac Corp	11,520	737,749	783,936
Compania de Tel Commun Adr de	38,425	663,622	541,024	Gannett Inc	6,359	406,837	419,058
Compaq Computer	11,007	242,047	168,627	General Dynamics Copr	5,466	292,612	425,309
Conoco Inc	14,677	336,358	424,165	General Elec Co	46,790	2,428,910	2,281,012
Constellation Brands	10,600	208,072	434,600	General Mls Inc	5,137	170,138	224,898
Constellation Engy Grp	6,727	251,059	286,570	Genesis Microchip Inc	9,800	365,751	354,270
Continental Airls	15,445	662,380	760,666	Geneva Stil Hldgs	4,569	132,500	5,072
Convergys Corp	2,447	93,741	74,022	Getty Images Inc	8,500	247,644	223,210
Cooper Cos Inc	8,100	389,835	416,340	Goldman Sachs Group	11,329	1,086,363	972,028
Coriza Corp	20,700	434,120	353,349	Grupo Aeroportuario del Sureste	28,500	447,756	532,950
Costco Whsl Corp	977	45,338	40,135	Harmonic Inc	33,900	406,913	339,000
Credence Sys Corp	19,600	416,779	475,104	Hartford Finl Svcs Group	9,785	418,818	669,294
Cryolife Inc	10,900	321,430	445,919	HCC Ion Hldgs Inc	14,500	370,829	355,250
Curagen Corp	14,600	420,144	531,440	Health Mgmt Assoc	24,800	435,642	521,792
CVS corp	8,621	364,256	332,771	Heidrick & Struggles Intl	20,800	566,065	422,864
DDI Corp	10,000	378,466	200,000	Heinz HJ Co	3,669	125,737	150,025
Deere & Co	2,445	92,679	92,543	Hewlett Packard	5,442	238,092	155,641
Dell Computer Corp	14,613	606,888	382,130	HNC Software Inc	4,400	78,425	110,000
Devon Energy Corp	5,257	305,829	275,992	Home Depot Inc	8,892	447,650	413,923
Disney Walt Co	11,619	401,662	335,673	Hon Hai Prec Inc Ltd	15,756	156,780	180,091
Documentum Inc	5,700	244,810	73,644	Honeywell Intl Inc	40,400	2,047,580	1,413,596
Dominion Res Inc	6,560	375,820	394,453	Hotel Reservations Network	13,100	474,251	609,543
Dover Corp	6,483	257,346	244,085	Hyundai Mtr Co	12,000	123,033	134,100
Dow Chem Co	4,891	185,837	162,626	IBM Corp	8,807	898,748	995,191
Du Pont El de Nemours	3,668	217,596	176,944	IMS Health Inc	3,671	101,571	104,624
Duke Energy Corp	13,087	323,068	510,524	Infineon Technologies	6,100	420,166	143,045
Dynegy Inc	7,100	318,176	323,050	Informix Corp	471	0	2,751
Bastman Kodak Co	1,346	68,417	62,831	Insight Enterprises Inc	17,250	508,553	422,625
Baton Corp	3,080	195,246	215,908	Integrated Circuit Sys Inc	18,300	329,631	351,360
EB Intl Stock Index Fnd	207,354	39,022,631	37,458,612	Intel Corp Calif Com	16,263	940,325	475,693
EB Stock Index Fund	146,530	150,814,597	181,037,312	Intermune Inc	10,700	369,023	381,134
Education Mgmt Corp	12,100	391,140	484,605	International Paper Co	4,400	144,598	157,080
Edwards AG Inc	1,345	43,120	60,525	Internet Sec Sys Inc	8,100	456,633	393,336
Efunds Corp	22,100	405,601	411,060	Interwoven Inc	27,000	616,613	456,300
El Paso Corp	7,338	305,082	385,539	Intranet Solutions Inc	7,000	410,760	266,350
Blan PLC Adr	14,400	458,790	878,400	Intuit Com	979	32,473	39,150
Elantec Semiconductor Inc	7,100	310,836	239,909	Investors Financial Svcs	6,500	478,260	435,500
Electro Scientific Inds	4,600	155,807	175,260	Invitrogen Corp	2,800	184,212	201,040
Electronic Data Sys corp	15,833	966,502	989,562	Ishared Tr S&P 500 Index	50,700	6,868,329	6,220,383
Embotelladora Andina SA Sponso	1,600	24,951	17,360	JDS Uniphase Corp	2,400	93,532	30,000
Emcor Group Inc	5,900	186,983	213,285	Johnson & Johnson	22,998	947,593	1,149,900
Emcore Corp	11,500	303,355	353,625	JP Morgan Chase & Co	14,678	695,892	654,639
Emerson Elec Co	4,586	280,625	277,453	Juniper Networks Inc	18,300	980,315	569,130
Enron Corp	25,300	1,638,151	1,242,230	Kimberly Clark Corp	6,399	391,804	357,704
Enzon Inc	4,300	212,766	268,750	Kohls Corp	52,000	2,778,308	3,261,960
BOG Res Inc	1,468	59,162	52,187	Koninklijke Philips Electrs NV	800	23,381	21,144

## STATISTICAL SECTION

Issue	Par/ Shares	Book Value	Market Value at		Issue	Par/ Shares	Book Value	Market Value at	
			June 30, 2001	June 30, 2001				June 30, 2001	June 30, 2001
Korea Elec Pwr Corp sponsored A	49,500	692,228	470,250		Pumatech Inc	48,909	571,329	146,727	
Korea Telecom Sponsored ADR	15,300	451,000	336,294		Quaker Oats Co	1,958	132,546	178,668	
Laboratory Corp Amer Hldgs	11,000	588,070	845,900		Quiksilver Inc	5,500	153,029	137,500	
Lehman Bros Hldgs Inc	7,607	390,926	587,565		Qwest Communications Intl	9,781	448,899	311,720	
Lilly Eli & Co	7,094	474,015	524,956		Ralston Purina co	12,226	252,156	367,025	
Lincoln Natl Corp	805	41,771	41,659		Rayonier Inc	3,485	135,331	161,878	
Lowes Cos Inc	7,337	336,099	532,299		Rent A Ctr Inc	19,300	600,299	1,015,180	
LTX Corp	20,100	332,778	513,756		Retek Inc	4,206	218,642	201,635	
Marsh & McLennan Co	3,666	404,779	370,266		Reynolds & Reynolds	17,400	305,741	381,930	
Martin Marietta Matls Inc	5,137	157,458	254,230		Rohm & Has Co	1,789	60,231	58,858	
MBNA Corp	64,300	1,700,681	2,121,900		Royal Dutch Pete Co	6,482	347,318	377,706	
Medicis Pharmaceutical Corp	3,750	111,345	198,750		Rudolph Technologies Inc	5,600	252,000	263,200	
Medtronic Inc	2,444	118,040	112,448		Salomon Inc Unit S&P 500 Equity	84,000	2,124,828	1,953,000	
Merck & Co	24,242	1,567,134	1,549,306		Salomon Smith Barney Hldgs Inc	13,200	246,836	254,100	
Merrill Lynch & Co	1,103	72,470	65,353		Salomon Smith Barney Hldgs Inc	2,500	67,425	72,250	
Merrill Lynch & Co Inc Nekkei	131,300	1,202,055	1,253,915		Salomon Smith Barney Inc Nikki	37,500	345,967	356,250	
Merrill Lynch & Co Technology	17,800	308,141	352,440		Samsung Electrs Ltd	54,000	433,428	398,628	
Metlife Inc	3,056	83,926	94,675		Sangamo Biosciences Inc	22,800	720,269	333,792	
Metris Cos	12,400	370,572	418,004		SBC communications Inc	23,849	1,099,872	955,391	
MGIC Invst Corp Wise	3,242	206,001	235,499		Schering Plough Corp	45,567	2,152,939	1,651,348	
Micrel Inc	3,000	43,957	99,000		Schlumberger Ltd	3,668	273,736	193,120	
Micron Technology Inc	14,500	615,079	595,950		Scholastic Corp	4,600	201,402	193,660	
Microsoft Corp	49,318	3,643,519	3,600,214		Seabulk Intl Inc	76,266	2,391,454	381,330	
Minnesota Mng & Mfg Co	2,324	252,224	265,168		Seabulk Intl Inc wts to pur	489	4,123	337	
Molex Inc	8,084	264,030	241,065		Seabulk Intl Inc wts to pur	2,822	0	5,644	
Morgan Stanley Dean Witter & C	9,978	717,824	640,887		Shaw Group Inc	4,800	246,698	192,480	
Myriad Genetics	6,800	504,246	430,576		Shell Trans & Trading PLC	2,600	135,492	130,884	
Nabors Inds Inc	8,560	374,183	318,432		Sicor Inc	31,100	386,846	718,410	
Nations Govt Income Term TR 20	1,500	145,628	146,100		Sonicwall Inc	25,100	503,014	632,771	
Neopharm Inc	16,000	618,236	408,000		Sony Corp	400	18,711	26,320	
Netegrity Inc	13,800	498,246	414,000		Sprint Corp	10,762	539,495	229,876	
News Corportation Ltd	60,600	406,833	485,572		Sprint Corp PCS Com Ser	8,745	204,719	211,192	
Nextel Communications Inc	390	298,968	234,000		St. Paul Cos	5,137	123,886	260,446	
Nisource Inc	1,345	41,327	36,759		Stewart & Stevenson Svcs Inc	12,500	408,200	412,500	
Noble Drilling Corp	3,426	154,809	112,201		Stmicroelectronics NV Shs NY Re	1,300	15,776	43,537	
Nokia Corp Spon ADR Com	81,300	2,028,448	1,804,047		Stone Energy Corp	3,100	99,370	137,330	
Nortel Networks Corp	23,200	283,601	209,496		Storage Networks Inc	19,500	429,699	331,305	
NPS Pharmaceuticals Inc	20,200	731,376	812,040		Strayer Ed Inc	8,500	351,176	414,375	
Oak Technologies Inc	45,200	466,954	478,668		Sun Microsystems Inc	11,007	386,871	173,030	
Ocular Sciences Inc	16,200	367,500	411,480		Sysco Corp	6,237	103,091	169,335	
Oil Co Lukoil Spon ADR	3,400	187,066	163,091		Taiwan Semiconductor Mfg Co	52,229	489,901	793,362	
Optimal Robotics Corp	17,100	657,625	649,800		Target Corp	31,785	1,048,058	1,099,761	
Park Electrochemical Corp	12,444	290,309	328,522		Tele Norte Leste Participacoes	17,700	371,186	270,102	
Parker Hannifin Copr	4,891	189,334	207,574		Telefonos de Mexico SA	32,500	650,218	1,140,425	
Parnacia Corp	61,557	3,330,035	2,828,544		Telonica SA Sponsored ADR	11,081	502,008	412,656	
Pepsico Inc	10,639	389,372	470,244		Tenet Healthcare Corp	5,300	229,609	273,480	
Performance Food Group	15,800	400,635	477,634		Texaco Inc	3,669	222,627	244,576	
Perkinelmer Inc	3,058	98,300	84,187		Texas Instrs Inc	10,519	692,335	335,556	
Pfizer Inc	95,164	3,689,357	3,811,318		Thermo Electron Corp	1,958	46,381	43,115	
Philip Morris Cos Inc	25,800	1,217,324	1,309,350		Timberland Co	1,900	37,617	75,069	
Philippine Long Distance ADR	14,800	349,098	207,940		Titan Corp	18,300	374,417	419,070	
Pier 1 Imports Inc	53,400	689,075	614,100		Too Inc	22,600	534,082	619,240	
Pitney Bowes Inc	4,891	260,838	206,009		Tosco Corp	1,833	53,427	80,743	
Plexus Copr	11,000	398,750	363,000		Transcrypt Intl Inc	16,765	0	3,521	
PNC Financial Services Group	7,792	445,791	512,636		Triquint Semiconductor Inc	9,400	217,697	211,500	
Precision Drilling Corp	12,700	320,712	396,748		Tyco Intl Ltd	24,000	1,165,660	1,308,240	
Preview Sys inc	29,559	243,862	101,979		Unilab Corp	51,000	816,000	1,285,200	
Pride Intl Inc	11,200	126,551	212,800		Unisys Corp	6,851	103,977	100,778	
Procter & Gamble Co	6,339	294,282	234,082		United Health Group	53,446	2,949,426	3,300,290	
Provident bankshares Corp	17,955	379,003	447,798		United Technologies Corp	16,976	1,118,488	1,243,662	
Province Healthcare Co	9,200	319,712	324,668		Universal Compression Hldgs	8,400	308,907	238,560	

STATISTICAL SECTION

Issue	Par/ Shares	Book Value	Market	Other Investments		Market
			Value at June 30, 2001	Issue	Book Value	Value at June 30, 2001
Unocal Corp	7,583	214,167	258,959	RWI Group III	5,395,647	3,720,939
URS Corp	13,600	372,238	367,200	RWI Group IV	2,350,000	2,206,871
US Bancorp del Com	8,559	167,514	195,059	<b>Total Other Investments</b>	<u>7,745,647</u>	<u>5,927,810</u>
UT Starcom Inc	15,200	356,846	354,160			
Veritas Software	3,000	180,827	199,590	<b>Real Estate Investments</b>		
Verizon Communications Veritas	13,880	741,530	742,580	<b>Description and Location</b>		<b>Original</b>
Viacom Inc	9,800	471,462	507,150	<b>MTRFA Properties</b>		<b>Cost</b>
Vintage Pete Inc	11,200	278,722	209,440	Arby's - Dallas, TX		420,290
Vodafone Grp	88,000	3,712,679	1,945,591	Chi-Chi's - Hampton, VA		900,000
Waddell & Reed Finl Inc	2,934	57,341	93,155	Grandy's - Arlington, TX		620,000
Wal Mart Stores Inc	21,752	1,061,414	1,061,497	Grandy's - Midland, TX		525,005
Walgreen Co	31,500	1,250,172	1,085,490	Grandy's - Tulsa, OK		542,060
Weatherford Intl Inc	2,508	135,996	120,384	Grandy's - Albuquerque, NM		502,500
Wells Fargo & Co	4,405	217,928	204,524	Jag's - St. Louis, MO		343,446
Westvaco Corp	2,446	69,536	59,413	Ocean Reef - Durham, NC		350,000
Weyerhaeuser Co	8,316	417,570	457,131	MTRFA Rental Property		4,203,301
Williams Cos Inc	1,589	62,457	52,358	<b>MRT Properties</b>		
Xcel Energy	6,479	109,502	184,328	Super 7 - Indianapolis, IN		133,000
<b>Total Common and Preferred Stock</b>		<u>444,258,870</u>	<u>469,313,327</u>	MRT Rental Property		133,000
				<b>Grand Total All Property</b>		<u>4,336,301</u>
<b>Option Contracts</b>						
Cisco Sys Inc Put	415	1,036,197	2,759,750			
Cisco Sys Inc Put	90	127,250	146,700			
NASDAQ 100 Tr Unit Put	100	2,700	500			
Oracle Corporation Put	150	260,750	237,750			
Oracle Corporation Put	50	74,850	66,500			
Oracle Corporation Put	50	94,000	93,250			
S&P 500 Index	100	748,300	403,625			
<b>Total Option Contracts</b>		<u>2,344,047</u>	<u>3,708,075</u>			

ADMINISTRATIVE EXPENSES

	<u>2001</u>	<u>2000</u>
Salaries	\$270,893	\$254,164
Payroll Taxes	18,832	18,261
Employee Benefits	42,031	37,699
Postage & Mailing	29,771	26,306
Telephone & Electricity	7,466	6,876
Printing & Binding	24,552	15,011
Office Supplies	4,907	4,394
Office Rent	44,755	41,441
Insurance	25,601	27,833
Data Processing	72,641	62,965
Depreciation	14,923	11,719
Travel	14,199	10,143
Mileage and Parking	1,987	2,242
Business Expense	14,760	8,892
Legal Fees	27,604	10,846
Actuarial	46,759	39,296
Audit	9,571	8,904
Miscellaneous	264	336
<b>Total Administrative Expenses</b>	<u>671,516</u>	<u>587,328</u>

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

<b>Investment Expenses - Securities</b>	<u>2001</u>	<u>2000</u>
Money Manager and Custodian Fees		
Advanced Investment Management	\$198,603	\$631,405
Alliance Capital	227,845	259,787
Brinson	0	95,216
Capital Guardian	342,491	398,790
GE Capital	261,790	88,869
Loomis Sayles	193,497	165,098
Loomis Sayles - High Yield	372,325	371,167
Mellon Capital - Fixed Income	32,320	35,604
Mellon Capital - Equity	64,879	91,978
Mellon Capital - International	54,414	79,449
Nicholas-Applegate	515,721	753,911
Northern Trust	191,307	158,872
Templeton	328,859	322,256
The Clifton Group	243,403	30,581
Custodian Fees	150,863	103,781
Total Money Manager and Custodian Fees	3,178,317	3,586,764
Salaries	99,290	89,319
Payroll Taxes	6,890	6,416
Employee Benefits	15,378	13,246
Telephone and Electricity	2,731	2,416
Office Supplies	1,795	1,544
Office Rent	16,374	14,560
Insurance	25,113	24,311
Depreciation	5,459	4,117
Travel	11,607	9,810
Business Expense	1,536	1,123
Audit	2,603	3,128
Consulting	5,400	5,400
Miscellaneous	3,361	44,564
<b>Total Investment Expenses - Securities</b>	<u>\$3,375,854</u>	<u>\$3,806,718</u>
 <b>Investment Expenses - Real Estate</b>		
Salaries	\$43,002	\$85,889
Payroll Taxes	2,985	6,169
Employee Benefits	6,665	12,736
Postage & Mailing	600	731
Telephone and Electricity	1,184	2,323
Office Supplies	778	1,485
Office Rent	7,095	14,000
Insurance	6,586	(700)
Depreciation	2,366	3,959
Travel	360	2,149
Business Expense	400	1,080
Legal Fees	15,377	73,549
Audit	2,416	3,008
Consulting	11,560	0
Property Taxes	5,618	51,245
Utilities on MTRFA Properties	7,134	3,870
Repairs and Maintenance	1,035	12,773
Valuations & Appraisals	1,862	0
Miscellaneous	1,338	1,695
<b>Total Investment Expenses - Real Estate</b>	<u>118,361</u>	<u>275,961</u>
<b>Total Investment Expenses</b>	<u>\$3,494,215</u>	<u>\$4,082,679</u>