



MTRFA

Minneapolis Teachers' Retirement Fund Association



Ceramic Pieces by (Left to Right): Cathy Benson, Special Education Assistant and Alumna South High School; Dennis Sponsler, Teacher, South High School; Julie Peck, Junior, South High; Picture taken by Elizabeth Christian, Senior, South High School.

Ninety-Third Annual Report of the Board of Trustees

For the Year Ended June 30, 2002

LB2842.2
.M5ax
2001/
2002

Minneapolis Teachers' Retirement Fund Association

2001-2002 Annual Report

RECEIVED

FEB 06 2003

LEGISLATIVE REFERENCE LIBRARY
STATE OFFICE BUILDING
ST. PAUL, MN 55155

Board of Trustees

Ann Downing
Birdie Carter
Norman Moen
Laurence Risser
Kilee Christnagel
Rodney Martel
B. Ross Taylor

President
Vice President
Secretary
Treasurer
Trustee
Trustee
Trustee

Executive and Professional

Karen Kilberg
Executive Director

Milliman USA
State Actuary

Van Iwaarden Associates
Consulting Actuary

Minnesota Office of the State Auditor
Independent Auditor

Mellon Trust
Master Custodian

This page is intentionally blank

Table of Contents

Introductory Section

Letter of Transmittal.....4

Financial Section

Independent Auditor's Report.....6
 Management's Discussion and Analysis8
 Comparative Statement of Plan Net Assets 11
 Comparative Statement of Changes in Plan Net Assets12
 Notes to the Basic Financial Statements 14
 Supplemental Schedules
 Schedule of Funding Progress and Schedule of Contributions
 from the Employer and Other Contributing Entities.....28
 Notes to Schedule 1 and Schedule 229

Actuarial Section

Actuary's Report.....33
 Report Highlights34
 Accounting Balance Sheet (Table 1).....35
 Change in Assets Available for Benefits (Table 2)36
 Reconciliation of Members (Table 7)37
 Actuarial Balance Sheet (Table 8)38
 Determination of Unfunded Actuarial Accrued Liability (UAAL)
 and Supplemental Contribution Rate (Table 9).....39
 Changes in Unfunded Actuarial Accrued Liability (UAAL)(Table 10)40
 Determination of Contribution Sufficiency (Table 11)41

Statistical Section

Current Membership42
 Total Annuity Payroll and Benefit Recipients42
 Average Annual Benefit42
 Asset Distribution43
 Net Assets43
 Net Asset Growth43
 Investment Managers - Assets Under Management and Performance.....44
 Asset Listing45
 Schedule of Administrative Expenses51
 Schedule of Investment Expenses52

INTRODUCTORY SECTION

December 30, 2002

Letter of Transmittal

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

On behalf of the Board of Trustees of the Minneapolis Teachers' Retirement Fund Association (MTRFA), we are pleased to submit the Ninety-Second Annual Report for the fiscal year ended June 30, 2002. This Annual Report has been prepared in accordance with Minnesota Statute 356.20.

During the 2002 fiscal year, the MTRFA, like other pension funds, felt the impact of the poor investment markets. However, MTRFA members, unlike members of defined contribution plans, continued to receive their full benefits plus a 2% increase. Never in recent history has the security of defined benefit plans been so apparent.

The investment market conditions also renewed the resolve of the MTRFA to continue in its efforts to contain costs, promote legislation to increase its funding ratio and provide excellent service to its members.

Because to the funding issues the MTRFA faces and the desire to provide better benefits for its coordinated members (i.e. the Rule of 90 for coordinated members hired after June 30, 1989), the MTRFA has entered into talks regarding the possibility of restructuring all the teacher pension funds in the State of Minnesota. These talks will continue into the 2003 fiscal year.

Legislation

The 2002 legislative session was fairly uneventful with two exceptions. First, charter school teachers in Minneapolis will no longer be members of the MTRFA. Instead, all charter school teachers in Minnesota will belong to the Minnesota Teachers Retirement Association beginning July 1, 2002.

Second, the legislature extended the date for service credit purchases to May 16, 2003. This allows MTRFA members an additional year to purchase this credit. Coupled with Federal legislation, effective January 1, 2002, that allows funds from 401(k), 457, 403(b) and IRA plans to be used for these purchases, MTRFA members are provided with more flexibility and portability regarding their pensions.

MTRFA Membership

At June 30, 2002 the MTRFA had 13,013 members. The membership consisted of 5,778 active members, 3,663 separated members and 3,572 benefit recipients. Active members make up 44% of the total membership. Of the active members, 92% are members of the coordinated plan. Over 80% of the coordinated members (including reserve teachers) 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 2002 employer and employee contributions totaled \$42,105,056 and \$17,715,111, respectively.

The employer contribution included required contributions based on a percentage of payroll (\$21,744,722) 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, \$2,439,685; Minneapolis Public Schools, \$1,250,000; and City of Minneapolis, \$1,189,685), 1996 legislation which provides excess police and fire relief amortization aid from the State of Minnesota (\$1,015,110) and amounts levied by the Minneapolis Public Schools (\$775,000) and the City of Minneapolis (\$736,854), and the 1997 Pension Uniformity and Funding Bill which provided funding from the State of Minnesota (\$12,954,000).

INTRODUCTORY SECTION

The MTRFA had a loss on investments of \$110,906,367 in fiscal 2002. 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, 2002 totaled \$110,111,546. Benefit payments to retirees, disabilitants, survivors and refund payments to separated members made up 99.4% (\$110,823,032) of the total expenses. The remaining expenses consisted of administrative expenses.

The MTRFA continues to work hard on controlling investment and administrative expenses by renegotiating various contracts and through operating efficiencies. Administrative expenses totaled \$711,486 in fiscal 2002.

Investments

The MTRFA investment portfolio is dominated by high-quality and diversified assets that emphasize a long-term investment approach. In 2002, working in conjunction with the Investment Advisory Committee, the MTRFA terminated its small cap growth investment manager, Nicholas Applegate, and hired a small cap growth investment manager, Wasatch Advisors, and a small cap value investment manager, Sterling Capital.

The decline in the investment markets during 2002 did dramatically impact the MTRFA investment portfolio. Net assets declined from over \$932,398,241 at June 30, 2001 to \$770,489,009 as of June 30, 2002. For the year ended June 30, 2002, the MTRFA time weighted rate of return was -11.16%.

The five year investment return for the period ended June 30, 2001 was 3.00%. Since this five year return was below the MTRFA assumed rate of return there was no surplus investment increase payable at January 1, 2003. During the last five years (including the 2002 increase of 2.00%) retirees' annuities have been increased by 34.06%.

Funding

The accrued liability funding ratio of the MTRFA at July 1, 2002, was 61.94%, which was a decrease from 65.95% at July 1, 2001.

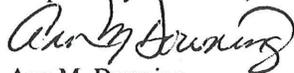
The MTRFA actuary report showed a contribution deficiency of 6.52% at July 1, 2002 compared to a deficiency of 2.73% at July 1, 2001. The contribution sufficiency (deficiency) indicates whether the projected revenues for the coming year are sufficient to cover the cost of benefits earned by members in 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 (\$266,429,000 for the 2003 fiscal year).

The contribution deficiency of 6.52% 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.

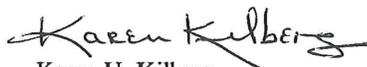
Acknowledgments

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, 2002. 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



JUDITH H. DUTCHER
STATE AUDITOR

FINANCIAL SECTION
STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 400
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
stateauditor@osa.state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

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, 2002 and 2001, 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 Minneapolis Teachers' Retirement Fund Association as of June 30, 2002 and 2001, 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.

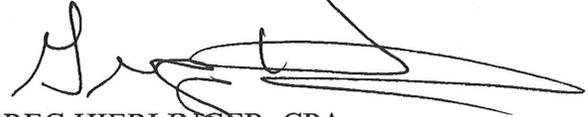
As discussed in the notes to the basic financial statements, the Minneapolis Teachers' Retirement Fund Association adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended.

FINANCIAL SECTION

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis and other required supplementary information referred to in the table of contents are not required parts of the basic financial statements but are required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information, 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 14, 2002

FINANCIAL SECTION**MANAGEMENT'S DISCUSSION AND ANALYSIS**

We are pleased to provide this overview and analysis of the financial activities of the Minneapolis Teachers' Retirement Fund Association (the Association) for the fiscal year ended June 30, 2002. The Association's Board of Trustees are entrusted with the responsibility of providing retirement benefits to its members and their beneficiaries in a fully responsive and effective manner. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes, and current known facts, please read it in conjunction with the financial statements and required supplementary information.

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. These statements include the Statement of Plan Net Assets, the Statement of Changes in Plan Net Assets, and the Notes to the Financial Statements for the fiscal years ended June 30, 2002 and 2001.

The Statement of Plan Net Assets shows the financial position of plan assets and liabilities by investment and accounting categories. The excess of assets over liabilities is reported as "Plan Net Assets Held in Trust for Pension Benefits." Over time, increases or decreases in Plan Net Assets Held in Trust for Pension Benefits may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Changes in Plan Net Assets itemizes Additions, Deductions, and Net Changes, showing how the Association's assets have decreased or increased during the years ended June 30, 2002 and 2001. All activities were recorded using the accrual basis of accounting. Transactions are recognized when earned or incurred regardless of the timing of cash flows.

Financial Highlights

- The Association's total assets exceeded its liabilities by \$770.5 million at the close of fiscal year 2002.
- The Association's net assets held in trust for pension benefits decreased by \$161.9 million or 17.4 percent from the closing balance of net assets in fiscal year 2001.
- Benefit payments for the year totaled \$110.1 million compared to \$99.4 million in fiscal year 2001.
- Total contributions for the year totaled \$59.8 million compared to \$59.2 million in fiscal year 2001.

FINANCIAL SECTIONFinancial Analysis

The Statement of Plan Net Assets at the close of fiscal year 2002 showed assets exceeding total liabilities by \$770.5 million. This amount represents the total plan assets held in trust for pension benefits. The entire amount is available to cover the Association's obligation to pay benefits to its members and their beneficiaries.

This amount also represents a decline in net assets of \$161.9 million or 17.4 percent from fiscal year 2001. This decline was due to declines in the value of the investment portfolio and to benefit payments exceeding contributions. Benefit payments (annuity payments and refunds) exceeded contributions (member, employer, and supplemental contributions) by \$50.3 million. The remainder of the decline was due to declines in the value of the investment portfolio, which reflects the substantial financial market declines of this period. The Association's time weighted rate of return was -11.16 percent for the year ended June 30, 2002.

Additions to Plan Assets

The overall activities of the Association's accounts, shown in the Statement of Changes in Plan Net Assets and reflected in the difference between total additions and total deductions, resulted in a net decrease of \$161.9 million for fiscal year 2002. Additions and deductions are the major segments of the Statement of Changes in Plan Net Assets. Additions include employer contributions of \$21.7 million, member contributions of \$17.7 million, supplemental contributions of \$20.4 million, and net losses of the Association's investment portfolios of \$110.9 million.

Employer contributions totaled \$21.7 million in fiscal year 2002. This was a decrease of \$0.3 million or 1.3 percent. Supplemental contributions totaled \$20.4 million, representing a \$0.5 million or 2.5 percent decrease from fiscal year 2001. Member contributions totaled \$17.7 million. This was an increase of \$1.4 million or 8.5 percent. This increase in member contributions was due to a \$1.6 million increase in direct member contributions. Direct member contributions consist of repayment of contribution refunds and service credit purchases.

Over the long term, the investment portfolio has been a major component in additions to income. However, in fiscal year 2002, the investment portfolio suffered a substantial decline in value reflecting substantial reversals in the major equity markets during that period of time.

The fair market value of the Association's investments declined by \$164.1 million in fiscal year 2002. Net investment losses totaled \$110.9 million compared with a net loss of \$126.3 million in fiscal year 2001. Combined contributions, investment activities, and net deductions resulted in a net decrease of \$161.9 million in fiscal year 2002. The table below shows a list of revenues by source for fiscal years 1998 through 2002.

FINANCIAL SECTION

(Dollars in Millions)

<u>YEAR ENDED JUNE 30</u>	<u>NET MEMBER CONTRIBUTION</u>	<u>EMPLOYER CONTRIBUTION</u>	<u>SUPPLEMENTAL CONTRIBUTION</u>	<u>NET INVESTMENT INCOME/(LOSS)</u>	<u>TOTAL ADDITIONS</u>
1998	13.9	18.9	24.8	121.5	179.1
1999	14.9	20.2	20.3	114.5	169.9
2000	16.2	21.9	20.6	128.1	186.8
2001	16.3	22.0	20.9	(126.3)	(67.1)
2002	17.7	21.7	20.4	(110.9)	(51.1)

Deductions

Deductions from the Association's net assets consist of benefit payments to members and their beneficiaries and administrative expenses. For fiscal year 2002, deductions totaled \$110.8 million. Payments to members and their beneficiaries totaled \$110.1 million and administrative expenses totaled \$0.7 million. The total deductions of \$110.8 million represented an increase of 10.7 percent from fiscal year 2001.

Investments

The Association's Board of Trustees recognizes the Association's obligation to provide present and future benefits to the members. To this end, the Board of Trustees has set its investment objective to attain investment returns that are competitive with returns achieved by the broader measures of market performance. This objective is addressed by a strategy of investing in high-quality and diversified assets that emphasize a long-term investment approach.

FINANCIAL SECTION

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

EXHIBIT 1

**COMPARATIVE STATEMENT OF PLAN NET ASSETS
JUNE 30, 2002 AND 2001**

	2002	2001
<u>Assets</u>		
Cash and cash equivalents	\$ 66,003,525	\$ 64,961,853
Receivables		
Employer and employee contributions	\$ 1,586,807	\$ 2,471,745
Direct contribution aid		
State of Minnesota	2,218,808	2,986,603
Special School District No. 1	1,050,000	975,000
City of Minneapolis	999,013	969,655
Sales of securities	4,349,829	8,731,567
Variation margin receivable	69,647	1,090,671
Dividends and interest	3,092,987	5,256,475
Total receivables	\$ 13,367,091	\$ 22,481,716
Investments, at fair value		
Government and corporate bonds	\$ 190,442,748	\$ 337,130,897
Common and preferred stock		
Individual holdings	208,003,603	250,790,370
Commingled investment funds		
Equity index fund	139,710,213	181,037,312
International equity fund	33,971,948	37,485,645
Bond index fund	115,054,299	40,944,148
Real estate	3,214,350	4,336,301
Other investments	4,882,876	5,927,810
Options contracts	983,900	3,708,075
Total investments, at fair value	\$ 696,263,937	\$ 861,360,558
Invested securities lending collateral	\$ 34,272,138	\$ 58,468,575
Furniture and fixtures (at cost, less accumulated depreciation of \$223,967 and \$199,078 in 2002 and 2001, respectively)	\$ 51,537	\$ 74,809
Total Assets	\$ 809,958,228	\$ 1,007,347,511
<u>Liabilities</u>		
Accounts payable	\$ 810,151	\$ 1,292,871
Security purchases payable	4,032,360	14,488,572
Deferred premiums on options contracts	344,870	684,999
Rents received in advance	-	4,553
Securities lending collateral	34,272,138	58,468,575
Deposits on rental property	9,700	9,700
Total Liabilities	\$ 39,469,219	\$ 74,949,270
Net Assets Held in Trust for Pension Benefits (a Schedule of Funding Progress is presented on page 24)	\$ 770,489,009	\$ 932,398,241

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, 2002 AND 2001

	2002	2001
Additions		
Contributions		
Employer	\$ 21,744,722	\$ 22,029,140
Members	17,715,111	16,321,023
Other sources		
State of Minnesota	16,408,795	17,166,223
Special School District No. 1	2,025,000	1,875,000
City of Minneapolis	1,926,539	1,834,563
Total contributions	\$ 59,820,167	\$ 59,225,949
Investment income (loss)		
From investing activity		
Net appreciation (depreciation) in fair value of investments	\$ (138,871,940)	\$ (160,618,143)
Interest and dividends	29,956,499	38,030,523
Rental income	554,520	1,017,266
Net gain (loss) on sale of rental property	-	(1,487,413)
Total investing activity income (loss)	\$ (108,360,921)	\$ (123,057,767)
Less: investing activity expense	(2,804,121)	(3,494,215)
Net income (loss) from investing activity	\$ (111,165,042)	\$ (126,551,982)
From securities lending activity		
Securities lending income	\$ 1,527,395	\$ 3,263,742
Less: securities lending expense		
Borrower rebates	\$ (1,129,452)	\$ (2,804,225)
Management fees	(139,268)	(160,820)
Total securities lending expense	\$ (1,268,720)	\$ (2,965,045)
Net income from securities lending activity	\$ 258,675	\$ 298,697
Net investment income (loss)	\$ (110,906,367)	\$ (126,253,285)
Total Additions	\$ (51,086,200)	\$ (67,027,336)

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, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Deductions		
Benefits to participants		
Retirement, beneficiary, and disability annuities	\$ 108,777,422	\$ 98,902,522
Death benefits	221,973	65,765
Withdrawals and refunds	<u>1,112,151</u>	<u>450,486</u>
Total benefits, withdrawals, and refunds	\$ 110,111,546	\$ 99,418,773
Administrative expenses	<u>711,486</u>	<u>671,513</u>
Total Deductions	\$ 110,823,032	\$ 100,090,286
Net Increase (Decrease)	\$ (161,909,232)	\$ (167,117,622)
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	<u>932,398,241</u>	<u>1,099,515,863</u>
End of Year	<u><u>\$ 770,489,009</u></u>	<u><u>\$ 932,398,241</u></u>

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

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2002 AND 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, 2002 and 2001.

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*, and Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended.

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 additions and deductions to plan net assets 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, additions are recognized when they are earned, and deductions 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 Policies****Investments (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 Policies****Accounting for Derivatives****Options (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 Plans****General**

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

Effective July 1, 1978, the Association established a plan, coordinated with Social Security, in accordance with Minnesota statutes (the Coordinated Plan). Teachers who become members of the Association subsequent to June 30, 1978, automatically become members of the Coordinated Plan. Members' contributions and benefits under the Coordinated Plan have been adjusted to reflect contributions to and benefits from Social Security. Teachers who were members of the Association prior to July 1, 1978, are generally covered under the Basic Plan, which provides all retirement benefits for its members.

Membership

At June 30, 2002 and 2001, the Association's membership consisted of:

	<u>2002</u>	<u>2001</u>
Retirees and beneficiaries currently receiving benefits	3,545	3,444
Terminated employees entitled to but not yet receiving benefits	1,043	802
Terminated, non-vested	2,620	2,250
Current active plan members (including members on leave)	<u>5,778</u>	<u>5,877</u>
Total Membership	<u><u>12,986</u></u>	<u><u>12,373</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 Investments

Deposits

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, 2002 and 2001, bank deposits were \$274,393 and \$975,978, respectively. The carrying value of these deposits on the Association's books at June 30, 2002 and 2001, were \$74,224 and \$866,955, respectively.

Following is a summary of the June 30, 2002 and 2001, insurance and collateral as it relates to the Association's custodial credit risk for its deposits.

	<u>Bank Balance</u>	
	<u>2002</u>	<u>2001</u>
Covered Deposits		
Insured, or collateralized with securities held by the Association or its agent in the Association's name	\$ 274,393	\$ 975,978
Collateralized with securities held by the pledging financial institution's trust department or agent in the Association's name	-	-
Uncollateralized	<u>-</u>	<u>-</u>
Total	<u>\$ 274,393</u>	<u>\$ 975,978</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, 2002 and 2001, and the level of custodial credit risk for these investments:

<u>2002</u>	<u>Credit Risk Category</u>	<u>Carrying and Fair Value</u>
Government and corporate bonds	1	\$ 167,037,015
Individual stock holdings	1	198,161,218
U.S. Treasury bills	1	15,639,879
Options contracts	1	<u>983,900</u>
Total		\$ 381,822,012

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

3. Deposits and Investments

Investments (Continued)

<u>2002</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		23,405,733
Individual stock holdings		9,842,385
Commingled investment funds		
Equity index fund		139,710,213
International equity index fund		33,971,948
Bond index fund		115,054,299
Real estate		3,214,350
Other investments		4,882,876
Short-term investment fund		50,289,272
Invested securities lending collateral		34,272,138
Total deposits and cash on hand		<u>74,374</u>
 Total Cash and Investments		 <u>\$ 796,539,600</u>
 <u>2001</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)

2001	Credit Risk Category	Carrying and Fair Value
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		867,105
 Total Cash and Investments		 \$ 984,790,986

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

	2002	2001
Cash and cash equivalents	\$ 66,003,525	\$ 64,961,853
Total investments	696,263,937	861,360,558
Invested securities lending collateral	34,272,138	58,468,575
 Total Cash and Investments	 \$ 796,539,600	 \$ 984,790,986

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

4. Securities Lending

The Association participates in a securities lending program. On June 30, 2002 and 2001, 8.3 and 9.5 percent, respectively, of its individual security holdings were loaned out.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****4. Securities Lending (Continued)**

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, 2002 and 2001, 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 57 days. Cash collateral is invested in a short-term investment pool with a weighted average maturity of 27 days and 34 days for June 30, 2002 and 2001, 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, 2002 and 2001, 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>2002</u>	<u>2001</u>
State of Minnesota	\$ 2,439,685	\$ 2,472,194
Special School District No. 1	1,250,000	1,250,000
City of Minneapolis	1,189,685	1,222,204

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 \$1,015,110 and \$1,740,029 for fiscal years 2002 and 2001, respectively. In fiscal year 2002, the School District and the City made additional contributions of \$775,000 and \$736,854, respectively.

Minn. Stat. § 354A.12 requires the state to provide the Association with additional funding. This aid was \$12,954,000 in fiscal years 2002 and 2001, and will be \$13,314,000 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. No additional contributions were required in fiscal year 2002 or 2001.

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, 2002	\$ <u>254,859,415</u>	\$ <u>501,683,653</u>
Balance - June 30, 2001	\$ <u>231,582,616</u>	\$ <u>687,962,207</u>

Neither reserve was fully funded in either year.

In addition, at June 30, 2002 and 2001, respectively, \$13,945,941 and \$12,853,418 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.

7. Subsequent Events

On July 15, 2002, the Association terminated the investment management services of Advanced Investment Management, Inc., (AIM) after the Association discovered that AIM had violated the investment guidelines specified in its contract with the Association. AIM had leveraged the account in violation of its contract with the Association, resulting in a loss in excess of market losses.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA****7. Subsequent Events (Continued)**

The Association retained the services of AIM, a Pittsburgh, Pennsylvania, based registered investment management firm, in April 1999 for management of an enhanced S&P 500 Index account (this is a semi-passive investment strategy where a manager seeks to replicate the return of the index and add incremental return through investments in short-term high quality fixed income investments).

The Association took immediate action upon discovering AIM's violation of the investment guidelines by terminating the contract and halting all trading by AIM. The Association transferred management of the AIM account to the other Association enhanced index manager.

The total loss in excess of market losses was estimated to be \$11,300,000. The portion of this loss that occurred after June 30, 2002, was estimated to be \$7,600,000. This loss was recorded in the financial statements for the year ended June 30, 2002.

In August 2002, the Association filed suit against AIM for violating the investment guidelines in its Investment Advisory Agreement, causing the Association a substantial loss. An estimate of the amount of recovery cannot be made at this time.

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA*Schedule 1*SCHEDULE OF FUNDING PROGRESS
(IN THOUSANDS OF DOLLARS)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b) (%)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c) (%)
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
2002	1,027,883	1,659,512	631,629	61.94	248,304	254.38

(Unaudited)

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA*Schedule 2*SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES
(IN THOUSANDS OF DOLLARS)

Fiscal Year	Annual Required Contributions	Employer Percentage Contributed (%)	State Contributions	State Percentage Contributed (%)	City Contributions	City Percentage Contributed (%)
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
2002	45,478	52.27	16,409	36.08	1,927	4.24

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 YEARS ENDED JUNE 30, 2002 AND 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, 2002.
- 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, 2002, is 18 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 6.5 percent.
- Post-retirement benefit increase is 2 percent.
- Mortality assumptions:

- Pre-Retirement

Male: 1983 Group Annuity Mortality Table male rates set back 12 years

Female: 1983 Group Annuity Mortality Table female rates set back ten 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 one year

- 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 Changes1997

- 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).

FINANCIAL SECTION

MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA

Significant Plan Provision and Actuarial Methods and Assumption Changes

2002

<u>Assumption</u>	<u>Prior</u>	<u>Revised</u>
Salary increases	Merit table that ranges from 7.5% at age 20 down to 5.0% at age 70.	Ten year select and ultimate table. During the select period, 0.4% x (10 - T) where T is completed years of service is added to the ultimate rate. Ultimate table ranges from 6.5% at ages 20 to 45 down to 5.0% at age 60 and over.
Male Pre-Retirement Mortality	1983 GAM (Male - 6)	1983 GAM (Male - 12)
Female Pre-Retirement Mortality	1983 GAM (Female - 4)	1983 GAM (Female - 10)
Male Post-Retirement Mortality	1983 GAM (Male - 4)	1983 GAM (Male - 4)
Female Post-Retirement Mortality	1983 GAM (Female - 2)	1983 GAM (Female - 1)
Retirement Age	Graded rates. Different sets of rates apply to Basic and Coordinated plan members.	Graded rates. Different sets of rates apply to Basic and Coordinated plan members. Revised rates are generally higher before age 60 and lower thereafter.
Separation Decrement	Graded rates.	Select and ultimate table. Ultimate rates are generally higher than prior rates.
Disability Decrement	Graded rates.	Graded rates. Revised rates are higher than prior rates.
Form of Annuity Selected - Male	80% married 15% elect 50% J&S option 20% elect 75% J&S option 40% elect 100% J&S option	80% married 15% elect 50% J&S option 20% elect 75% J&S option 40% elect 100% J&S option
Form of Annuity Selected - Female	60% married 15% elect 50% J&S option 5% elect 75% J&S option 10% elect 100% J&S option	60% married 15% elect 50% J&S option 5% elect 75% J&S option 15% elect 100% J&S option
Combined Service Annuity Load Factor	None assumed.	4.0% load on liabilities for active members and 30% load on liabilities for former members.

FINANCIAL SECTION**MINNEAPOLIS TEACHERS' RETIREMENT FUND ASSOCIATION
MINNEAPOLIS, MINNESOTA**Significant Plan Provision and Actuarial Methods and Assumption Changes2002 (Continued)

- Charter schools are no longer covered by the Association. Active charter school teachers retain their rights to benefits earned in this Association through June 30, 2002, as if they were former members with a termination of employment on June 30, 2002. Effective July 1, 2002, these 174 charter school members were transferred to the Minnesota Teachers' Retirement Association.
- The Supplemental Administrative Expense Assessment otherwise payable under law will not be assessed if the administrative expenses of the Association do not exceed the July 1, 2001, administrative expense amount adjusted for inflation.
- A change in the amount of state aid has occurred with the Association. Since Duluth Teachers' Retirement Fund accrued liability funding ratio exceeded the Minnesota Teachers' Retirement Fund accrued liability funding ratio as of July 1, 2001, the state aid normally provided to Duluth shall be re-allocated to the other first class city teachers' funds. This results in an increase in the amount of state aid for this fund.

ACTUARIAL SECTION

A MILLIMAN GLOBAL FIRM



Milliman USA
Consultants and Actuaries

15800 Bluemound Road, Suite 400
Brookfield, WI 53005-6069
Tel +1 262 784.2250
Fax +1 262 784.7287
www.milliman.com

November 20, 2002

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

Re: *Minneapolis Teachers' Retirement Fund*
July 1, 2002 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, 2002.

The results of our calculations are set forth in the following report, as are the actuarial assumptions upon which our calculations have been made. Although we have reviewed the data for reasonableness and consistency, 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, 2001 Valuation	July 1, 2002 Valuation
A. CONTRIBUTIONS % OF PAYROLL (Table 11)		
1. Statutory Contributions - Chapter 354A	22.72%	22.53%
2. Required Contributions - Chapter 356	25.45%	29.05%
3. Sufficiency / (Deficiency)	(2.73%)	(6.52%)
B. FUNDING RATIOS		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 1,061,983	\$ 1,027,883
b. Current Benefit Obligations (Table 8)	1,556,387	1,609,643
c. Funding Ratio	68.23%	63.86%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 1,061,983	\$ 1,027,883
b. Actuarial Accrued Liability (Table 9)	1,610,364	1,659,512
c. Funding Ratio	65.95%	61.94%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 1,677,911	\$ 1,619,764
b. Current and Expected Future Benefit Obligations	1,859,209	1,928,441
c. Funding Ratio	90.25%	83.99%
C. PLAN PARTICIPANTS		
1. Active Members		
a. Number (Table 3)	5,813	5,720
b. Projected Annual Earnings	\$ 267,977	\$ 266,429
c. Average Annual Earnings (Actual dollars)	\$ 46,100	\$ 46,578
d. Average Age	42.6	42.5
e. Average Service	8.3	8.4
f. Additional Members on Leave of Absence *	64	58
2. Others		
a. Service Retirements (Table 4)	3,161	3,283
b. Disability Retirements (Table 5)	20	21
c. Survivors (Table 6)	263	268
d. Deferred Retirements (Table 7)	802	1,043
e. Terminated Other Non-Vested (Table 7)	2,250	2,620
f. Total	6,496	7,235

* Valued as deferred retirements, liability included with actives.

ACTUARIAL SECTION

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

July 1, 2002

	Market Value	Cost Value
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$ 100,276	\$ 100,265
2. Investments		
a. Fixed Income	289,864	294,598
b. Equity	398,303	443,184
c. Real Estate	3,214	4,336
3. Equity in Minnesota Post-Retirement Investment Fund	-	-
4. Other Assets	18,301	22,596
 B. TOTAL ASSETS	 \$ 809,958	 \$ 864,979
 C. AMOUNTS CURRENTLY PAYABLE	 \$ 39,469	 \$ 39,469
 D. ASSETS AVAILABLE FOR BENEFITS		
1. Member Reserves	\$ 254,859	\$ 254,859
2. Employer Reserves	515,630	570,651
3. MPRIF Reserves	-	-
4. Non-MPRIF Reserves	-	-
5. Total Assets Available for Benefits	\$ 770,489	\$ 825,510
 E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	 \$ 809,958	 \$ 864,979
 F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Market Value of Assets Available for Benefits (D.5)	\$ 770,489	
2. Unrecognized Asset Returns		
a. June 30, 2002	\$ (187,993)	
b. June 30, 2001	(217,974)	
c. June 30, 2000	44,266	
d. June 30, 1999	60,783	
3. UAR Adjustment: $.80 * 2(a) + .60 * 2(b) + .40 * 2(c) + .1 * 2(d)$	(257,394)	
4. Actuarial Value of Assets (F.1 - F.3)	\$ 1,027,883	

ACTUARIAL SECTION

Minneapolis Teachers' Retirement Fund
Change In Assets Available for Benefits

(dollars in thousands)

June 30, 2002

	Market Value	Cost Value
	<u> </u>	<u> </u>
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 932,398	\$ 922,891
B. OPERATING REVENUES		
1. Member Contributions	\$ 17,715	\$ 17,715
2. Employer Contributions	21,745	21,745
3. Supplemental Contributions *	20,360	20,360
4. Investment Income	32,038	32,038
5. MPRIF Income	-	-
6. Net Realized Gain / (Loss)	(74,344)	(74,344)
7. Other	-	-
8. Net Change in Unrealized Gain / (Loss)	(64,528)	-
9. Total Operating Revenue	<u>\$ (47,014)</u>	<u>\$ 17,514</u>
C. OPERATING EXPENSES		
1. Service Retirements	\$ 100,873	\$ 100,873
2. Disability Benefits	1,271	1,271
3. Survivor Benefits	6,633	6,633
4. Refunds	1,334	1,334
5. Administrative Expenses	711	711
6. Investment Expenses	4,073	4,073
7. Total Operating Expenses	<u>\$ 114,895</u>	<u>\$ 114,895</u>
D. CHANGE IN ACCOUNTING METHOD	\$ -	\$ -
E. ASSETS AVAILABLE AT END OF PERIOD	<u>\$ 770,489</u>	<u>\$ 825,510</u>
F. DETERMINATION OF CURRENT YEAR UNRECOGNIZED ASSET RETURN		
1. Average Balance		
(a) Assets Available at Beginning of Period	932,398	
(b) Assets Available at End of Period	770,489	
(c) Average Balance $\{[(a) + (b) - \text{Net Investment Income}] / 2\}$	\$ 906,897	
{Net Investment Income: B.4+B.5+B.6+B.7+B.8-C.6}		
2. Expected Return: $.085 * F.1$	77,086	
3. Actual Return	(110,907)	
4. Current Year UAR: $F.3 - F.2$	(187,993)	

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

ACTUARIAL SECTION

TABLE 7

Minneapolis Teachers' Retirement Fund
Reconciliation of Members

	<u>Actives</u>	<u>Terminated</u>		
		<u>Leave of Absence</u>	<u>Deferred Retirement</u>	<u>Other Non-Vested</u>
A. ON JUNE 30, 2001	5,813	64	802	2,250
B. ADDITIONS	872	4	116	489
C. DELETIONS				
1. Service Retirement	(153)	(5)	(39)	(7)
2. Disability	(1)	(2)	0	0
3. Death - Survivor	0	0	0	0
4. Death - Other	(7)	0	0	(102)
5. Terminated - Deferred	(116)	0	0	0
6. Terminated - Refund	(94)	(3)	(8)	(54)
7. Terminated - Other Non-Vested	(493)	0	0	0
8. Returned as active	79	0	(24)	(55)
9. Transferred to another fund	(174)	0	174	0
D. DATA ADJUSTMENTS	(6)	0	22	99
1. Vested	3,903	58	1,043	2,620
2. Non-Vested	1,817	0	0	0
E. TOTAL ON JUNE 30, 2002	5,720	58	1,043	2,620

	<u>Recipients</u>			
	<u>Retirement Annuitants</u>	<u>Disabled</u>	<u>Survivors</u>	<u>Other Beneficiary</u>
A. ON JUNE 30, 2001	3,137	20	263	24
B. ADDITIONS	204	3	23	0
C. DELETIONS				
1. Service Retirement	0	0	0	0
2. Death	(101)	0	(7)	(1)
3. Annuity Expired	0	0	(7)	0
4. Returned as Active	0	0	0	0
D. DATA ADJUSTMENTS	16	(2)	(4)	4
E. TOTAL ON JUNE 30, 2002	3,256	21	268	27

ACTUARIAL SECTION

TABLE 8

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

July 1, 2002

A. CURRENT ASSETS (Table 1; Line F.6)		\$ 1,027,883	
B. EXPECTED FUTURE ASSETS			
1. Present Value of Expected Future Statutory Supplemental Contributions		\$ 322,952	
2. Present Value of Future Normal Costs		268,929	
3. Total Expected Future Assets		<u>591,881</u>	
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS		<u>\$ 1,619,764</u>	
D. CURRENT BENEFIT OBLIGATIONS			
	<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>
1. Benefit Recipients			
a. Retirement Annuities		\$ 1,071,159	\$ 1,071,159
b. Disability Benefits		7,217	7,217
c. Surviving Spouse and Child Benefits		61,091	61,091
2. Deferred Retirements		42,740	42,740
3. Former Members Without Vested Rights		2,944	2,944
4. Active Members			
a. Retirement Annuities *	\$ 4,551	391,154	395,705
b. Disability Benefits	4,182	-	4,182
c. Surviving Spouse and Child Benefits	2,925	-	2,925
d. Deferred Retirements	720	17,217	17,937
e. Refund Liability Due to Death or Withdrawal	-	3,743	3,743
5. Total Current Benefit Obligations	<u>\$ 12,378</u>	<u>\$ 1,597,265</u>	<u>\$ 1,609,643</u>
E. EXPECTED FUTURE BENEFIT OBLIGATIONS			<u>\$ 318,798</u>
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS			<u>\$ 1,928,441</u>
G. CURRENT UNFUNDED ACTUARIAL LIABILITY (D.5 - A)			\$ 581,760
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F - C)			\$ 308,677

* 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, 2002

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)			
1. Active Members			
a. Retirement Benefits *	\$ 687,929	\$ 222,955	\$ 464,974
b. Disability Benefits	7,570	3,844	3,726
c. Surviving Spouse and Child Benefits	5,822	2,853	2,969
d. Deferred Retirements	33,701	27,554	6,147
e. Refund Liability Due to Death or Withdrawal	8,268	11,723	(3,455)
f. Total	<u>\$ 743,290</u>	<u>\$ 268,929</u>	<u>\$ 474,361</u>
2. Deferred Retirements	\$ 42,740		\$ 42,740
3. Former Members Without Vested Rights	2,944		2,944
4. Annuitants in MPRIF	-		-
5. Annuitants Not in MPRIF	1,139,467		1,139,467
6. Total	<u>\$ 1,928,441</u>	<u>\$ 268,929</u>	<u>\$ 1,659,512</u>
B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)			
1. Actuarial Accrued Liability (A.6)			\$ 1,659,512
2. Current Assets (Table 1; Line F.6)			1,027,883
3. Unfunded Actuarial Accrued Liability (B.1 - B.2)			<u>\$ 631,629</u>
C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE			
1. Present Value of Future Payrolls Through the Amortization Date of June 30, 2020			3,523,613
2. Supplemental Contribution Rate (B.3 / C.1)			<u>17.93%</u>

* Includes members on leave of absence.

ACTUARIAL SECTION

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

June 30, 2002

A. UAAL AT BEGINNING OF YEAR	\$	548,381
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING		
1. Normal Cost and Expenses	\$	28,199
2. Contributions		(59,820)
3. Interest		46,467
4. Total	<u>\$</u>	<u>14,846</u>
C. EXPECTED UAAL AT END OF YEAR (A + B.4)	\$	563,227
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		(17,097)
6. Contribution Income (b)		-
7. Investment Income (c)		71,199
8. Mortality of Annuitants		(5,007)
9. Other Items		8,686
10. Total	<u>\$</u>	<u>57,781</u>
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.5)	\$	621,008
F. CHANGE IN UAAL DUE TO PLAN AMENDMENTS		(319)
G. CHANGE IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS		<u>10,940</u>
H. UAAL AT END OF YEAR (E + F + G)	<u>\$</u>	<u>631,629</u>

(a) Included in Item D.8.

(b) Included in Item D.9.

(c) Includes a gross investment loss of \$71,199 increased by \$0 used to provide next year's cost of living adjustment to annuitants.

ACTUARIAL SECTION

TABLE 11

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

July 1, 2002

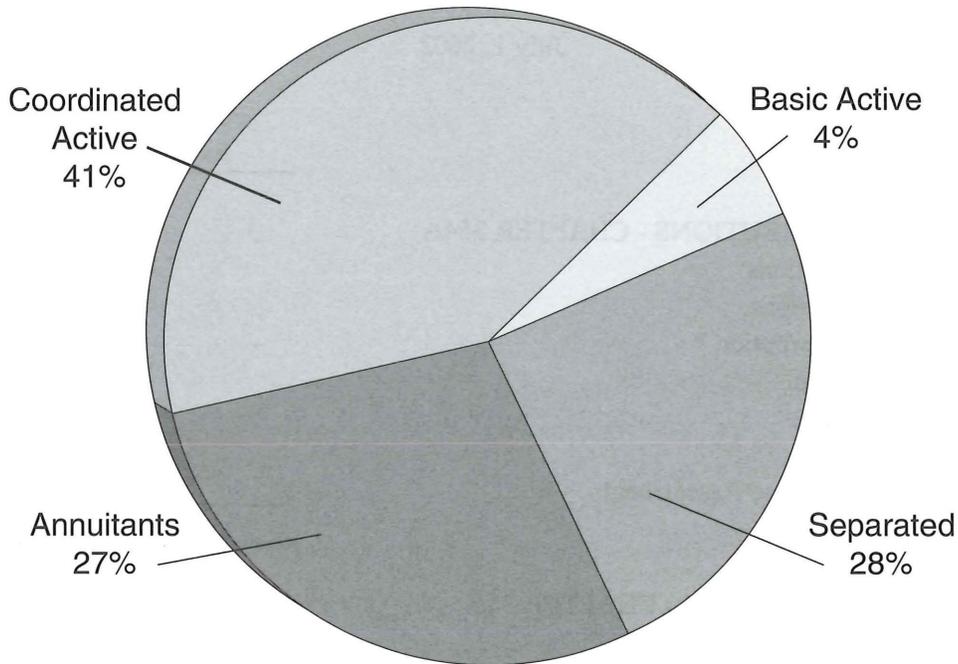
	Percent of Payroll	Dollar Amount
A. STATUTORY CONTRIBUTIONS - CHAPTER 354A		
1. Employee Contributions	5.90%	\$ 15,714
2. Employer Contributions	8.67%	23,102
3. Supplemental Contribution *		
a. 1993 Legislation	1.88%	5,000
b. 1996 Legislation	1.08%	2,865
c. 1997 Legislation	5.00%	13,314
4. Administrative Expense Assessment		0
5. Total	<u>22.53%</u>	<u>\$ 59,995</u>
B. REQUIRED CONTRIBUTIONS - CHAPTER 356		
1. Normal Cost		
a. Retirement Benefits	9.07%	\$ 24,163
b. Disability Benefits	0.16%	426
c. Surviving Spouse and Child Benefits	0.11%	286
d. Deferred Retirements	1.06%	2,830
e. Refund Liability Due to Death or Withdrawal	0.45%	1,186
f. Total	<u>10.85%</u>	<u>\$ 28,891</u>
2. Supplemental Contribution Amortization	17.93%	47,771
3. Allowance for Administrative Expenses	0.27%	719
4. Total	<u>29.05%</u>	<u>\$ 77,381</u>
C. CONTRIBUTION SUFFICIENCY / (DEFICIENCY) (A.3 - B.5)	(6.52%)	(17,386)
Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:		\$ 266,429

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

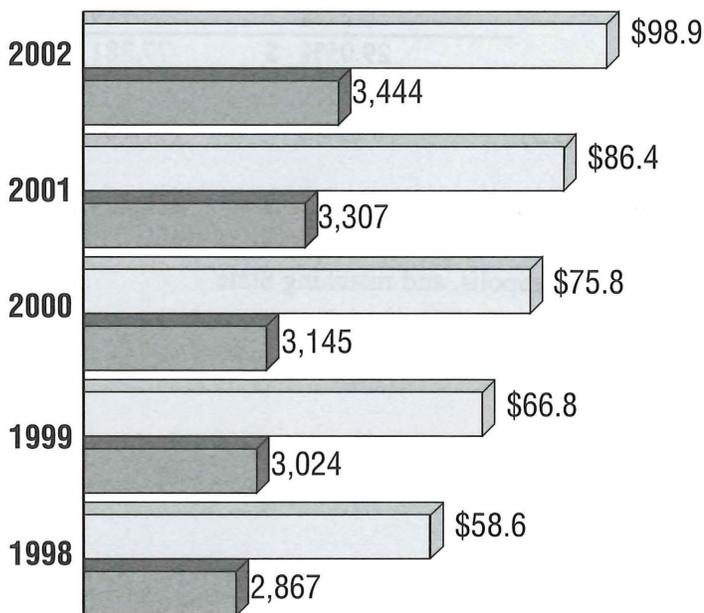
STATISTICAL SECTION

Current Membership

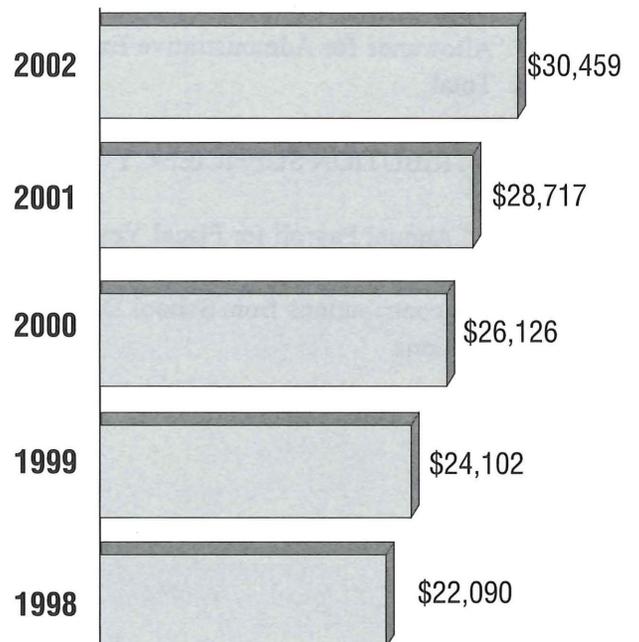
June 30, 2002



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



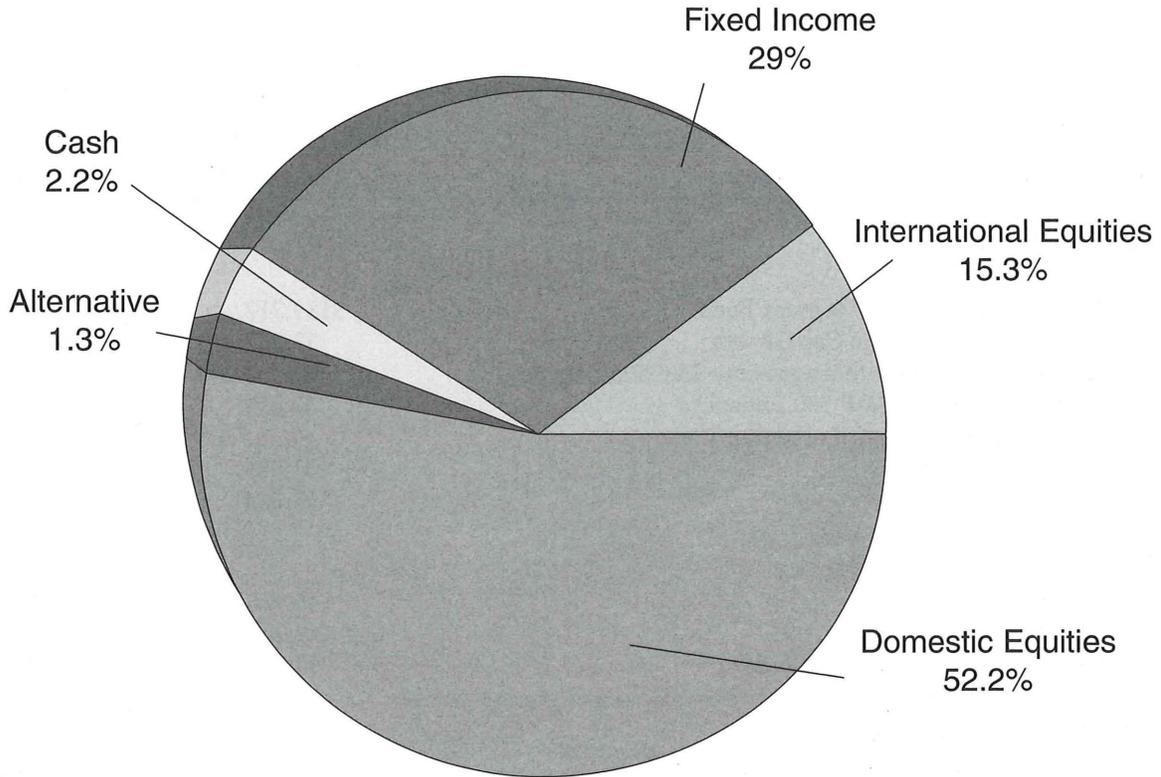
Average Annual Benefit
(For Fiscal Year Ended June 30)



STATISTICAL SECTION

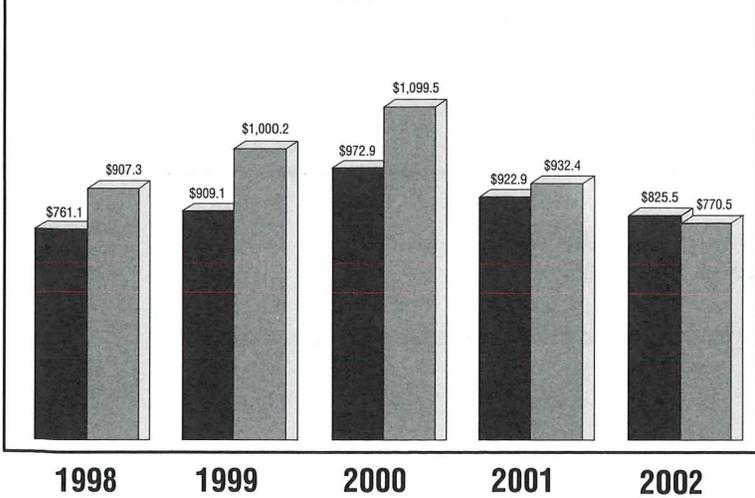
Asset Distribution

June 30, 2002

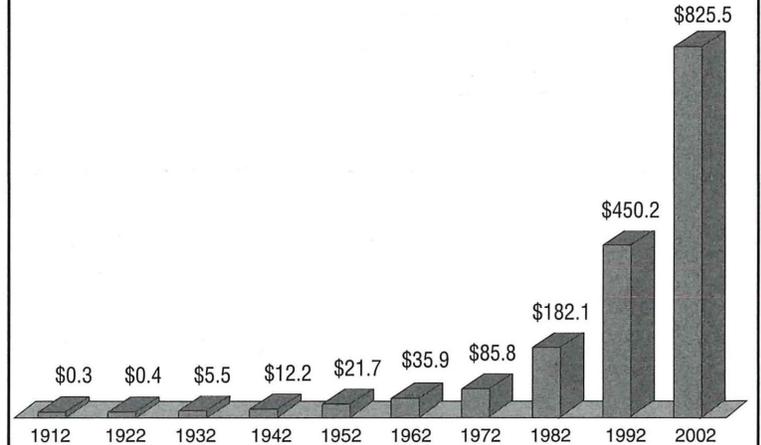


Net Assets
Five Year Trend
(In Millions)

■ 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, 2002)
Equity Managers		
Mellon Capital--S&P 500 Index Fund	\$139,712	(18.15)%
Alliance Capital--Large Cap Growth	33,357	(30.01)
Advanced Investment Management--S&P 500 Enhanced	84,230	(20.96)
The Clifton Group--S&P 500 Enhanced	43,637	(17.72)
GE Asset Management--Large Cap Value	44,582	(12.96)
Wasatch Advisors	21,989	n/a
Sterling Capital	23,054	n/a
International Managers		
Templeton	\$45,780	(5.62)%
Capital Guardian	47,269	(9.33)
Mellon Capital International Index	33,972	(9.37)
Fixed Income Managers		
Loomis, Sayles & Co.--Core Fixed Income	\$77,780	3.10%
Mellon Capital--Lehman Bond Aggregate	115,048	9.34
Loomis, Sayles & Co.--High Yield	38,879	(8.14)
Real Estate		
In-house	\$3,731	9.99%
Miscellaneous		
Venture Capital	\$9,749	3.93%
Short Term Investments	13,830	(1.25)
Total Fund	\$776,600*	(11.16)%

Wasatch Advisors was hired on April 1, 2002, and was funded with \$25,000,000

Sterling Capital was hired on May 1, 2002, and was funded with \$25,000,000

*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

<u>Issue</u>	<u>Par/ Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 2002</u>	<u>Issue</u>	<u>Par/ Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 2002</u>
Short-term Investment Fund			66,003,525	Crescent Real Estate	250,000	228,750	241,250

Government and Corporate Bonds

<u>Issue</u>	<u>Par/ Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 2002</u>	<u>Issue</u>	<u>Par/ Shares</u>	<u>Book Value</u>	<u>Market Value at June 30, 2002</u>
Aames Mt	1,000,000	1,000,000	1,029,020	Dana Corp 3/01/2029	200,000	139,000	148,000
Advanta Mtg	895,000	919,053	903,153	Dana Corp 3/15/2028	200,000	146,500	148,000
AES Corp 8.875%	2,000,000	1,940,800	840,000	Delta Airlines 7.70%	390,000	361,593	343,200
AES Corp 9.375%	510,000	383,775	328,950	Delta Airlines 7.90%	250,000	237,500	230,703
Affymatrix Inc 144A	600,000	397,100	496,500	Delta Airlines 8.3%	350,000	284,750	279,013
Affymatrix Sub Note	100,000	61,726	82,750	Delta Fdg home Var	415,532	413,260	415,166
American Gen Fin	500,000	499,830	501,250	Dillards Inc	500,000	370,000	390,650
American President 7.25%	100,000	70,500	78,000	DLJ Coml Mtg Corp	1,830,042	1,830,042	1,953,789
American President 8.0%	300,000	169,500	180,000	DR Structured	1,325,000	1,175,937	715,500
Amgen Inc	2,500,000	1,684,625	1,700,000	EB MCM Aggregate	443,173	112,108,632	115,054,299
Amkor Technology	400,000	300,219	201,000	Edison Mission Energy	305,000	272,975	272,923
AMR Corp	125,000	107,750	102,500	Empresas 5%	400,000	303,000	256,000
Amresco Residential	176,572	174,200	176,069	Federal Home 5/01/2017	317,813	331,520	342,839
Analog Devices	250,000	221,875	238,750	Federal Home 7/15/2006	1,000,000	998,750	1,048,750
Asset Backed Sec 7.61%	2,000,000	2,000,000	2,061,400	FHLMC 10/15/2006	82993.7	857,747	853,732
Asset Sec Coml 6.5%	728,549	741,763	749,699	FHLMC 10/15/2021	750,000	775,313	767,655
AXA	235,125	266,079	212,225	FHLMC 12/15/2014	765000	781,585	794,384
Bangkok Bank	1,700,000	1,335,275	1,636,250	FHLMC 12/25/2008	120,297	120,147	120,147
Bangkok Sentral	349,000	255,268	284,435	FHLMC 2/15/2028	732,372	723,218	726,294
Bank Amer Coml 6.801%	1,386,763	1,386,763	1,456,393	FHLMC 7/15/2005	2,000,000	2,173,438	2,190,000
Bank Amer Coml Var Nots	4,700,000	499,995	468,449	FHLMC 7/15/2008	324,353	323,746	325,265
Borden Inc 7.875%	550,000	515,678	324,500	FHLMC 9/01/2012	576,464	594,749	611,951
Borden Inc 9.2%	500,000	410,000	335,000	FHLMC Group 11/25/2021	625,544	644,311	639,419
Brazil Bonds	1,600,833	1,175,419	1,013,527	FHLMC Pool 11/01/2030	726,972	746,283	754,688
Brazil Federative 10.125%	725,000	684,717	386,063	FHLMC Pool 8/01/2030	417,212	430,772	439,377
Brazil Federative 8.875%	840,000	489,720	407,400	First Alliance Ntg	263,838	264,415	266,909
Brazos Stud	960,022	960,022	960,618	First Sec Auto	346,091	353,933	350,085
Broadband Tech	1,000,000	730,000	25,000	FirstPlus Home Ln	375,970	382,902	379,378
C Bass	2,000,000	1,999,866	2,071,980	FMAC Ln	1,302,240	1,301,935	1,311,968
Call Net Hldgs	702,723	1,523,935	203,790	FNMA 5/01/2031	2,512,896	2,423,494	2,506,614
Calpine CDA Energy	175,000	154,875	119,875	FNMA 01/01/2029	1,096,477	1,114,295	1,140,161
Calpine Corp	750,000	748,973	495,000	FNMA 06/01/2015	724,661	725,341	763,612
Case Corp 6.25%	120,000	110,700	117,131	FNMA 10/01/2031	2,210,420	2,232,178	2,253,235
Case Corp 7.25%	85,000	74,550	77,775	FNMA 11/01/2016	1,296,047	1,303,540	1,321,553
Case Credit Notes 6.125%	245,000	228,462	238,875	FNMA 11/01/2031	1,946,279	1,944,302	1,941,413
Charter Commns 10%	400,000	410,000	270,000	FNMA 11/25/2014	870,000	887,536	902,251
Charter Commns Step	1,450,000	849,563	688,750	FNMA 12/01/2031	2,612,371	2,677,681	2,662,973
Chase Credit Card 6.0%	2,200,000	2,220,453	2,266,242	FNMA 5/01/2016	2,214,152	2,199,275	2,257,726
Chase Fdg Mtg	589,180	599,399	594,471	FNMA 5/01/2017	1,593,327	1,579,386	1,594,809
Chemical Masters	800,000	821,125	807,424	FNMA 6/01/2016	889,233	886,037	906,733
Chesapeake Energy Corp	1,000,000	943,813	987,500	FNMA 9/01/2016	870,978	875,946	888,119
CIT Group	1,500,000	1,539,735	1,456,845	FNMA GTD 4/15/2007	2,650,000	2,705,412	2,747,732
CIT RV Ovwner	123,686	123,744	125,723	Ford Motor 6.7%	4,000,000	3,883,840	4,128,760
CITR Group	2,000,000	1,994,800	1,990,560	Ford Motor 7.20%	1,000,000	973,260	1,032,280
Clear Channel Commns	1,500,000	1,570,905	1,528,140	Ford Motor 7.45%	1,100,000	997,216	1,022,197
Coastal Acorp	1,400,000	1,367,576	1,356,782	Fort James Corp	100,000	96,625	93,215
Colt Telecom 12/16/2006	725,000	503,851	277,812	General Motors 5.63%	4,000,000	3,815,520	4,070,000
Colt Telecom 4/3/2007	700,000	469,493	262,702	General Motors Fltg Rt	750,000	739,515	748,357
Colt Telecom Gr 12/16/06	100,000	75,901	38,319	Georgia PAC 7.25%	250,000	209,828	199,710
Colt Telecom Gr 3/29/06	100,000	49,562	41,761	Georgia PAC 7.35%	300,000	253,875	239,841
Commscope Inc	250,000	202,000	195,313	Georgia PAC 7.5%	390,000	333,450	375,582
Conseco Fin Sec 7.34%	572,872	586,477	578,239	GMAC Bonds Var	1,500,000	1,500,675	1,486,395
Conseco Fin Sec 7.52%	2,500,000	2,499,998	2,583,375	GMAC Coml Mtg	1,146,263	1,086,443	1,203,898
Conseco Finl 7.17%	2,000,000	1,999,547	2,045,400	GMAC Note	2,000,000	2,084,240	2,113,940
Constellation Energy 7.6%	675,000	673,400	694,730	GNMA Pool 7.5%	721,953	748,011	768,649
Contimortgage Home Equit	1,000,000	1,029,688	1,012,130	GNMA Pool 8.0%	221,245	231,062	238,668
Continental Airls	100,000	91,750	86,000	GNMA Pool 8.5%	566,774	579,792	607,270
Coming Inc	100,000	68,875	67,750	Goldman Sachs 7.625%	5,000,000	4,999,100	5,441,550

STATISTICAL SECTION

Issue	Market Value at			Issue	Market Value at		
	Par/ Shares	Book Value	June 30, 2002		Par/ Shares	Book Value	June 30, 2002
Govt of Canada	2,600,000	1,964,858	1,790,020	RCN Corp 2/15/2008	350,000	207,000	66,500
Green Tree Finl	302,694	305,768	306,759	Residential Accredit 7.25%	1,219,368	1,192,504	1,256,668
Hellenic	38,000	37,150	39,311	Residential Asset 4/25/203:	1,000,000	1,000,000	999,470
Hexcel Corp 7%	125,000	51,250	71,875	Residential Asset 6/25/203:	2,916,285	2,916,285	2,915,381
Hexcel Corp 7%	153,000	121,345	128,903	Residential Fdg 6.5%	67,923	68,284	67,898
HMH Property	700,000	635,375	666,750	Residential Fdg 6.75%	739,176	752,689	752,681
Host Marriot	100,000	90,125	98,500	Richardson Electrs	250,000	187,500	205,938
Household Fin	1,510,000	1,616,168	1,624,805	Rogers Communications	700,000	434,000	535,500
Household Intl Netherland	4,000,000	4,071,560	4,125,600	Royal Caribbean Cruises 7..	160,000	136,425	147,200
Household Intl Netherland	1,500,000	1,218,750	1,240,200	Royal Caribbean Cruises 8.	175,000	160,500	168,000
Human Genome Science	1,000,000	593,041	671,250	Royal Caribbean Cruises 8..	115,000	102,350	109,250
Human Genome Science	250,000	169,489	167,813	S3 Inc	800,000	604,442	373,000
Huntsman Intl	100,000	76,508	88,161	Salomon Bros 6.91%	7,213	7,174	7,206
IKON Recievables 5.99%	268,584	265,858	268,584	Sanmina Corp	125,000	45,391	45,625
IMC Global 6.55%	125,000	111,406	115,415	Seabulk Intl 12.5%	511,572	569,923	506,456
IMC Global 7.3%	800,000	584,783	610,240	Sears Cr Acct	541,667	556,213	553,925
Imc Global 7.625%	250,000	224,063	235,975	Service Corp	615,000	532,944	558,113
INDYMAC ABS	416,137	429,271	430,489	Simon Ppty	1,155,000	1,134,730	1,187,883
International Lease 5.625%	1,200,000	1,207,404	1,216,500	Sprint 5.70%	305,000	285,849	281,658
JC Penney	825,000	509,438	672,375	Sprint Cap Corp 5.875%	385,000	358,031	350,027
Juniper Networks Inc	500,000	372,000	305,000	Sprint Cap Corp 6.0%	355,000	325,814	298,069
L3 Communications	360,000	361,000	360,900	Sprint Cap Corp 7.125%	215,000	202,640	189,007
Lehman Bros Hldgs	1,655,000	1,664,036	1,723,831	Tele-Communications	1,000,000	1,071,570	904,820
LSI Logic Corp	125,000	107,656	106,400	Telecorp	813,000	463,247	617,880
Lucent Technologies	750,000	646,250	495,000	TFM Sa De	1,500,000	846,459	1,410,000
Lucent Technologies	250,000	150,625	127,500	Thai Farmers Bank	250,000	176,250	241,250
Lyondell Chem	575,000	471,500	497,375	Time Warner Ent	1,000,000	1,361,300	1,140,240
Mascotech Inc	575,000	468,938	546,250	Time Warner Inc	500,000	555,538	517,485
Maxtor Corp	744,000	550,679	550,560	Tjiwi Kimia Fin	1,500,000	1,320,800	360,000
Microcell Telecommns	2,525,000	1,081,687	49,806	Trans America Fin	1,250,000	1,249,450	1,247,650
Micron Technology	1,000,000	7,865,250	900,000	Transocean Sedco	455,000	463,522	476,667
MMCA Auto Owner	129,084	129,648	129,774	Trinet Corp	100,000	65,192	78,317
Money Store	362,549	356,063	366,247	Triquint Semiconductor	125,000	96,563	94,375
Nations Link Fdg	2,000,000	2,000,000	2,110,640	Triton PCS	450,000	392,188	279,000
Navistar Finl	182,509	184,162	183,022	UFS Finl Owner	101,513	102,211	102,077
Nextel Comm 6%	350,000	220,773	160,563	Union Oil	2,000,000	1,717,460	2,104,100
Nextel Comm Pfd 11.125%	433	299,370	108,250	United Air Lines 10.67%	200,000	142,000	146,000
Nextel Commns 9.375%	1,025,000	725,188	520,188	United Air Lines 9.125%	125,000	102,813	65,000
Nextel Commns 9.5%	400,000	277,500	197,000	United Air Lines 9.75%	100,000	67,500	49,000
Nextel Commns Step	600,000	454,625	288,000	US Treasury Bonds 6.0%	3,975,000	4,120,653	4,134,000
Nortel Networks	675,000	513,375	418,500	US Treasury Notes 5.5%	2,688,000	2,827,911	2,844,253
Norwest Asset	600,000	605,251	603,481	US Unwired	1,150,000	629,125	276,000
Nuevo Energy	125,000	119,063	126,250	USAA Auto	79,070	77,847	80,550
Onyx Accep	355,889	366,010	365,207	Vanderbilt Mtg	128,541	127,657	128,947
Orix Cr Alliance	460	476	467	Venezuela Rep	600,000	407,614	384,000
Pemex Proj	600,000	596,670	612,000	Verizon Global	3,300,000	1,803,900	1,789,590
Peoplefirst	1,000,000	1,046,563	1,043,430	Victory Markets	2,000,000	1,722,780	-
Peru Rep Nts	125,000	89,063	81,250	Vitesse Semiconductor	500,000	428,923	387,500
Philippine Long Dist 10.62.	250,000	188,750	258,358	Wamu MTg	3,000,000	2,994,375	3,042,150
Philippine Long Dist 11.37.	360,000	360,423	353,700	Wells Fargo 5.5%	918,526	940,628	934,591
Philippine Long Dist 8.35%	750,000	472,500	600,000	Wells Fargo Var	411,071	412,099	410,323
Phillips Van Heusen Corp	500,000	463,000	415,000	Western Digital 144A	1,450,000	361,511	616,250
Pindo Deli Fin 10.75%	650,000	520,500	149,500	Western Digital Sub Deb	515,000	160,142	218,875
Pindo Deli Fin 10.875%	500,000	463,750	90,000	Williams Communs 10.7%	600,000	573,750	46,500
Pindo Deli Fin 11.75%	500,000	505,625	112,500	Williams Communs 10.875'	100,000	45,875	7,750
Pioneer Nat	800,000	639,122	728,000	Williams Communs 11.7%	100,000	43,875	7,750
PNC Mtg	896,196	915,241	917,768	WMX Technologies	1,000,000	976,770	1,030,030
Pogo Producing	350,000	262,375	350,490	Woolworth Corp	625,000	444,375	571,481
Progress Energy	2,000,000	1,998,180	2,096,600	Xerox Capital 8.0%	2,000,000	635,625	840,000
Provident Cos	2,000,000	1,849,080	2,060,660	Xerox Capital Europe	250,000	139,164	187,644
Prudential Home	703,932	715,921	708,381	Xerox Corp 7.2%	100,000	71,750	71,000
Public Svc Elec	5,000,000	5,000,000	5,038,900	Xerox Corp Sub	375,000	116,500	223,125
Quantum Corp	605,000	501,550	558,113	Yamaha Motor	1,000,000	1,004,219	1,013,400
Quezon Pwr Philippines	1,274,000	1,096,620	1,006,460	Zenith Electr	531,391	598,664	63,770
Raytheon Co	1,750,000	1,824,900	1,918,578	Total Bond Securities		317,634,694	305,497,047
RCN Corp 10/15/2007	240,000	134,625	58,800				

Common and Preferred Securities

STATISTICAL SECTION

Issue	Par/ Shares	Book Value	Market		Issue	Par/ Shares	Book Value	Market	
			Value at June 30, 2002	Value at June 30, 2002				Value at June 30, 2002	Value at June 30, 2002
International Equities									
02Micro International	36,975	539,345	382,691		Deutsche Bank	7,080	400,973	491,902	
ABN	13,978	292,076	253,868		Deutsche Post	38,100	617,484	483,514	
Accor	4,300	184,734	174,411		Deutsche Telekom	6,200	138,492	58,292	
Ace Ltd	22,680	804,724	716,688		Dimension Data Hldg	35,100	290,209	21,936	
Acom Co	4,400	335,707	300,651		EB Intl Stock	207,009	39,587,373	33,971,948	
Advantest	5,200	366,173	323,644		E.On AG	15,970	830,231	930,546	
Aegon	37,216	1,166,693	775,888		Eni	86,720	873,522	1,299,377	
Aeon	13,000	234,864	347,072		EPCOS	3,300	203,346	108,853	
Aiful Corp	2,125	220,486	139,350		Ericsson	50,800	272,070	76,832	
Air Liquide	2,025	251,848	311,583		Fairfax Finl Hldgs	700	222,416	69,959	
Aixtron	4,400	292,383	55,187		Foreningssparbanken	13,150	219,608	166,691	
AKZO Nobel	10,100	370,299	439,787		Fosters Group Ord	37,567	102,981	99,545	
Alcan Inc	2,500	76,070	94,845		Fuji Soft ABC	1,900	118,351	76,564	
Alcatel	17,380	212,828	120,838		Fuji Television	18	134,471	104,071	
Allianz AG	500	187,072	100,143		Fujitsu Ltd	37,000	1,096,428	258,068	
Allied Irish	20,000	222,971	263,492		Galeries Lafayette	4,310	553,424	544,414	
Alstom Eur6	33,388	-	13,190		GlaxoSmithkline	5,005	138,390	108,181	
Alstom SA	31,120	688,791	329,162		Global Santafe	3,518	89,852	96,217	
Altadis	5,000	82,314	101,871		Hagemeyer	6,300	180,468	87,106	
Amersham PLC	79,402	332,764	703,628		Hang Lung Properties	76,000	85,148	86,718	
APN News & Media	163,510	339,467	335,050		Hang Seng Bank	14,200	159,720	152,013	
ASML Holdings	22,800	341,877	344,736		Hanson Ord	62,082	401,526	443,349	
Assa Ablov	12,200	184,990	171,906		HBOS Ord	8,100	67,722	87,662	
Assicurazioni	9,400	303,092	222,803		Heineken Hldg A	10,375	306,342	351,860	
Astrazeneca	16,300	701,214	674,820		Heineken NV	11,750	397,624	515,695	
Astrazeneca	23,802	902,060	989,322		Hellenic Telecom	15,300	234,816	241,764	
Australian & New Zealand B	68,730	444,894	744,305		Hirose Electronics	4,500	274,517	392,333	
Aventis	13,670	493,022	968,660		Hitachi LTD	99,000	1,035,555	640,122	
AXA	13,320	203,030	243,627		Holcim	2,040	456,438	468,091	
BAE Systems	214,209	1,183,169	1,093,838		Hong Kong	58,000	107,769	93,380	
Banco Popular	12,250	341,499	541,632		Hoya Corp	2,300	155,302	167,329	
Bank of Nova Scotia	3,600	91,591	118,327		HSBC Hldgs	48,400	470,398	555,359	
Barclays	12,000	99,481	100,970		Hutchinson Whampoa	107,200	738,431	800,564	
Bayer AG	20,220	814,482	641,014		Hyundai	10,060	103,143	149,693	
Bayerische Motoren Werke	5,640	147,226	232,550		Iberdrola	46,400	529,002	675,913	
BBVA	30,900	425,658	349,418		IHC Caland	7,300	394,894	436,534	
BCE Inc	31,670	565,930	549,524		Imperial Chemical	205,761	1,204,742	1,000,516	
BG Group	36,400	144,197	158,408		Industria	14,000	218,348	295,608	
BHP Billion Limited	36,797	189,575	212,776		Infineon Technologies	2,900	116,211	45,338	
BHP Billiton	119,620	535,106	651,854		ING Groep	27,316	603,934	701,409	
BOC Group	9,500	144,409	147,560		International Power	53,470	220,669	136,927	
Bombardier	24,000	161,954	198,830		Irish Life & Permanent	13,900	152,603	201,110	
Bouygues	17,800	874,345	497,318		Johnson Elec Hldgs	144,000	185,972	170,769	
Brambles Inds	8,300	45,236	43,987		Komatus	137,000	760,634	490,347	
Brambles Industries	24,700	194,936	123,587		Koninklijke	33,825	831,323	944,375	
British Airways	71,190	420,856	202,109		Kurita Water	45,000	737,760	553,771	
British Energy	49,700	18,421	-		LI & Fung	82,000	125,430	110,385	
Cable & Wireless	149,060	744,202	380,012		Lloyds TSB	76,389	791,445	760,352	
Canon Inc	3,000	118,519	113,382		LVMH Moet	2,000	129,760	100,735	
Carter Holt Harvey	485,960	639,523	467,341		Magna Intl	1,300	54,849	89,493	
Celestica	10,980	292,588	247,120		Marks & Spencer	127,340	578,594	723,524	
Centrica	33,600	126,895	103,969		Mayne Group Ltd	113,510	360,692	263,819	
Cheung Kong	142,900	1,334,570	1,190,833		Merck KGAA	13,510	477,751	363,582	
China Mobile	61,000	366,838	180,654		Metro AG	8,300	330,913	254,109	
Chubb	233,530	565,936	560,652		MG Technologies	9,000	176,135	80,529	
Chubu Electric	5,400	117,289	94,835		Michelin	28,140	865,216	1,140,267	
Chudenko	8,000	105,255	120,340		Misubishi Motor	76,000	253,697	201,635	
Chugai Pharmaceutl	22,000	372,153	263,207		Mitsubishi	30,000	322,805	245,286	
CIE De	2,800	104,695	125,682		Mitsubishi	43,000	170,550	130,227	
CLP Hldgs	113,700	452,324	451,885		Mitsui	54,000	284,011	290,589	
Compagnie	19,844	291,901	451,333		Mitsui Fudosan	32,000	346,165	282,997	
Compass Group	23,300	180,477	141,354		Munchener Ruckversicherung	2,100	448,207	496,713	
Credit Suisse	5,337	222,447	169,437		Murata Manufacturing	2,600	80,766	167,028	
CRH	20,281	265,426	339,500		Nabors	6,907	296,009	243,817	
DaimlerChrysler	11,600	560,229	561,352		National Grid	22,500	187,875	159,823	
Daiwa Secs Group	26,000	216,499	168,547		Natl Australian Bank	5,400	97,277	107,317	
Danone	1,500	209,992	206,211		NEC Corp	103,000	1,437,757	716,686	
DBS Hldgs	98,912	697,796	694,198		Nestle	2,281	408,152	531,820	
					News Corporation	34,339	260,137	186,610	

STATISTICAL SECTION

Issue	Market			Issue	Market		
	Par/ Shares	Book Value	Value at June 30, 2002		Par/ Shares	Book Value	Value at June 30, 2002
Nikko Cordial	39,000	238,927	196,855	Telecom Corp	217,450	693,744	520,684
Nikon Y	17,000	295,703	188,211	Telecom Corp	37,865	121,799	296,546
Nintendo	4,300	552,989	633,197	Telefonica	13,465	186,420	113,033
Nippon Express	91,000	598,049	482,104	Tesco	31,141	91,309	113,212
Nippon Tel & Tel Corp	107	1,050,953	440,105	TFI TV	3,900	134,393	104,418
Nissan Motor	70,000	309,257	484,732	THK	9,000	156,393	173,077
Nitto Denko	3,200	105,045	104,922	Thomson Corp	16,480	485,143	519,680
Nokia	29,300	681,348	428,842	Thyssenkrupp	17,500	266,216	267,887
Nomura Holdings	16,000	262,498	234,941	Tiers Prin Protected	3,100	25,978	27,900
Nordea AB	101,057	444,751	550,836	Tokyo Electric	4,300	100,593	88,432
Norsk Hydro	3,000	132,582	143,118	Tokyo Electric	12,100	441,601	788,428
Norske Skogsindustrier	5,000	97,016	93,280	Tokyu Corp	22,000	90,881	85,166
Nortel Networks Corp	40,320	210,783	58,323	Toray Industries	60,000	217,564	160,687
Novartis AG	15,651	661,829	688,274	Toshiba Corp	141,000	1,078,336	574,070
NTT Docomo Inc	217	549,690	534,081	Total Fina	3,506	173,304	569,239
Numico Koninklijke	2,400	59,019	53,828	TPG NV	26,248	543,652	592,848
Old Mutual	85,800	163,988	121,957	Transcanada Pipelines	24,590	309,430	371,865
Orix Corp	2,100	176,544	169,423	Tui AG	1,600	45,732	39,346
Pearson Ord	24,100	401,685	239,700	Turkiye	48,615	238,503	126,399
Pechiney	2,700	119,160	123,327	UBS	2,444	116,525	122,914
Portugal	51,700	446,565	365,071	UFJ Hldgs	15	152,756	36,292
Promise Co	3,400	231,236	171,333	Unilever	141,060	909,788	1,285,806
Prudential PLC	30,600	426,187	279,861	United Business Media	50,960	339,440	337,901
Ras	36,820	463,359	494,179	United Overseas Bank	18,000	113,783	129,386
Renault Regie	5,800	258,107	271,225	UPM-Kymmene	9,800	281,771	385,784
Repsol	42,190	844,883	497,502	Ushio	7,000	190,606	83,164
Reuters Group	14,767	136,780	78,333	Valeo	13,510	582,312	561,718
Roche Hldg	2,500	198,980	188,974	Versity Ltd Share	21,825	384,995	378,446
Rohm	2,300	235,651	343,292	Vivendi	15,900	593,088	343,578
Rolls Royce	192,170	603,568	474,538	VNU	3,337	168,218	92,739
Royal Bank of Scotland	26,400	555,580	748,492	Vodafone Group	929,011	1,110,552	1,274,482
Royal Dutch	14,600	727,593	813,229	Volkswagen	9,220	359,582	447,999
Sainsbury	90,740	505,080	492,401	Volvo	20,870	485,550	432,592
Samsung Elect	9,235	847,861	1,267,966	Westpac Banking	12,378	86,044	112,852
San Paolo	48,690	489,279	488,556	WMC Ltd NPV	28,812	184,524	147,031
Sankyo	10,000	214,443	135,992	Wolters Kluwers	18,730	493,010	355,527
Sanofi	15,780	548,991	959,995	Woolworths Limited	22,100	112,179	163,151
Schneider Electric	2,900	137,202	155,947	XL Cap Ltd	5,120	381,939	433,664
Sekisui	18,000	153,447	132,304	Xstrata	7,400	104,627	95,822
SES Global	19,900	281,239	196,532	Yamato	6,000	114,113	109,378
Shell Trans	73,040	624,771	551,108	Zarlink Semiconductor	6,300	148,982	30,280
Shin-Etsu Chemicals	5,100	201,597	219,131	Domestic Equities			
Shionogi	25,000	455,577	318,914	3M Co	2,235	232,238	274,905
Shire Pharmaceuticals	21,500	229,162	190,080	99 Cents Only Stores	12,108	322,255	310,570
Siemens	4,200	250,809	251,986	Abbott Labs	2,888	145,241	108,733
Singapore	625,000	618,115	484,633	Accentual Software	471	-	1,314
Singapore Airlines	13,000	115,144	94,917	Accredo Health	8,275	477,615	381,809
Singapore Press	15,000	238,758	168,950	Acquity Brands	45,525	839,552	828,555
Singapore Techn	259,000	274,405	282,924	Advent Software	9,750	227,852	250,575
Smiths Group	34,036	476,837	442,027	Albertsons Inc	3,165	103,086	96,406
Sompo Japan	7,000	40,929	42,867	Alcoa	7,951	276,193	263,576
Sony	16,816	644,486	888,080	Align Technology	31,200	142,101	122,304
Stagecoach	333,620	600,455	319,107	Allstate Corp	5,843	221,678	216,074
Standard Chartered	18,500	214,708	197,397	America Novil	16,700	230,178	223,780
Statoil ASA	35,000	257,991	312,488	American Elec	3,240	139,135	129,665
STMICROelectomis	9,400	150,072	234,407	American Express	7,799	338,676	283,260
Stora Enso	67,540	661,592	946,509	American Greetings	46,300	851,157	771,358
Sumitomo Realty	8,000	36,073	48,523	American Intl Group	25,667	1,982,260	1,751,259
Suncor Energy	2,200	31,304	38,477	Amerigroup	11,675	280,412	318,494
Suzuki Motor	18,000	179,805	222,109	Ameripath	17,775	521,519	398,693
Svenska Handelsbanken	38,270	533,630	585,054	Amerisourcebergen	432	33,630	32,832
Swire Pacific	72,100	410,781	368,819	Amgen	15,500	825,692	649,140
Swiss Reinsurance	18,908	1,851,743	1,848,494	Amgen Put	150	105,938	213,000
Swisscom	1,270	384,832	369,489	Amsurg	16,150	453,655	424,099
T.I.M SPA	22,000	103,217	90,168	Analog Devices	5,828	404,980	173,092
Taiyo Yuden	6,000	306,769	98,114	Andrew Corp	22,500	367,747	335,700
Taro Pharmaceuticals	17,475	461,410	428,487	Anheuser Busch	8,535	307,407	426,750
Tate & Lyle	21,600	140,680	115,566	AOL Time Warner	43,200	1,544,648	635,472
TDK	4,000	252,167	188,887	Applied Materials	43,150	1,044,712	820,713

STATISTICAL SECTION

Issue	Par/ Shares	Book Value	Market	Issue	Par/ Shares	Book Value	Market
			Value at June 30, 2002				Value at June 30, 2002
AT&T Corp	21,687	415,129	232,021	Dendrite Intl	55,600	740,837	537,652
AT&T Wireless	131,900	2,777,927	771,615	Dionex	10,450	270,103	279,956
Automatic Data Processing	2,902	128,153	126,382	Disney	9,904	342,376	187,186
Avatar Hldg	13,075	360,405	366,623	Dollar Tree	8,200	274,034	323,162
Avon Prods	6,515	272,701	340,344	Dominion Res	8,768	509,886	580,442
Axcelis Technologies	72,745	970,367	822,019	Doral Financial	3,275	124,293	109,352
Baker Hughes	10,154	377,493	338,027	Dover Corp	3,925	155,805	137,375
Bank of America	144,016	727,348	986,166	Du Pont	3,024	134,267	134,266
Bank of Hawaii	35,250	1,006,034	987,000	Duke Energy	14,509	401,601	451,230
Barrick Gold	16,502	281,284	313,373	Earthlink Inc	65,800	475,258	436,254
Baxter Intl	3,646	127,536	162,065	Eaton Corp	2,114	134,010	153,794
Bear Stearns	86,260	562,614	420,949	EB Stock Index Fund	137,843	145,823,161	139,710,213
Bed Bath & Beyond	9,850	348,709	371,739	Ebay Inc	4,200	236,814	258,804
Belden Inc	15,850	378,069	330,314	Edwards Life Sciences Corp	20,500	527,993	475,600
Best Buy	9,000	334,840	326,700	EGL Inc	29,425	508,725	499,048
Bethlehem Stl	35,000	1,003,750	40,250	Elan PLC	37,490	845,760	205,070
BHP billion Limited	30,563	298,331	360,643	Electronic Data Sys	4,769	313,850	177,168
Biogen	1,440	65,276	59,659	Embarcadero Technologies	14,350	151,693	88,683
BlackRock	3,625	81,209	160,588	Emerson Elec	6,644	392,293	355,520
Blyth Inc	29,375	868,723	917,088	Encana Corp	14,026	299,238	429,196
BMC Software	720	11,502	11,952	Entergy Corp	4,377	166,237	185,760
Boeing Co	2,630	123,349	118,350	EOG Res	2,694	100,696	106,952
Bowater Inc	2,977	155,809	161,859	Ericsson LM	1,200	8,233	1,728
BP PLC Sponsored	8,314	400,128	419,774	Exelon Corp	4,499	260,484	235,298
Brady Corporation	18,250	655,467	638,750	Expeditors Intl	6,800	199,852	225,488
Bristol Myers	7,817	411,901	200,897	Express Scripts	11,725	669,302	587,540
Burlington North Santa Fe	9,900	246,480	297,000	Exxon Mobil	42,984	1,710,945	1,758,905
Burlington Res	7,496	255,124	284,848	Factset Resch	11,200	399,809	333,424
Cabot Microelectronics	20,050	1,053,468	865,358	Fannie Mae	25,262	1,889,900	1,863,073
Cadence Design	2,719	32,699	43,833	Federated Dept Stores	2,786	114,254	110,604
Callaway Golf	37,825	672,062	599,148	Fifth Third Bancorp	2,692	152,564	179,422
Canadian Pac	3,895	39,716	95,505	First Data Corp	20,758	404,607	772,198
Capital One Finl	2,088	130,180	127,472	First Finl Bancorp	8,100	157,740	158,517
Cardinal Health	20,372	993,703	1,251,045	Fleet Boston Finl Corp	8,691	343,902	281,154
Caterpillar Inc	2,000	109,640	97,900	Footstar Inc	14,750	423,757	360,933
CEC Entmt	7,575	366,018	312,848	Forest Oil Corp	9,350	294,660	265,821
Certegy Inc	4,642	93,326	172,265	Forward Air Corp	5,150	153,746	168,817
CH Robinson	4,725	164,368	158,429	Freddie Mac	13,852	889,228	847,742
ChevronTexaco	8,307	669,236	735,170	FTI Consulting	10,250	318,365	358,853
Chicos Fas	9,375	331,313	340,500	Gannett Inc	3,083	197,245	234,000
Christopher & Banks	6,600	250,074	279,180	Gaylord Entmt	24,750	670,837	545,738
Chubb Corp	890	53,490	63,012	General Dynamics Corp	8,656	570,155	920,566
Cisco Sys	28,720	530,898	400,644	General Elec	70,794	3,438,729	2,056,566
Citi Molecular	2,575	43,775	59,071	General Mills	3,937	130,394	173,543
Citigroup Inc	84,160	3,494,037	3,261,200	General Mtrs	1,000	66,020	53,450
Clear Channel Comm	7,000	332,573	224,140	Getty Images	5,275	123,627	114,837
Cognizant Tech	4,100	180,477	220,375	Goldman Sachs	12,000	1,047,854	880,200
Colgate Palmolive	2,747	153,563	137,487	Guidant Corp	1,944	75,368	58,767
Comcast Corp	50,236	1,664,400	1,197,626	Haemonetics	30,775	973,438	898,630
Commercial Fed	21,725	640,240	630,025	Hancock	2,526	96,659	88,915
Companhia Vale Dop Rio	2,000	56,886	51,900	Hartford Finl	14,840	728,240	882,535
Companhia Vale Dop Rio	1,000	24,500	27,670	Hershey Food	1,457	92,508	91,063
Concerto Software	14,350	130,975	90,405	Hewlett Pakcard	12,619	262,703	192,818
Conoco Inc	16,439	382,530	457,004	Hibbett Sporting Goods	4,750	120,462	120,650
Convergys	7,524	266,104	146,568	Hollinger Intl	57,525	725,841	690,300
Copart	22,175	400,934	359,900	Home Depot	28,099	1,774,738	1,399,376
Costco	3,245	139,210	125,322	Hon Hai Prec	10,756	107,028	87,898
Cox Communications	12,500	423,971	344,375	Honeywell Intl	5,183	180,183	182,597
Crane Co	23,250	646,044	590,085	IBM Corp	8,139	794,828	586,008
Cree Inc	18,800	229,377	248,724	ICU Med	16,275	625,541	502,898
CSG Sys	20,500	551,331	392,370	ILEX Oncology	11,300	191,497	159,217
Cytec Inds	28,425	936,135	893,682	Infineon Technologies	4,000	275,519	61,960
Danaher	864	61,830	57,326	Integrated Circuit	23,875	467,376	482,036
DBS Group	35,000	183,593	245,665	Intel	45,250	1,806,925	826,718
Dell	18,707	655,909	489,001	Interpublic Group	1,728	57,164	42,785
Delphi Corp	7,081	99,098	93,469	Intuit Com	4,198	153,506	208,725
Delta & Pine	31,475	643,530	632,648	Investment Tech Grp	8,400	374,667	274,680

STATISTICAL SECTION

Issue	Par/ Shares	Book Value	Market	Issue	Par/ Shares	Book Value	Market
			Value at June 30, 2002				Value at June 30, 2002
Johnson & Johnson	31,273	1,455,418	1,634,327	Peoplesoft Inc	20,200	661,266	300,576
JP Morgan	2,000	76,260	67,840	Pepsico	12,655	447,306	609,971
Kellwood Co	13,450	376,475	437,125	Pericom Semiconductor	8,700	128,673	100,833
Kimberly Clark	8,330	510,434	516,460	Petro	2,327	58,143	65,784
Knight Transn	15,000	292,800	347,850	Petroleo	18,300	354,157	318,420
Kohls	30,800	1,672,803	2,158,464	Pfizer Inc	85,415	3,327,230	2,989,525
Koninklijke Philips	1,000	28,817	27,600	Pharmacia Corp	9,931	426,176	371,916
Korea	46,120	644,961	482,876	Philip Morris	11,842	590,126	517,259
KT Corp	22,970	579,177	497,301	Philippine Long Dist	10,000	406,168	202,000
Lehman Bro Hldgs	2,923	169,260	182,746	Phillips Pete Co	1,759	102,867	103,570
Lehman Brothers Hldg	10,100	90,268	86,860	Phoenix Cos	31,825	584,266	583,989
Liberty Media	18,350	332,699	183,500	Pitney Bowes	4,647	242,004	184,579
Lilly Eli	4,579	305,965	258,256	Pittston Co	18,150	497,398	435,600
Lincare	11,550	362,424	373,065	Polycom Inc	40,925	953,333	490,691
Lincoln	6,150	304,856	258,300	Preview System	29,559	133,016	1,035
Linens	9,025	304,834	296,110	Priority Healthcare	10,850	272,314	254,975
Lockheed	2,976	141,359	206,832	Procter & Gamble	4,556	356,445	406,851
Lowes	26,086	935,347	1,184,304	Progress Software	7,900	112,833	121,028
Macrovision	11,275	260,932	147,815	PSI Technologies	11,100	88,578	61,050
Manhattan	6,925	247,292	222,708	PumaTech	48,909	571,329	27,389
Marsh	3,974	431,167	383,888	Qualcomm Inc	4,952	266,257	136,130
MBNA Corp	51,500	1,429,840	1,703,105	R H Donnelley Corp	15,050	447,436	420,949
Mediacom	29,225	339,414	227,663	Rayonier Inc	16,047	868,937	788,389
Medtronic	16,900	744,584	724,165	Raytheon	3,312	128,564	134,964
Mellon	1,440	45,827	45,259	Rehabcare Group	9,500	254,030	228,285
Merck & Co	15,123	950,527	765,829	Rent a Center	4,000	220,240	232,040
Meritage Corp	3,725	152,564	170,046	Resources Connection Inc	10,175	294,261	274,623
Merrill Lynch	14,900	735,531	603,450	Rockwell Collins	288	6,515	7,897
Merrill Lynch & Co Bond	84,000	1,748,202	1,772,400	Rohm & Haas	4,773	163,577	193,259
Merrill Lynch & Co NASDA	5,400	42,537	43,200	Royal Dutch Pete	300	14,858	16,581
Merrill Lynch & Co NIKKEI	10,400	81,942	84,240	Safeway Inc	7,213	315,133	210,547
Merrill Lynch & Co NIKKEI	30,500	281,292	302,255	Salix Pharmaceuticals Inc	20,825	366,826	317,790
Merrill Lynch & Co NIKKEI	1,500	12,195	12,600	Salomon Smith Barney Nikk	38,700	357,644	385,065
Merrill Lynch & Co STRAT	75,100	657,463	642,105	Salomon Smith Barney S&P	5,000	87,650	80,550
Metris Cos	10,525	202,534	87,463	Samsung	6,110	479,713	838,903
Micrel Inc	28,150	454,295	404,797	Sanwa Intl Fin	18,000,000	158,392	48,432
Micron Technology	11,600	385,539	234,552	Sara Lee	5,904	123,864	121,859
Microsoft	42,394	2,924,800	2,318,952	SBC Communications	23,944	1,075,458	730,292
Millenium Chemicals	42,625	608,303	598,881	Seabulk Intl	56,524	1,795,426	443,148
Molex Inc	7,442	241,816	204,134	Seabulk Intl	489	4,123	336
Monolithic Sys	12,050	155,057	132,671	Seabulk Intl	2,822	-	2,822
Morgan Stanley	13,634	850,210	587,353	Sears Roebuck	1,623	88,630	88,128
Morgan Stanley Dean Witter	10,400	142,184	157,664	Siebel Syst	2,477	54,262	35,223
Morgan Stanley Dean Witter	30,800	93,981	98,560	SPDR Tr Unit S&P	76	8,651	7,521
Myraid Genetics	11,425	329,744	232,385	Speedway Motorsports	32,825	977,872	834,740
National Service Inds	6,675	70,681	60,075	Sprint Corp	90,600	1,751,374	404,982
Nations Govt Income	49,900	494,320	505,986	St Paul Cos	5,551	264,124	216,045
Nations Govt Income	3,100	31,062	31,527	Stewart Information	14,350	279,445	294,893
Newmont Mining Corp	1,440	43,103	37,915	STMicroelectronics	1,100	25,952	26,763
News Corp LTD ADR	300	9,782	6,879	Supertex	12,075	258,164	212,762
News Corporation	56,460	379,039	259,279	SYMYX Technologies	12,075	213,092	168,084
Nokia Corp	61,200	1,226,438	886,176	Sysco Corp	6,080	131,358	165,498
Nortel Networks	13,600	132,143	19,720	Taiwan Semiconductor	34,682	295,737	450,865
Northrop Grumman	1,812	190,188	226,500	Target Corp	47,886	1,813,816	1,824,457
Northwest Airlines	3,800	48,554	45,828	Targets Tr	33,000	409,412	348,645
NVR Inc	800	279,195	258,400	Techne Corp	14,325	409,213	404,252
Nyfix Inc	6,400	73,856	54,400	Telefonica	18,106	679,273	449,934
Odysey Healthcare	1,175	37,847	42,594	Telefonos De Mexico	38,230	862,331	1,226,418
Oil Co Lukoil Spon	3,400	187,066	220,572	Tenet Healthcare	23,097	1,399,476	1,652,590
Omnicom Group	3,460	300,736	158,468	Texas inds	14,175	553,728	446,371
Oracle Corp	4,320	70,354	40,910	Texas Instr	30,689	1,273,842	727,329
O'Reilly Automotive	27,100	824,658	746,876	Tiers Principal Protected	42,700	325,995	371,917
Orthodontic Ctrs	41,325	1,172,233	952,541	Toll Bros Inc	7,300	195,683	213,890
Owens Corning	20,000	554,474	10,000	Travelers Property Cas	10,300	199,267	182,310
Paxar Corp	15,725	268,990	263,394	Tredegar Corp	17,525	409,869	423,229
PDF Solutions	13,500	229,635	98,685	Triton PCS	40,575	325,136	158,243
PEC Solutions	16,650	341,168	398,268	TRW Inc.	1,224	48,479	69,744

STATISTICAL SECTION

Issue	Par/ Shares	Book Value	Market Value at June 30, 2002	Issue	Par/ Shares	Book Value	Market Value at June 30, 2002
Unifi Inc	20,025	221,609	218,273	International Paper	40	68,900	66,600
Union Pac	1,830	101,235	115,802	JP Morgan	45	70,665	77,175
Unisys Corp	13,741	192,521	123,669	Merck & Co	30	87,450	88,200
United Health Group	15,536	941,837	1,422,321	Merrill Lynch	520	19,040	3,900
United States Cellular Corp	3,175	125,581	80,804	Merrill Lynch	100	1,600	1,000
United Technologies	7,967	480,201	540,959	Merrill Lynch	400	6,400	4,000
US Bancorp	5,760	137,912	134,496	Nokia Corp	200	239,000	228,000
UT Starcom Inc	17,075	417,065	344,403	Philip Morris	30	40,510	65,400
Veritas Software	12,700	529,185	251,333	SBC Communications	40	67,150	98,800
Verizon Communications	16,732	893,553	671,790	Total Option Contracts		1,197,712	983,900
Viacom Inc	38,000	1,656,109	1,686,060				
VISX Inc	35,575	563,099	387,768	Other Investments			
Vodafone Grp	18,200	713,791	248,430	RWI Group III		5,799,250	1,864,491
Wachovia Corp	7,203	244,386	275,011	RWI Group IV		3,850,000	3,018,385
Waddell & Reed Finl	36,969	939,369	847,329	Total Other Investments		9,649,250	4,882,876
Wal Mart Stores	35,531	1,894,868	1,954,560				
Walgreen Co	5,400	205,880	208,602	Real Estate Investments			
Wallace Computer	34,825	767,748	748,738				
Wells Fargo & Co	18,146	840,973	908,389	Description and Location			Original
West Corp	14,950	480,067	329,797	MTRFA Properties			Cost
Western Gas Res	4,500	139,225	234,900	Arby's - Dallas, TX			189,083
Weyerhaeuser Co	11,227	567,580	716,844	Chi-Chi's - Hampton, VA			1,083,025
Wyeth	9,040	545,025	435,250	Golden Corral-Durham, NC			285,506
Xcel Energy	7,237	150,669	121,364	Grandy's - Arlington, TX			240,003
Depreciation of Enhanced Portfolio		(7,600,000)	(7,600,000)	Grandy's - Midland, TX			338,026
Total Common and Preferred Stock		418,429,170	381,685,764	Grandy's - Tulsa, OK			438,239
				Grandy's - Albuquerque, NM			288,166
Option Contracts				Jag's - St. Louis, MO			188,633
S&P 500 Index	50	299,125	15,500	MTRFA Rental Property			3,050,681
Caterpillar Inc	30	30,310	50,550	MRT Properties			
DuPont	40	53,600	64,000	Super 7 - Indianapolis, IN			163,669
Eastman Kodak	45	66,015	73,350	MTR Rental Property			163,669
EBay	25	71,125	53,375				
Exxon Mobil	25	28,013	27,000	Grand Total All Property			3,214,350

ADMINISTRATIVE EXPENSES

	2002	2001
Salaries	\$278,582	\$270,893
Payroll Taxes	19,128	18,832
Employee Benefits	45,946	42,031
Postage & Mailing	34,063	29,771
Telephone & Electricity	7,018	7,466
Printing & Binding	20,848	24,552
Office Supplies	4,449	4,907
Office Rent	46,429	44,755
Insurance	28,417	25,601
Data Processing	70,558	72,641
Depreciation	16,078	14,923
Travel	11,845	14,199
Mileage and Parking	1,220	1,987
Business Expense	10,860	14,760
Legal Fees	25,882	27,604
Actuarial	79,541	46,759
Audit	10,281	9,571
Miscellaneous	341	264
Total Administrative Expenses	\$ 711,486	\$ 671,516

STATISTICAL SECTION

Investment Expenses - Securities	<u>2002</u>	<u>2001</u>
Money Manager and Custodian Fees		
Advanced Investment Management	\$196,906	\$198,603
Alliance Capital	189,304	227,845
Brinson	0	0
Capital Guardian	296,360	342,491
GE Capital	241,209	261,790
Loomis Sayles	154,356	193,497
Loomis Sayles - High Yield	208,315	372,325
Mellon Capital - Fixed Income	42,592	32,320
Mellon Capital - Equity	48,293	64,879
Mellon Capital - International	28,716	54,414
Nicholas-Applegate	277,183	515,721
Northern Trust	97,729	191,307
Templeton	303,863	328,859
The Clifton Group	87,127	243,403
Sterling	37,500	0
Wasatch	60,622	0
Custodian Fees	<u>145,729</u>	<u>150,863</u>
Total Money Manager and Custodian Fees	2,415,804	3,178,317
Salaries	105,315	99,290
Payroll Taxes	7,254	6,890
Employee Benefits	17,425	15,378
Telephone and Electricity	2,662	2,731
Office Supplies	1,687	1,795
Office Rent	17,608	16,374
Insurance	26,777	25,113
Depreciation	6,098	5,459
Travel	15,282	11,607
Business Expense	1,732	1,536
Audit	3,899	2,603
Consulting	8,400	5,400
Miscellaneous	<u>12,569</u>	<u>3,361</u>
Total Investment Expenses - Securities	<u>\$2,642,513</u>	<u>\$3,375,854</u>
Investment Expenses - Real Estate		
Salaries	\$47,073	\$43,002
Payroll Taxes	3,227	2,985
Employee Benefits	7,753	6,665
Postage & Mailing	600	600
Telephone and Electricity	1,184	1,184
Office Supplies	751	778
Office Rent	7,834	7,095
Insurance	14,013	6,586
Depreciation	2,713	2,366
Travel	0	360
Business Expense	771	400
Legal Fees	50,061	15,377
Audit	1,735	2,416
Consulting	0	11,560
Property Taxes	15,027	5,618
Utilities on MTRFA Properties	0	7,134
Repairs and Maintenance	0	1,035
Valuations & Appraisals	0	1,862
Miscellaneous	<u>8,866</u>	<u>1,338</u>
Total Investment Expenses - Real Estate	<u>161,606</u>	<u>118,361</u>
Total Investment Expenses	<u>\$2,804,119</u>	<u>\$3,494,215</u>